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中州证券

Central China Securities Co., Ltd.

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

(Stock Code: 01375)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Central China Securities Co., Ltd. (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2022. This annual results announcement, containing the full text of the 2022 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results and has been reviewed by the audit committee under the Board.

The printed version of the Company's 2022 annual report will be dispatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk, the website of the Shanghai Stock Exchange at www.sse.com.cn and the website of the Company at www.ccnew.com on or before 30 April 2023.

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

Henan, the PRC
29 March 2023

As at the date of this announcement, the Board 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.



IMPORTANT NOTICE

The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of contents of the annual report and that there is no false representation, misleading statement contained herein or material omission from this report, for which they will assume joint and several liabilities.

All Directors of the Company have attended the meeting of the Board.

The annual financial statements for 2022 prepared by the Company in accordance with the China Accounting Standard for Business Enterprises have been audited by Da Hua Certified Public Accountants (Special General Partnership), with standard unqualified audit report issued to the Company.

Mr. Jian Mingjun, head of the Company, Mr. Li Zhaoxin, the person in charge of accounting affairs and the Chief Accountant and Ms. Yang Bo, head of the accounting department, warrant that the financial statements set out in this report are true, accurate and complete.

The Company's profit distribution plan for 2022 as considered and approved at the fourteenth meeting of the Seventh Session of the Board is to distribute a cash dividend of RMB0.07 (tax inclusive) for every 10 shares. As of 31 December 2022, calculated based on the total share capital of the Company of 4,642,884,700 shares, the total cash dividend amounted to RMB32,500,192.90 (tax inclusive). No capital reserves will be converted into share capital and no bonus shares will be distributed by the Company. Such proposed profit distribution plan is subject to the approval of the shareholders' general meeting of the Company.

The forward-looking statements in this report including future plans and development strategies do not constitute a substantive commitment of the Company to investors. Investors and related persons should understand the difference among plans, forecasts and commitments and be aware of investment risks.

There was no appropriation of funds of the Company by the controlling shareholder(s) or its related/connecting parties for non-operating purposes during the Reporting Period.

The Company had made no guarantee to external parties against the stipulated decision-making process during the Reporting Period.

There is no such situation in which more than half of the Directors cannot warrant the truthfulness, accuracy and completeness of this report disclosed by the Company.

This report has been prepared by the Company in both Chinese and English. In the event of any discrepancies between the English version and the Chinese version of this report, the Chinese version shall prevail.



MATERIAL RISK ALERT

The Company's business and assets are mainly concentrated in China and are highly dependent on the overall domestic economic and market conditions. Changes in the domestic economic situation and fluctuations in the capital market will have significant impact on the Company's operating results.

The risks confronted by the Company mainly include: policy risk with adverse impact on the operation of securities companies due to changes in national macroeconomic policies and the regulatory measures, laws and regulations related to the securities industry, regulatory policies and trading rules, etc.; compliance risk of the Company being legally held accountable, subject 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; market risk arising from adverse market price changes in the fair value of financial instruments held; credit risk resulting from losses due to defaults by financing parties, counterparties or issuers; operational risk resulting from direct or indirect losses caused by imperfect or faulty internal procedures, personnel, information systems and external events; liquidity 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; information technology risk of adverse impact on the Company's business due to software and hardware failures, security loopholes in the information technology systems and communication systems and insufficient emergency management capability of disaster recovery systems; reputational risk that the Company's actions or external events, and employees' violations of integrity regulations, professional ethics, business norms, industry rules and regulations, etc., leading to negative evaluations of the Company by investors, issuers, regulators, self-regulatory organizations, the public, the media, etc., thus damaging the Company's brand value and affecting its normal operations.

The Company has established and continuously improved its internal control system, compliance and comprehensive risk management system by establishing a scientific mechanism for risk identification, assessment, response, monitoring and reporting, and implementing risk management throughout the entire process of business decision-making to ensure that the Company's operations are conducted within the limits of measurable, controllable and tolerable risks. For the relevant risks faced by the Company in its operation, please refer to the relevant contents in "VII. COMPANY'S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY — (IV) POTENTIAL RISKS UNDER SECTION 3 REPORT OF THE BOARD OF DIRECTORS" of this report.



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DOCUMENTS AVAILABLE FOR INSPECTION

The annual report with the signature of the legal representative of the Company.

The financial statements signed by the legal representative, the person in charge of financial affairs, the Chief Accountant and head of the accounting department and chopped with the official chop of the Company.

Original copies of all documents and announcements disclosed on the website designated by the CSRC during the Reporting Period.

Annual report disclosed in other securities markets.

Other relevant materials.

SECTION 1 DEFINITIONS

In this report, unless the context otherwise requires, the following terms and expressions have the meaning set forth below:

DEFINITIONS OF COMMON TERMS

Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
Group	the Company and its subsidiaries
Board	the board of the Directors of the Company
Director(s)	Director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	Supervisor(s) of the Company
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Appendix 14 to the Hong Kong Listing Rules
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
this report	this annual report
SSE	Shanghai Stock Exchange
SSE Composite Index	composite stock price index of the SSE
SZSE	Shenzhen Stock Exchange
SZSE Component Index	component stock price index of the SZSE
Beijing Stock Exchange	Beijing Stock Exchange
Wind Info	Wind Information Co., Ltd. (萬得信息技術股份有限公司)
IPO	the initial public offering
A shares	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
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

SECTION 1 DEFINITIONS

Reporting Period/the Period	the period from 1 January 2022 to 31 December 2022
end of the Reporting Period/end of the Period	31 December 2022
PRC or China	the People's Republic of China
State Council	the State Council of the PRC (中華人民共和國國務院)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Ministry of Finance	the Ministry of Finance of the PRC (中華人民共和國財政部)
NDRC	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
CPCHPC	Henan Provincial Committee of the Communist Party of China (中國共產黨河南省委員會)
Henan Provincial Government	Henan Provincial People's Government (河南省人民政府)
Henan Bureau of the CSRC	Henan Branch of the China Securities Regulatory Commission (中國證券監督管理委員會河南監管局)
Henan SASAC	The 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)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
STAR Market	science and technology innovation board of the SSE
New Third Board or NEEQ	National Equities Exchange and Quotations for medium and small-sized enterprises
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司)
Anyang Iron & Steel Group	Anyang Iron & Steel Group Co., Ltd. (安陽鋼鐵集團有限責任公司)
Pingmei Shenma	China Pingmei Shenma Energy & Chemical Group Co., Ltd. (中國平煤神馬控股集團有限公司)
Anyang Economic Development	Anyang Economic Development Group Co., Ltd. (安陽經濟開發集團有限公司)
Jiangsu SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)
Shenhua Group	Henan Sunho Group Co., Ltd. (河南神火集團有限公司)
Jiaozuo Economic and Technology Development	Jiaozuo Economic and Technology Development Co., Ltd. (焦作市經濟技術開發有限公司)

SECTION 1 DEFINITIONS

Shenzhen Rising	Shenzhen Rising Investment Development Co., Ltd. (深圳市廣晟投資發展有限公司)
Hebi Construction and Investment	Hebi Investment Group Co., Ltd. (鶴壁投資集團有限公司)
Henan Securities	Henan Securities Co., Ltd. (河南證券有限責任公司)
Central China Futures	Central China Futures Co., Ltd. (中原期貨股份有限公司)
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司)
Kaiyuan Private Equity	Henan Kaiyuan Private Equity Fund Management Co., Ltd. (河南開元私募基金管理有限公司)
Central China Blue Ocean or CCBO	Central China Blue Ocean Investment Management Co., Ltd. (中州藍海投資管理有限公司)
Central China International	Central China International Financial Holdings Company Limited (中州國際金融控股有限公司)
Equity Exchange Co.	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司)
Central China Micro-lending	Henan Central China Micro-lending Company Limited (河南省中原小額貸款有限公司)
Yuxin Investment	Yuxin Investment Management (Shanghai) Co., Ltd. (豫新投資管理(上海)有限公司)
Zhongyuan Trust	Zhongyuan Trust Co., Ltd. (中原信託有限公司)
Articles of Association	the prevailing valid Articles of Association of the Company
Company Law	the Company Law of the People's Republic of China (《中華人民共和國公司法》)
Securities Law	the Securities Law of the PRC (《中華人民共和國證券法》)
RMB	Renminbi, the lawful currency of the PRC, with the basic unit of "yuan"
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
%	per cent.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION ABOUT THE COMPANY

Chinese name of the Company	中原证券股份有限公司
Chinese abbreviation of the Company	中原证券
English name of the Company	CENTRAL CHINA SECURITIES CO., LTD.
English abbreviation of the Company	CCSC
Legal representative of the Company	Jian Mingjun
General manager of the Company	Li Zhaoxin

Registered capital and net capital

Unit: Yuan Currency: RMB

	At the end of the Reporting Period	At the end of last year
Registered capital	4,642,884,700.00	4,642,884,700.00
Net capital	8,107,804,569.34	9,100,531,842.63

Qualifications for each individual business of the Company

1. Securities brokerage
2. Securities investment consulting
3. Financial advisory services relating to securities trading and securities investment activities
4. Proprietary trading of securities
5. Financial advisory services for merger, acquisition and restructuring of listed companies
6. Securities asset management
7. Entrusted investment management business
8. Stock lead underwriting business
9. Entrusted on-line securities business
10. Sponsorship of offering and listing of securities
11. Proxy sale of open-end securities investment funds
12. "SSE 50ETF" participant broker
13. Buyout repurchase of T-bonds on SSE
14. IPO book-building and placement
15. Sponsorship of shareholder structure reform
16. Warrant trading
17. Clearing participants of China Securities Depository and Clearing Corporation Limited
18. Foreign exchange business
19. National inter-bank lending and borrowing business
20. Primary dealer of Integrated Electronic Platform of Fixed-income Securities of SSE

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

21. Qualified investor of block trading system
22. Trading in the inter-bank bond market
23. Intermediary introduction business for futures companies
24. Agency system host securities dealer business
25. Sponsoring broker of New Third Board
26. Passed the globally recognised standard ISO/IEC20000 for IT service management field
27. Direct investment business
28. Margin financing and securities lending business
29. Agency sale of financial products
30. Underwriting of private placement bonds for small and medium-sized enterprises
31. Exchange-quoted bond pledged repo business
32. Agreed repurchase type securities trading business
33. Fund business
34. Capital refinancing business
35. Agency service for registration of pledge of securities
36. Stock-pledged repo
37. Securities refinancing and lending business
38. Shanghai-Hong Kong Stock Connect business on the SSE
39. Market-making business on the National Equities Exchange and Quotations
40. Piloting of issuing short-term corporate bonds
41. Piloting of OTC market business
42. Piloting of internet securities business
43. Option brokerage business on SSE
44. Market-making business on quotation system of inter-institutional private products
45. Shenzhen-Hong Kong Stock Connect business on SZSE
46. Qualification for underwriting of interbank non-financial corporate debt financing instruments

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative of securities affairs
Name	Zhu Qiben	Zhao Jinqi
Address	9F, Pingmei Shenma Financial Assets Operation Center, Intersection of West Ruyi Road and Ruiyi River West Street 4, Jinshui District, Zhengzhou City, Henan Province, China (Postcode: 450018)	9F, Pingmei Shenma Financial Assets Operation Center, Intersection of West Ruyi Road and Ruiyi River West Street 4, Jinshui District, Zhengzhou City, Henan Province, China (Postcode: 450018)
Tel	0371-69177590 (Acceptance time: trading day 9:00–11:30 13:00–17:00)	0371-69177590 (Acceptance time: trading day 9:00–11:30 13:00–17:00)
Fax	0371-86505911	0371-86505911
Email address	zyzqdm@ccnew.com	zyzqzd@ccnew.com

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

III. BASIC PROFILE

Registered address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China
Change of the Company's registered address:	none
Office address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China
Postcode of the registered address of the Company	450018
Website of the Company	http://www.ccnew.com
Email address	investor@ccnew.com
Principal place of business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Media name and websites for disclosure of the Company's annual report	China Securities Journal: https://www.cs.com.cn/ Shanghai Securities News: https://www.cnstock.com/ Securities Times: http://www.stcn.com/ Securities Daily: http://www.zqrb.cn/
Websites of SSE for disclosure of the Company's annual report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for disclosure of the Company's annual report	http://www.hkexnews.hk
Place for inspection of the Company's annual report	9F, Pingmei Shenma Financial Assets Operation Center, Intersection of West Ruyi Road and Ruyi River West Street 4, Jinshui District, Zhengzhou City, Henan Province, China

V. SHARES OF THE COMPANY

Class of Shares	Stock Exchange of Listing	Stock Name	Stock Code
A Shares	SSE	中原证券	601375
H Shares	Hong Kong Stock Exchange	中州证券	01375

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI. OTHER INFORMATION OF THE COMPANY

(I) History of the Company, mainly including the restructuring and reorganization, capital increase and share expansion in previous years, etc.

On 25 October 2002, according to the CSRC's Reply Concerning Approval of Opening of Central China Securities Co., Ltd. (Zheng Jian Ji Gou Zi 2002 No. 326) (《關於同意中原證券股份有限公司開業的批覆》(證監機構字[2002]326號)), 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 and Commerce on 8 November 2002, with a registered capital of RMB1,033.79 million. After incorporation, the Company, according to CSRC's reply concerning approval of opening, acquired the securities branch and securities services department (which were originally under Henan Securities) and other securities-related assets.

On 15 January 2008, as approved by the CSRC, the Company's registered capital changed from RMB1,033,790,000 to RMB2,033,515,700.

On 10 June 2008, 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 shares of the Company (accounting for 35.173% of the registered capital) held by Henan Economic and Technology Development Co., Ltd., after which Henan Investment Group holds 911,957,800 shares of the Company in aggregate (accounting for 44.846% of the Company's registered capital).

On 22 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. as a shareholder and to receive 608,000,000 shares (accounting for 29.899% of the Company's registered capital) of the Company held by Xuji Group Corporation.

On 25 June 2014, shares issued overseas by the Company were listed on the main board of Hong Kong Stock Exchange (stock abbreviation: 中州證券; stock code: 01375). According to the Reply Concerning Management and Transfer of State-owned Equities of Central China Securities Co., Ltd. (Guo Zi Chan Quan 2013 No. 1070) (《關於中原證券股份有限公司國有股權管理及國有股轉持有關問題的批覆》(國資產權[2013]1070號)) by State-owned Assets Supervision and Administration Commission of the State Council, after the Company completed this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, Pingmei Shenma, Anyang Economic Development, Jiangsu SOHO Holdings, Shenhua Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment transferred their respective 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 (59,810,000 shares in total) to National Council for Social Security Fund. 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 RMB2,631,615,700.



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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 RMB3,223,734,700.

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 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) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Reply Concerning Proposal for Management of State-owned 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) (《關於中原證券股份有限公司發行A股國有股權管理方案及國有股轉持的批覆》(豫國資產權[2015]26號)) by the Henan SASAC, based on 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, Shenhua Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment transferred their respective 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) 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 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. 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 RMB3,869,070,700.

On 30 July 2020, the Company completed the non-public issuance of 773,814,000 A shares with a nominal value of RMB1 each and at an issue price of RMB4.71 per A share. On 4 September 2020, 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 RMB4,642,884,700.

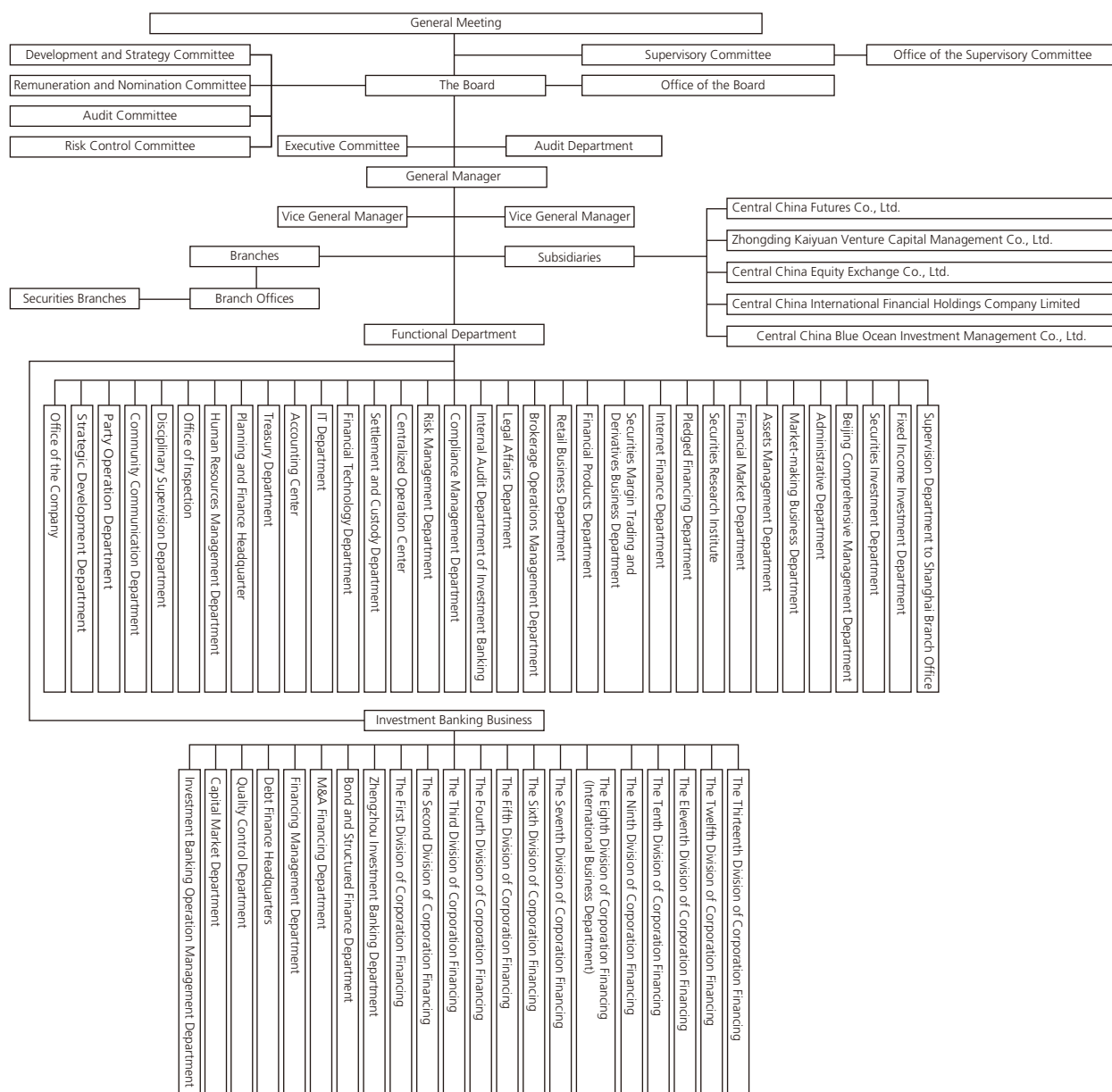
(II) Status of the Company's organizational structure

The Company operates in accordance with the relevant laws and regulations including the Company Law, the Securities Law and Guidelines for the Internal Control of Securities Companies (《證券公司內部控制指引》) and the requirements of the Articles of Association, thus scientific and effective corporate governance system has been established. The Company has also established a corporate governance structure that balances the power between the general meeting, the Board and the Supervisory Committee, in which the general meeting is the corporate authoritative body, the Board is the decision making authority and the Supervisory Committee is the supervision authority.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

1. Organizational structure diagram of the Company

As at the date of this report, the organizational structure diagram of the Company is as follows:



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

2. Major subsidiaries of the Company

As of the end of the Reporting Period, the Company directly owned 4 domestic subsidiaries and 1 overseas subsidiary. For details, please refer to “VI. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD — (VII) Analysis of major subsidiaries and companies in which the Company has invested under Section 3 REPORT OF THE BOARD OF DIRECTORS” of this report.

(III) Number and network of securities branches of the Company

As of the end of the Reporting Period, the Company had 79 branches. They are in 11 provinces, autonomous regions and municipalities directly under the central government, including 2 in Shanghai, 1 in Zhejiang Province, 1 in Guangdong Province, 1 in Hubei Province, 1 in Hunan Province, 2 in Jiangsu Province, 1 in Shandong Province, 1 in Hebei Province, 1 in Tianjin, 1 in Shanxi Province and 67 in Henan Province. See the following table for details:

No.	Securities branch	Address	Person in charge
1	Central China Securities Co., Ltd. Zhengzhou Huanghe Road Securities Branch	2F, West Wing Building, No. 11 Huanghe Road, Jinshui District, Zhengzhou City, Henan Province	Chen Mingwei
2	Central China Securities Co., Ltd. Zhengzhou Tongbai Road Securities Branch	No. 43 Tongbai Road, Zhongyuan District, Zhengzhou City, Henan Province	Chang Hongxin
3	Central China Securities Co., Ltd. Zhengzhou Free Trade Zone Securities Branch	Room 202, Floor 5A, 138 Jingbei First Road, Zhengzhou Area (Jiangkai), Henan Pilot Free Trade Zone, Henan Province	Wu Xinzhong
4	Central China Securities Co., Ltd. Zhengzhou Zijingshan Road Securities Branch	20F, Post Office Tower, No. 61 Zijingshan Road, Guancheng Hui District, Zhengzhou City, Henan Province	Jia Yingkui
5	Central China Securities Co., Ltd. Zhengzhou Jingsan Road Securities Branch	No. 25 Jingsan Road, Jinshui District, Zhengzhou City, Henan Province	Zhao Shengchang
6	Central China Securities Co., Ltd. Zhengzhou Weier Road Securities Branch	3F, Business Building, Jingwei Apartment, No. 30 Weier Road, Jinshui District, Zhengzhou City, Henan Province	Song Yitao
7	Central China Securities Co., Ltd. Zhengzhou Business Inner Ring Road Securities Branch	2F, No. 11 Business Inner Ring Road, Zhengzhou Section (Zhengdong), Henan Pilot Free Trade Zone, Henan Province	Xin Zhihong
8	Central China Securities Co., Ltd. Xinzheng Xinhua Road Securities Branch	No. 4–5, 1F, Building 1, Xinhua Community, Xinhua Road, Xinzheng City, Henan Province	Feng Yongjun

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
9	Central China Securities Co., Ltd. Xinmi East Avenue Securities Branch	No. 17 East Avenue, Xinmi City, Zhengzhou City, Henan Province	Li Xiaohong
10	Central China Securities Co., Ltd. Gongyi Songshan Road Securities Branch	No. 119-8 Songshan Road, Gongyi City, Henan Province	Shi Jianguo
11	Central China Securities Co., Ltd. Zhong Mou Guang Hui Street Securities Branch	Shop on 1F (facing the street), Southeast of the intersection of Guang Hui Street and Wansheng Road, Zhong Mou County, Zhengzhou City, Henan Province	Chen Zhong
12	Central China Securities Co., Ltd. Dengfeng Shaolin Avenue Securities Branch	Shaolin Avenue, Dengfeng City (West Hall on 1F of Shaolin International Hotel), Henan Province	Qu Bo
13	Central China Securities Co., Ltd. Dengzhou Xinhua Road Securities Branch	No. 17 East Xinhua Road, Dengzhou City, Henan Province	Zhang Hui
14	Central China Securities Co., Ltd. Nanyang East Fanli Road Securities Branch	Building 2, Rulin Yuzhu Garden, East Fanli Road, Nanyang City, Henan Province	Zhao Xiaoyu
15	Central China Securities Co., Ltd. Nanyang Wuyi Road Securities Branch	East Wuyi Road, Guanzhuang Working Area, Nanyang City, Henan Province	Wang Qingfeng
16	Central China Securities Co., Ltd. Xixia Renmin Road Securities Branch	Intersection of Baiyu Road and Renmin Road, Xixia County, Henan Province	Zhang Wandong
17	Central China Securities Co., Ltd. Pingdingshan Guangming Road Securities Branch	Shop 106+206, 1-2F, No. 6 Jinghua • Jinyu Lanwan, Southwest Corner of Intersection of Guangming Road and Zhannan Road, Zhanhe District, Pingdingshan City, Henan Province	Li Jiangong
18	Central China Securities Co., Ltd. Pingdingshan Jianshe Road Securities Branch	37 Middle Jianshe Road (Renmin Plaza), Weidong District, Pingdingshan City, Henan Province	Zheng Wenchao
19	Central China Securities Co., Ltd. Ruzhou Chengyuan Road Securities Branch	1-2F, West side of the Chengyuan Road, Ruzhou City, Henan Province	Shi Lin
20	Central China Securities Co., Ltd. Baofeng Zhongxing Road Securities Branch	Shop 111, Dongcheng International Residential Community, Zhongxing Road, Chengguan Town, Baofeng County, Henan Province	Jiao Dezhi

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
21	Central China Securities Co., Ltd. Luohe Changjiang Road Securities Branch	No. 29 Changjiang Road, Yuanhui District, Luohe City, Henan Province	Wu Jun
22	Central China Securities Co., Ltd. Linying Yinghe Road Securities Branch	A6-8, Longting Shoufu Community, Middle Yinghe Road, Linying County, Henan Province	Zhao Jun
23	Central China Securities Co., Ltd. Puyang Kaizhou Road Securities Branch	1F, China Unicom Building, Southwest of the intersection of Zhongyuan Road and Kaizhou Road, Puyang City, Henan Province	Song Yuejin
24	Central China Securities Co., Ltd. Puyang Zhongyuan Road Securities Branch	No. 18 Zhongyuan Road, Puyang City, Henan Province	Zhang Yunpeng
25	Central China Securities Co., Ltd. Qingfeng Chaoyang Road Securities Branch	No. 240 Chaoyang Road, Qingfeng County, Puyang City, Henan Province	Wang Xiangxin
26	Central China Securities Co., Ltd. Puyang County Yumin Road Securities Branch	East to the Middle Yumin Road, Puyang County, Henan Province	Chang Shaoyong
27	Central China Securities Co., Ltd. Anyang Zhonghua Road Securities Branch	Building 7, Guangsha New Garden, Zhonghua Road, Anyang City, Henan Province	Jiang Hua
28	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	Southeast Corner, Intersection of Meidong Road and Wenfeng Avenue, No. 413 Wenfeng Avenue, Longan District, Anyang City, Henan Province	Chen Limin
29	Central China Securities Co., Ltd. Linzhou Xinglin Street Securities Branch	Northwest Corner, Intersection of Zhenlin Road and Xinglin Street, Kaiyuan District, Henan Province	Wu Xinsheng
30	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	Shop 102, Building 8, Huangtong Shijicheng, Hua County New Area, Anyang City, Henan Province	Fu Hongbin
31	Central China Securities Co., Ltd. Tangyin Renmin Road Securities Branch	Area A of Shangri-La, Southwest Angle, Intersection of Renmin Road and Zhonghua Road, Tangyin County, Anyang City, Henan Province	Pei Haixia
32	Central China Securities Xinxiang East Renmin Road Securities Branch	Shop 1201, Building 1, Tianan Mingdi, No. 166 Muye Avenue (Middle), Hongmen Town, Hongqi District, Xinxiang City, Henan Province	Qiu Fei

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
33	Central China Securities Co., Ltd. Changyuan Shanhai Avenue Securities Branch	Shop 116, Building 11, Weihua Shijicheng, Shanhai Avenue, Changyuan City, Xinxiang City, Henan Province	Shen Changjun
34	Central China Securities Co., Ltd. Hui County Gongcheng Avenue Securities Branch	North to the East Gongcheng Avenue, Hui County, Henan Province	Zhang Xiaodong
35	Central China Securities Co., Ltd. Weihui Bigan Avenue Securities Branch	No. 152 Bigan Avenue, Weihui City, Xinxiang City, Henan Province	Wei Dong
36	Central China Securities Co., Ltd. Yuanyang Huanghe Avenue Securities Branch	East to Shengshi Elegant Garden 2-2-1, South to Huanghe Avenue, Yuanyang County, Henan Province	Zhang Lefei
37	Central China Securities Co., Ltd. Xun County Huanghe Road Securities Branch	200m East to the North of the Intersection of Huanghe Road and Liyang Road, Xun County, Henan Province	He Yanjiang
38	Central China Securities Co., Ltd. Qi County Qihe Road Securities Branch	306 Qihe Road, Qi County, Henan Province	Jia Yuan
39	Central China Securities Co., Ltd. Xuchang Balong Road Securities Branch	Future East Coast Huacheng, South Balong Road, Xuchang City, Henan Province	Li Jianxin
40	Central China Securities Co., Ltd. Changge Chenshi Road Securities Branch	Intersection of Chenshi Road and Tianping Road, Changge City, Henan Province	Wang Jun
41	Central China Securities Co., Ltd. Yuzhou Fudong Road Securities Branch	Middle Fudong Road, Yuzhou City, Xuchang City, Henan Province	Wang Zhiquan
42	Central China Securities Co., Ltd. Yanling Cuiliu Road Securities Branch	1F, Street-Facing Building, West to 4F County Government, Cuiliu Road, Development Zone, Yanling County, Henan Province	Wei Ke
43	Central China Securities Co., Ltd. Xiangcheng Zhongxin Road Securities Branch	East Zhongxin Road, Xiangcheng County (opposite to the Bureau of Finance, Henan Province)	Qiao Guangjun

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
44	Central China Securities Co., Ltd. Gushi Hongsu Road Securities Branch	3F, Century Mansion, Chen Yuanguang Plaza, Intersection of North Chengliao Road and Hongsu Road, Gushi County, Xinyang City, Henan Province	Li Mingbao
45	Central China Securities Co., Ltd. Guangshan Guanghui Avenue Securities Branch	Fortune Plaza at the Intersection of Guanghui Avenue and Guangming Avenue, Zishui Office, Guangshan County, Henan Province	Hu Haohan
46	Central China Securities Co., Ltd. Mengzhou West Hanyu Street Securities Branch	No. 292 West Hanyu Street, Mengzhou City, Henan Province	Zhen Rongxing
47	Central China Securities Co., Ltd. Qinyang North Jianshe Road Securities Branch	North Jianshe Road, Qinyang City, Henan Province	Ma Jie
48	Central China Securities Co., Ltd. Jiyuan City Jiyuan Avenue Securities Branch	Shop 14 of the Street Shops from West to East, Commercial and Residential Building 1, Area A, Jishui Garden, South side of the Xueyuan Road, Jiyuan City, Henan Province	Yuan Fang
49	Central China Securities Co., Ltd. Lankao Yulu Avenue Securities Branch	East to North Yulu Avenue, Lankao County, Henan Province	Li Ming
50	Central China Securities Co., Ltd. Lingbao Hangu Road Securities Branch	Intersection of Hangu Road and Jingshan Road, Lingbao City, Henan Province	Li Jinfeng
51	Central China Securities Co., Ltd. Mianchi County Huanghe Road Securities Branch	Shop 06, Building 1, Xinhua International Community, Middle Huanghe Road, Mianchi County, Henan Province	Zhang Xueyun
52	Sanmenxia Xiaoshan Road Securities Branch	Shop on the first floor of No. 57 (Mingzhu Hotel) Middle Section of Xiaoshan Road, Hubin District, Sanmenxia City, Henan Province	Feng Bin
53	Central China Securities Co., Ltd. Shangqiu Nanjing Road Securities Branch	1F, Shop 110, Block C, Yingtian International Plaza, West Gui'de Road, South Nanjing Road, Suiyang District, Shangqiu City, Henan Province	Zhong Yahui
54	Central China Securities Co., Ltd. Yongcheng Zhongyuan Road Securities Branch	Intersection of Zhongyuan Road and Guangming Road, Dongcheng District, Yongcheng City, Henan Province	Zhang Zhongmin

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
55	Central China Securities Co., Ltd. Minqun Boai Road Securities Branch	Shop 6, Building 11, Middot, at the intersection of Qiushui Road and Boai Road, Minquan County, Henan Province	Wang Peng
56	Central China Securities Co., Ltd. Yucheng Songshan Road Securities Branch	1-2F, Shops 109-110, Building 5, Royal Pearl River, North to Songshan Road, Chengguan Town, Yucheng County, Henan Province	Jiang Yangyang
57	Central China Securities Co., Ltd. Zhecheng Weilai Avenue Securities Branch	Shop 116, West Garden, Jinsha Mansion, Weilai Avenue, Zhecheng County, Shangqiu City, Henan Province	Shi Di
58	Central China Securities Co., Ltd. Luyi Zhenyuan Avenue Securities Branch	No. 428 Zhenyuan Avenue, Luyi County, Henan Province	Li Yong
59	Central China Securities Co., Ltd. Xihua Fengmu Road Securities Branch	Middle Fengmu Road, Xihua County, Henan Province	Zhang Yang
60	Central China Securities Co., Ltd. Shenqiu Jixiang Road Securities Branch	South of East Jixiang Road, Huaidian Town, Shenqiu County, Henan Province	Ma Guang
61	Central China Securities Co., Ltd. Luoyang Kaiyuan Avenue Securities Branch	Building 1, No. 260 Kaiyuan Avenue, Luoyang City, Henan Province	Zhang Ruiping
62	Central China Securities Co., Ltd. Luoyang West Zhongzhou Road Securities Branch	No. 26 West Zhongzhou Road, Jianxi District, Luoyang City, Henan Province	Zhu Yu
63	Central China Securities Co., Ltd. Yichuan East Renmin Road Securities Branch	3F, Building 1, Shengfu Jiayuan, North of Renmin East Road, Binhe New District, Yichuan County, Luoyang City, Henan Province	Chen Yi
64	Central China Securities Co., Ltd. Xin'an Cihe Road Securities Branch	North to Jianhe Road, Xincheng West District, Xin'an County, Henan Province	Wang Haiyun
65	Central China Securities Co., Ltd. Yanshi Yingbin Road Securities Branch	Room 301, Building 1, Yuehai International, No. 41 Huaxia Road, Yiluo Subdistrict, Yanshi District, Luoyang City, Henan Province	Qiao Yongjun

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
66	Central China Securities Co., Ltd. Xiping Xiping Avenue Securities Branch	No. 158 Xiping Avenue, Xiping County, Henan Province	Li Guangxi
67	Central China Securities Co., Ltd. Shangcai Caidu Avenue Securities Branch	No. 21, West Section of Caidu Avenue, Chongyang Office, Shangcai County, Henan Province	Li Dawei
68	Central China Securities Co., Ltd. Shanghai Mudanjiang Road Securities Branch	Unit C404, No. 318 Mudanjiang Road, Baoshan District, Shanghai	Zhou Dawei
69	Central China Securities Co., Ltd. Shanghai Hunan Road Securities Branch	1–2F, No. 2589 Hunan Road, Pudong New Area, Shanghai	Zhang Zhenming
70	Central China Securities Co., Ltd. Shenzhen Longcheng Avenue Securities Branch	Unit 907, Genzon Times Square Tower, 89 Longcheng Avenue, Center City, Longcheng Street, Longgang District, Shenzhen	Zeng Hao
71	Central China Securities Co., Ltd. Jinan Yuhuan Road Securities Branch	2F, South Tower, Building 1, No. 89, Yuhuan Road, Shizhong District, Jinan City, Shandong Province	Yang Chen
72	Central China Securities Co., Ltd. Yiwu North Chouzhou Road Securities Branch	Rooms 201 and 202, No. 955 North Chouzhou Road, Yiwu City, Zhejiang Province	Li Hongqiang
73	Central China Securities Co., Ltd. Tianjin Zhangzizhong Road Securities Branch	Room 702, No. 2 Zhangzizhong Road, Haihe Huading Mansion, Hongqiao District, Tianjin	Wu Zhigao
74	Central China Securities Co., Ltd. Shijiazhuang Zhongshan West Road Securities Branch	Shop 2A003, 2F Zhongdian Information Plaza, No. 356 Zhongshan West Road, Qiaoxi District, Shijiazhuang City, Hebei Province	Zhao Chenguang
75	Central China Securities Co., Ltd. Jishou Century Avenue Securities Branch	Room 106, Building 62, China Railway Real Estate Shijishanshui Phase II, Ganzhou Century Avenue, Jishou City, Hunan Province	Xiang Qingfeng

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
76	Central China Securities Co., Ltd. Zhangjiagang Jiannong Road Securities Branch	No. 18 Jiannong Road, Yangshe Town, Zhangjiagang City	Zhu Sheng
77	Central China Securities Co., Ltd. Wuhan Luoshi Road Securities Branch	Rooms 12, 13 and 14, 7F, Starlight, South Lake, Intersection of South Luoshi Road and Wenhui Road, Hongshan District, Wuhan City	Duan Ruixing
78	Central China Securities Co., Ltd. Yuncheng North Huidong Road Securities Branch	1F, Tianyu Commercial Building, No. 9 North Huidong Road, Yuncheng City	Tang Feng
79	Central China Securities Co., Ltd. Taicang Taiping South Road Securities Branch	No. 19-3 Taiping South Road, Chengxiang Town, Taicang City	Gu Yajun

(IV) Number and network of other branches

As of the end of the Reporting Period, the Company had 30 branch offices, as detailed below:

No.	Branch Offices	Address	Date of incorporation	Person in charge	Telephone
1	Central China Securities Co., Ltd. Zhengzhou Branch Office	11F, Building 1, Guanghui Guomao, No. 15 Jingsan Road, Jinshui District, Zhengzhou City, Henan Province	10/3/2011	Li Huafeng	0371-61916172
2	Central China Securities Co., Ltd. Nanyang Branch Office	No. 170 Renmin Road, Nanyang City, Henan Province	20/5/2003	Dong Baojun	0377-63595666
3	Central China Securities Co., Ltd. Pingdingshan Branch Office	28th Floor, Building 1, Shop 101, Building 2, Jiatian Xintiandi, No. 26 Middle Jianshe Road, Xinhua District, Pingdingshan City, Henan Province	30/6/2015	Wen Yiyao	0375-4851999
4	Central China Securities Co., Ltd. Luohe Branch Office	No. 101, Building 7, Jinse Huafu Junyuan, Huanghe Road, Yancheng District, Luohe City, Henan Province	9/6/2003	Lv Yaodong	0395-3183866
5	Central China Securities Co., Ltd. Puyang Branch Office	No. 203 Middle Jianshe Road, Puyang City, Henan Province	21/4/2014	Yu Chunyan	0393-8152849

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch Offices	Address	Date of incorporation	Person in charge	Telephone
6	Central China Securities Co., Ltd. Anyang Branch Office	Financial Securities Building, North Hongqi Road, Beiguan District, Anyang City, Henan Province	8/5/2003	Tian Liqi	0372-5914195
7	Central China Securities Co., Ltd. Xinxiang Branch Office	No. 250 Renmin Road, Xinxiang City, Henan Province	29/4/2003	Wang Tianpeng	0373-2033009
8	Central China Securities Co., Ltd. Hebi Branch Office	Southeast Corner, Intersection of Qibin Avenue and Xinghe Street, Qibin District, Hebi City, Henan Province	26/5/2004	Jie Jiwu	0392-3299909
9	Central China Securities Co., Ltd. Xuchang Branch Office	No. 669 Yingchang Avenue, Weidu District, Xuchang City, Henan Province	12/6/2014	Chen Lei	0374-2334988
10	Central China Securities Co., Ltd. Xinyang Branch Office	Hongyunxin Square Office Building, No. 136 Zhongshan Road, Shihe District, Xinyang City, Henan Province	26/7/2006	Xu Hongjian	0376-6210668
11	Central China Securities Co., Ltd. Jiaozuo Branch Office	No. 1838 Middle Jiefang Road, Jiaozuo City, Henan Province	2/6/2003	Su Wenfeng	0391-3911111
12	Central China Securities Co., Ltd. Kaifeng Branch Office	1F, Building 1, Area C, Longcheng Jinxiu Garden, Jiying Street, Kaifeng City, Henan Province	11/8/2006	Li Hui	0371-23156528
13	Central China Securities Co., Ltd. Yellow River Golden Triangle Demonstration Area Branch Office	2F, Building 4-6, Jinxiuhuating, Daling Road, Sanmenxia City, Henan Province	20/11/2013	Wang Lin	0398-2829463
14	Central China Securities Co., Ltd. Shangqiu Branch Office	Jinsui International Trade Building, Northeast Corner of Nanjing Road and Shangzi Road, Suiyang District, Shangqiu City, Henan Province	24/4/2014	Ding Qingming	0370-2580009
15	Central China Securities Co., Ltd. Zhoukou Branch Office	3F (facing the street), Office Building of Henan Netcom Zhoukou Branch, No. 81 Middle Section of Qiyi Road, Zhoukou City, Henan Province	26/4/2006	Song Fei	0394-8288681

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch Offices	Address	Date of incorporation	Person in charge	Telephone
16	Central China Securities Co., Ltd. Luoyang Branch Office	No. 30 West Kaixuan Road, Xigong District, Luoyang City, Henan Province	28/11/2013	Gao Jingxian	0379-63121666
17	Central China Securities Co., Ltd. Zhumadian Branch Office	No. 196 Jiefang Road, Zhumadian City, Henan Province	23/4/2003	Cheng Xiwen	0396-2989875
18	Central China Securities Co., Ltd. Shanghai 1st Branch Office	Rooms 301-318, No. 261 West Dalian Road, Hongkou District, Shanghai	29/8/2003	Shen Ruowei	021-65074677
19	Central China Securities Co., Ltd. Shenzhen Branch Office	Units 04 & 05, 31F, China Life Insurance Building, No. 123 Fu Hua One Road, Fuan Community, Futian Street, Futian District, Shenzhen, Guangdong Province	14/5/2015	Jiang Huijun	0755-83821553
20	Central China Securities Co., Ltd. Beijing Branch Office	Room 1611, 16F, Main Building, North Block, Yuetan Mansion, No. 2 Yuetan North Street, Xicheng District, Beijing	16/9/2011	Xia Qun	010-58671099
21	Central China Securities Co., Ltd. Sichuan Branch Office	No. 4, 2F, Block 13, No. 1000 Jincheng Avenue, Gaoxin District, Chengdu City, Sichuan Province	3/2/2017	Ren Li	028-86051588
22	Central China Securities Co., Ltd. Jiangsu Branch Office	Rooms 1205-1206, No. 168 Lushan Road, Jianye District, Nanjing City, Jiangsu Province	5/9/2017	Zhang Hanmin	025-86793336
23	Central China Securities Co., Ltd. Hainan Branch Office	Room 2007, 20F, Hainan Building, No. 5 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	12/9/2017	Mei LinJie	0898-66515093
24	Central China Securities Co., Ltd. Shandong Branch Office	Room 1001, 10F, First Avenue, No. 15982 Jingshi Road, Lixia District, Jinan City, Shandong Province	25/2/2011	Kong Qingli	0531-55513888

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch Offices	Address	Date of incorporation	Person in charge	Telephone
25	Central China Securities Co., Ltd. Shandong 1st Branch Office	District B, Jinlingshang Street, 16 Xianxialing Road, Laoshan District, Qingdao City, Shandong Province	4/2/2004	Ji Zhenduo	0532-88970289
26	Central China Securities Co., Ltd. Hunan Branch Office	Rooms 2554, 2555, 2556 & 2557, Building 2, Dongying Commercial Plaza, No. 730 Yuanda 1st Road, Furong District, Changsha City, Hunan Province	11/1/2011	Zhu Guojun	0731-84598688
27	Central China Securities Co., Ltd. Shaanxi Branch Office	3F, Block A, Fanmei Building, No. 1 Nanguanzheng Street, Beilin District, Xi'an, Shaanxi Province	19/4/2011	Ji Lijuan	029-86351806
28	Central China Securities Co., Ltd. Zhejiang Branch Office	Room 301, 3F, Building 2, Xincheng Shidai Plaza, No. 111 Xintang Road, Jianggan District, Hangzhou City, Zhejiang Province	10/8/2004	Li Kaihui	0571-28007760
29	Central China Securities Co., Ltd. Guangzhou Branch Office	Room 2401, No. 395 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province (Location: Self-edited 02) (office only)	27/11/2014	Xiong Peili	020-87308225
30	Central China Securities Co., Ltd. Shanghai Branch Office	22-23, Building T1, No. 1788 and 1800 Century Avenue, Free Trade Zone, China (Shanghai)	2/7/2009	Liu Hao	021-50588666

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VII. OTHER RELEVANT MATERIALS

Accounting firm engaged by the Company	Name	Da Hua Certified Public Accountants (Special General Partnership)
		Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance
	Office address	1101, Building 7, 16 Xi Si Huan Zhong Road, Haidian District, Beijing, China
	Names of signed accountants	Aodu Jiya, Li Tiantian
Legal adviser as to PRC laws	Henan Qianwen Law Firm (河南仟問律師事務所)	
Legal advisors as to Hong Kong (PRC) Laws	Jingtian & Gongcheng LLP	
A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch	
H Share Registrar	Computershare Hong Kong Investor Services Limited	
Code of unified social credit	91410000744078476K	

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VIII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS

Accounting data and financial indicators set out herein are prepared in accordance with the China Accounting Standards for Business Enterprises.

(I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	2022	2021	Increase/Decrease as compared with the corresponding period of last year (%)	2020
Operating income	1,881,047,259.12	4,420,848,497.96	-57.45	3,103,301,696.87
Net profit attributable to shareholders of the parent company	106,577,985.92	513,210,337.25	-79.23	104,302,038.78
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	90,234,423.35	490,355,011.21	-81.60	95,722,370.32
Net cash flows from operating activities	2,002,498,853.10	-956,413,909.29	N/A	1,370,803,122.31
Other comprehensive income	63,795,594.70	-13,421,475.85	N/A	-23,994,465.35

Unit: Yuan Currency: RMB

	As at the end of 2022	As at the end of 2021	Increase/Decrease for the end of the period as compared to the same period of last year (%)	As at the end of 2020
Total assets	50,182,639,547.46	53,748,323,524.71	-6.63	52,376,875,557.00
Total liabilities	35,975,265,974.01	39,604,243,601.31	-9.16	38,190,399,466.49
Accounts payable to brokerage clients	11,849,666,807.82	12,571,797,812.48	-5.74	10,555,230,551.25
Equity attributable to shareholders of the parent company	13,757,829,045.04	13,681,883,165.28	0.56	13,368,714,617.90
Total equity	14,207,373,573.45	14,144,079,923.40	0.45	14,186,476,090.51
Share capital	4,642,884,700.00	4,642,884,700.00	0.00	4,642,884,700.00
Net assets per share attributable to shareholders of parent company (RMB/share)	2.96	2.95	0.34	2.88

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Principal financial indicators

Principal financial indicators	2022	2021	Increase/Decrease as compared with the corresponding period of last year (%)	2020
Basic earnings per share (RMB/share)	0.02	0.11	-81.82	0.02
Diluted earnings per share (RMB/share)	0.02	0.11	-81.82	0.02
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.02	0.11	-81.82	0.02
Weighted average return on net assets (%)	0.78	3.78	Decrease by 3 percentage points	0.93
Weighted average return on net assets after deducting non-recurring profit and loss (%)	0.66	3.61	Decrease by 2.95 percentage points	0.85

Principal financial indicators	As at the end of 2022	As at the end of 2021	Increase/Decrease as compared with the corresponding period of last year (%)	As at the end of 2020
Gearing ratio (%)	62.94	65.65	Decrease by 2.71 percentage points	66.08

Explanation on principal accounting data and financial indicators of the Company for the last three years at the end of the Reporting Period

1. Weighted average return on net assets and earnings per share are calculated according with the Rules for Information Disclosure and Reporting of Public Issuing Securities Companies No. 9 — the Calculation and Disclosure of the Return on Net Assets and Earnings per Share.
2. Gearing ratio = (total liabilities – accounts payable to brokerage clients – accounts payable to underwriting clients)/(total assets – accounts payable to brokerage clients – accounts payable to underwriting clients)

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(III) Net capital and risk control indicators of the parent company

Unit: Yuan Currency: RMB

Item	At the end of the Reporting Period	At the end of last year
Net capital	8,107,804,569.34	9,100,531,842.63
Net assets	14,188,442,636.17	14,055,597,217.02
Sum of various risk capital provisions	3,669,347,342.21	3,613,024,828.10
Total on-and-off balance sheet assets	39,335,402,702.63	41,382,722,652.76
Risk coverage rate (%)	220.96	251.88
Capital leverage rate (%)	18.79	18.48
Liquidity coverage ratio (%)	192.85	170.42
Net stable funding ratio (%)	158.54	140.92
Net capital/net assets (%)	57.14	64.75
Net capital/liabilities (%)	36.69	36.00
Net assets/liabilities (%)	64.21	55.60
Proprietary equity securities and its derivatives/net capital (%)	4.06	6.77
Proprietary non-equity securities and its derivatives/net capital (%)	275.13	253.05
Amount of financing (including securities lending)/ net capital (%)	97.36	99.39

Note: During the Reporting Period, all major risk control indicators including the Company's net capital met the regulatory requirements.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

IX. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST FIVE YEARS

Earnings

Unit: Yuan Currency: RMB

Items	2022	2021	2020	2019	2018
Operating income	1,881,047,259.12	4,420,848,497.96	3,103,301,696.87	2,372,526,991.25	1,649,661,561.68
Operating cost	1,765,497,934.13	3,710,316,417.23	2,954,485,813.12	2,258,791,739.77	1,568,809,460.52
Profit before tax	113,199,663.56	718,215,361.99	144,030,392.15	116,117,612.82	101,117,281.08
Net profit attributable to shareholders of the parent company	106,577,985.92	513,210,337.25	104,302,038.78	58,222,745.44	65,787,558.62

Assets

Unit: Yuan Currency: RMB

Item	As at the end of 2022	As at the end of 2021	As at the end of 2020	As at the end of 2019	As at the end of 2018
Total assets	50,182,639,547.46	53,748,323,524.71	52,376,875,557.00	43,569,902,415.77	42,155,282,945.56
Total liabilities	35,975,265,974.01	39,604,243,601.31	38,190,399,466.49	33,072,115,962.00	30,880,243,228.10
Accounts payable to brokerage clients	11,849,666,807.82	12,571,797,812.48	10,555,230,551.25	8,895,066,941.34	6,561,059,986.14
Equity attributable to shareholders of parent company	13,757,829,045.04	13,681,883,165.28	13,368,714,617.90	9,671,208,012.75	9,950,898,718.99
Total Share capital	4,642,884,700.00	4,642,884,700.00	4,642,884,700.00	3,869,070,700.00	3,869,070,700.00

Key financial indicators

Item	2022	2021	2020	2019
Basic earnings per share (RMB/share)	0.02	0.11	0.02	0.02
Diluted earnings per share (RMB/share)	0.02	0.11	0.02	0.02
Weighted average return on net assets (%)	0.78	3.78	0.93	0.59

Item	As at the end of 2022	As at the end of 2021	As at the end of 2020	As at the end of 2019
Gearing ratio (%)	62.94	65.65	66.08	69.73
Net assets per share attributable to shareholders of parent company (RMB/share)	2.96	2.95	2.88	2.50

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

X. PRINCIPAL FINANCIAL DATA FOR 2022 (BY QUARTER)

Unit: Yuan Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating income	388,483,697.61	399,190,442.83	660,001,318.17	433,371,800.51
Net profit attributable to shareholders of the listed company	18,432,906.28	-143,875,787.35	227,759,332.87	4,261,534.12
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	13,732,885.73	-144,521,178.58	217,623,426.47	3,399,289.73
Net cash flows from operating activities	-1,071,347,955.01	3,697,476,880.25	-3,428,079,613.52	2,804,449,541.38

XI. ITEMS AND AMOUNTS OF NON-RECURRING PROFIT AND LOSS

Unit: Yuan Currency: RMB

Non-recurring profit and loss items	The amount of 2022	Note (if applicable)	The amount of 2021	The amount of 2020
Profits and loss on disposal of non-current assets	-1,299,397.55		20,420,575.16	-1,434,940.82
Government subsidies that are included in the current profit and loss, except for those which are closely related to the normal business of the Company and are continuously enjoyed in accordance with the provisions of national policies and in accordance with certain standard quota or quantitative amount	26,565,466.55	Mainly due to the government subsidies	12,833,519.07	15,188,914.70
Reversal of provision for impairment of receivables and contract assets that have been separately tested for impairment				5,000,000.00
Other non-operating income and expenses other than the above items	-1,776,147.02		5,556,296.97	-7,817,648.40
Less: amount of impact of income tax	5,872,480.50		11,092,326.41	2,527,734.55
Amount of impact of minority shareholders' equity (after tax)	1,273,878.91		4,862,738.75	-171,077.53
Total	16,343,562.57		22,855,326.04	8,579,668.46

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

XII. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Project name	Opening balance	Closing balance	Change during the Period	Amount of impact on the current profit
Financial assets at fair value through profit or loss	24,507,919,178.87	21,614,103,009.80	-2,893,816,169.07	377,196,631.43
Financial assets at fair value through other comprehensive income	970,426,547.78	2,288,258,640.42	1,317,832,092.64	20,669,697.40
Derivative financial assets	54,610.00	2,246.26	-52,363.74	55,474,089.77
Derivative financial liabilities	465,376.83	793,800.00	328,423.17	
Financial liabilities at fair value through profit or loss	971,171,013.72	1,525,542,658.61	554,371,644.89	89,775,898.28
Total	26,450,036,727.20	25,428,700,355.09	-1,021,336,372.11	543,116,316.88

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

XIII. OTHERS

(I) Accounting data for key items in consolidated financial statements

Unit: Yuan Currency: RMB

Item	31 December 2022	31 December 2021	Change (%)
Cash and bank balances	10,211,630,004.39	12,332,030,422.75	-17.19
Clearing settlement funds	3,115,104,687.58	2,558,219,120.46	21.77
Margin accounts receivable	7,016,885,351.83	8,148,017,143.05	-13.88
Derivative financial assets	2,246.26	54,610.00	-95.89
Financial assets at fair value through profit or loss	21,614,103,009.80	24,507,919,178.87	-11.81
Financial assets at fair value through other comprehensive income	2,288,258,640.42	970,426,547.78	135.80
Investment properties	27,121,164.72	15,666,107.28	73.12
Construction in progress	118,898,335.11	58,641,526.64	102.75
Other assets	603,629,483.01	283,225,421.38	113.13
Short-term loans	66,075,016.67	256,191,822.27	-74.21
Short-term financing instruments payable	4,132,771,764.91	7,032,271,969.93	-41.23
Due to banks and other financial institutions	1,502,279,361.14	2,900,742,263.92	-48.21
Derivative financial liabilities	793,800.00	465,376.83	70.57
Financial assets sold under repurchase agreements	9,887,887,932.32	10,548,472,328.09	-6.26
Accounts payable to brokerage clients	11,849,666,807.82	12,571,797,812.48	-5.74
Accounts payable	237,527,662.62	143,594,220.52	65.42
Provisions	1,186,481.49	0.00	N/A
Bonds payable	5,364,791,008.73	3,685,225,541.41	45.58
Financial liabilities at fair value through profit or loss	1,525,542,658.61	971,171,013.72	57.08
Share capital	4,642,884,700.00	4,642,884,700.00	0.00
Capital reserve	6,304,933,461.30	6,301,860,583.46	0.05
Other comprehensive income	62,923,244.73	-872,349.97	N/A

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Unit: Yuan Currency: RMB

Item	Year 2022	Year 2021	Change (%)
Net fee and commission income	1,033,289,934.02	1,636,808,462.51	-36.87
Including: Investment banking	267,706,018.37	635,907,867.58	-57.90
Gains on changes in fair value (loss stated with "-")	-441,224,579.14	489,485,981.10	-190.14
Investment income (loss is indicated with "-")	1,033,678,430.53	588,394,946.32	75.68
Other income	25,965,466.55	9,130,585.76	184.38
Other operating income	96,212,588.29	1,557,032,891.52	-93.82
Gains from assets disposal (loss is indicated with "-")	-125,883.14	69,744.36	-280.49
Taxes and surcharges	13,600,551.95	22,031,146.36	-38.27
Expected credit losses	145,845,397.69	373,913,233.39	-60.99
Other assets impairment losses	11,105,025.21	2,752,382.99	303.47
Other operating costs	87,315,259.57	1,507,657,152.42	-94.21
Non-operating income	1,107,195.31	18,736,381.72	-94.09
Non-operating expenses	3,456,856.74	11,053,100.46	-68.73
Income tax expenses	5,555,175.42	167,195,492.71	-96.68
Other comprehensive income after tax	63,795,594.70	-13,421,475.85	N/A

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Accounting data for key items in financial statements of parent company

Unit: Yuan Currency: RMB

Item	31 December 2022	31 December 2021	Increase/decrease (%)
Cash and bank balances	8,810,109,545.75	10,787,186,204.27	-18.33
Clearing settlement funds	2,707,664,533.93	2,274,149,998.54	19.06
Margin accounts receivable	6,857,705,302.17	8,081,803,812.77	-15.15
Derivative financial assets	2,246.26	54,610.00	-95.89
Financial assets at fair value through profit or loss	17,594,540,290.20	20,891,935,865.83	-15.78
Financial assets at fair value through other comprehensive income	2,288,258,640.42	970,426,547.78	135.80
Long-term equity investment	5,300,655,233.94	5,296,280,233.94	0.08
Construction in progress	118,898,335.11	58,641,526.64	102.75
Other assets	445,684,977.56	232,547,711.06	91.65
Short-term financing instruments payable	4,132,771,764.91	7,032,271,969.93	-41.23
Due to banks and other financial institutions	1,502,279,361.14	2,900,742,263.92	-48.21
Financial liabilities at fair value through profit or loss	806,961,469.87	0.00	N/A
Derivative financial liabilities	0.00	465,376.83	-100.00
Financial assets sold under repurchase agreements	9,649,762,175.12	10,448,272,328.09	-7.64
Accounts payable to brokerage clients	10,291,667,620.82	11,400,036,597.27	-9.72
Accounts payable	234,716,609.05	116,166,224.28	102.05
Contract liabilities	2,378,962.21	5,113,846.11	-53.48
Provisions	1,186,481.49	0.00	N/A
Bonds payable	4,700,379,928.41	3,685,225,541.41	27.55
Deferred income tax liabilities	1,753,022.22	0.00	N/A
Other liabilities	183,216,162.92	122,760,647.36	49.25
Share capital	4,642,884,700.00	4,642,884,700.00	0.00
Capital reserve	6,606,160,370.84	6,606,160,370.84	0.00
Other comprehensive income	4,145,228.54	454,814.24	811.41

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Unit: Yuan Currency: RMB

Item	Year 2022	Year 2021	Increase/decrease (%)
Net interest income	131,958,616.04	89,238,835.37	47.87
Net fee and commission income	879,429,931.22	1,472,777,921.89	-40.29
Including: Investment banking	264,629,336.50	631,244,447.05	-58.08
Gains on changes in fair value (loss stated with "-")	-255,995,147.76	76,803,683.45	-433.31
Gains on foreign exchange (loss stated with "-")	720,082.14	-189,029.17	N/A
Other operating income	7,111,537.24	12,637,023.36	-43.72
Gains from asset disposal (loss stated with "-")	-124,871.33	61,132.30	-304.26
Other income	20,318,988.51	8,811,338.65	130.60
Taxes and surcharges	12,388,699.03	17,872,297.15	-30.68
Expected credit losses	93,885,781.83	168,069,536.77	-44.14
Other assets impairment losses	0.00	213,448,720.01	-100.00
Non-operating income	1,107,194.39	3,658,099.45	-69.73
Non-operating expenses	3,200,773.53	9,320,144.10	-65.66
Income tax expenses	1,160,723.25	142,219,610.57	-99.18
Other comprehensive income after tax	3,690,414.30	1,842,823.91	100.26



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

I. REVIEW OF BUSINESS

(I) Business review

During the Reporting Period, the Group achieved an operating income of RMB1.881 billion, representing a year-on-year decrease of 57.45%, among which, the futures business achieved income of RMB212 million, representing a decrease of RMB1.409 billion, mainly due to the decrease in income from the sale of commodities by Yuxin Investment, a subsidiary of the Company during the Period; the investment banking business achieved income of RMB262 million, representing a decrease of RMB357 million, mainly due to the decrease in income from securities underwriting business during the Period; the headquarters and others achieved income of RMB143 million, representing a decrease of RMB354 million, mainly due to the decrease in the income of investment fund of Equity Exchange Co., and NEEQ market-making business during the period; the proprietary business achieved income of RMB308 million, representing a decrease of RMB270 million, mainly due to the decrease in income from secondary market investment business during the Period; the securities brokerage business achieved income of RMB716 million, representing a decrease of RMB200 million, mainly due to the decrease in income from securities brokerage business during the Period; the investment management business achieved income of RMB165 million, representing a decrease of RMB52 million, mainly due to the decrease in income from fund investment of certain subsidiaries during the Period; the credit business achieved income of RMB444 million, representing a decrease of RMB22 million, mainly due to the decrease in interest income from margin accounts during the Period; and the overseas business achieved income of RMB81 million, representing an increase of RMB96 million, mainly due to the increase in gains from the investment in and changes in fair value of financial products held by Central China International during the Period.

During the Reporting Period, the Group's operating cost amounted to RMB1.765 billion, representing a year-on-year decrease of 52.42%, among which, other operating costs amounted to RMB87 million, representing a decrease of RMB1.420 billion, mainly due to a decrease in the cost of sales of bulk commodities of Yuxin Investment, a subsidiary of the Company, during the Period; the business and administrative expenses amounted to RMB1,508 billion, representing a decrease of RMB296 million, mainly due to a decrease in staff costs during the Period; and the expected credit losses amounted to RMB146 million, representing a decrease of RMB228 million, mainly due to the decrease in the provision for impairment of financial assets measured at amortised costs and financial assets held under resale agreements during the Period. The Company will assess the credit risk of each business in accordance with the principles of prudence and adequate provisioning and the provisioning of impairment allowances through the expected credit loss model. The Company will continue to monitor changes in the market value of collateral and the creditworthiness of financiers, and carefully assess the risks associated with its stock-pledged repo business. In the event of adverse factors such as a decline in the market value of collateral, the Company will make full provision for impairment for the current period in strict accordance with the China Accounting Standards for Business Enterprises and the Company's accounting policies.

During the Reporting Period, the Group realized the net profit attributable to shareholders of the parent company of RMB107 million, representing a year-on-year decrease of 79.23%, mainly due to the reduced net profit caused by stock market fluctuations and investment banking cyclicality.

During the Reporting Period, the Company's subsidiary Yuxin Investment has seen a decrease in the business scale of commodities, a decrease in the sales income and sales costs, and a low gross profit margin.

(II) Major risks and uncertainties

Major risks faced by the Company include: credit risk, market risk, liquidity risk, reputation risk, operation risk, compliance risk and information technology risk. For the major risks faced by and counter-measures taken by the Group, please refer to VII. (IV) "Potential risks" in this section.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(III) Material subsequent events

Since the end of the Reporting Period to the date of publication of this report, no subsequent event has occurred which had a material impact on the Group. For details of other subsequent events of the Group, please refer to XIII. "EVENTS AFTER THE BALANCE SHEET DATE" under Section 8 "FINANCIAL REPORT" in this report.

(IV) Future development and forward-looking

For the prospects of the Company's future development, please refer to VII. "COMPANY'S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY" in this section.

(V) Environmental policies and performance

Sustainable development has become a global issue. The Company has always adhered to the concepts of energy conservation, consumption reduction, pollution reduction and ecological protection throughout the operation and management. The Company has been actively improving its environmental management system and practicing green sustainable development in compliance with laws, regulations and regulatory documents such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Law of the People's Republic of China on Conserving Energy (《中華人民共和國節約能源法》).

As for green finance, as a responsible financial service enterprise, the Company has been adhering to the concept of green development. The Company strictly controls the investment banks and the investment projects in respect of environmental protection, and undertakes no projects of which prevention and treatment of pollution does not meet the requirements of the PRC's policies. The Company will never ignore environmental protection for benefits and will overcome obstacles in the prevention and treatment of pollution with practical actions. During the Reporting Period, the Company entered into service terms with a number of environmental protection companies in order to help the environmental protection industry to flourish and actively contribute to the construction of ecological civilization with its professional advantages.

As for green office, the Company's effort in paper reduction and green office can be reflected by the application of Office Automation System (OA System) to manage the administrative tasks such as the application and purchase, instruction requests and applications of materials and use of official document seals. During the Reporting Period, the Company called on its entire staff to operate and work in a lowcarbon and environmentally-friendly way, so as to maximally save social resources and reduce pollution to the environment, and thus adhering to green operation throughout the operation and management.

As for energy conservation and emission reduction, the Company has made much effort to reduce the environmental impact through careful management of energy consumption and resources use. As part of the Company's water saving initiatives, through water saving labels displayed in restrooms which remind employees to save water, the Company urges its employees to turn off the faucets tightly after use every time to avoid unnecessary waste. Other water saving measures include installation of infrared water tap and cistern flush, as well as repairing dripping tap and other devices in a prompt manner to reduce water use to the extent possible. For reduction of electricity consumption, the Company encourages appropriately increasing the temperature of air conditioners in summer, and ensures that electrical appliances are cut off when no one is using them. Through a series of management measures, the energy saving goal of effectively reducing electricity consumption has been achieved. For reduction of patrol waste and air pollution, the Company's fleet staff has to perform regular maintenance to raise the efficiency of the Company's vehicles and make sure to switch off idling engines while not using the vehicles.



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(VI) Compliance with relevant laws and regulations with significant impact

The Company strictly complies with domestic and overseas laws and regulations as well as industry standards such as the Hong Kong Listing Rules, SFO and the Company Law, Securities Law and the Regulations on the Supervision and Administration of Securities Companies of the PRC.

(VII) Material relationship with employees, customers and suppliers

The Company provides services for the various institutional and individual customers engaged in a number of industries. The Company's clients include large, small and medium enterprises, high-net-worth clients and retail customers. Major customers are located in mainland China. With our future expansion in overseas markets, we are expected to provide services for more overseas customers. The top 5 customers of the Company in total accounted for less than 30% of the operating revenue. No customer has a material relationship with the Company.

Due to the nature of the business, the Company does not have a major supplier. The aggregate purchase amount attributable to the five largest suppliers of the Company was less than 30%. No employee has a material relationship with the Company.

II. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

(I) Overall business performance

In 2022, amid the complicated and ever-changing environment, the Company, upholding high-quality Party building and adhering to the main tone of “three-pronged” of operation and development, risk mitigation, cost reduction and efficiency enhancement, and took multiple measures to stabilize the scale, expand incremental volume and make breakthroughs. These efforts aimed to stimulate the “upgrading” of the core business. The general trend of stable and sound development of the Company kept unchanged despite the decline in its performance. Wealth management investment and the “two-wheel drive” development pattern of institutions took shape faster. Fully leveraging the advantages of more networks and powerful investment teams, the Company expanded the capacity of the networks and teams, and accelerated technology empowerment, playing its role of “ballast”. The proprietary bond trading insisted on seizing market opportunities and strictly controlling investment risks, and was awarded the Best Progress Award for Treasury Futures for 2021 and the Annual Active Interbank Trader of Domestic Currency by the China Financial Futures Exchange (CFFEX). The investment banking business line actively seized the major policy opportunities such as the “the Five-Year Multiplication Action of Henan Province to Promote the Listing of Enterprises” issued by the Henan Provincial Government, and continuously enriched and extended the “trinity” service connotation, and the Company was awarded an A rating along with 11 other brokerages in the evaluation of the quality of investment banking business by the CSRC. The Company accelerated the cultivation of investment banking teams and talent introduction for the assets management business, focusing on enriching product lines, thematic equity strategies, index-enhanced and other differentiated product lines, and also established a string of new products, getting off to a stable start. Central China Blue Ocean and ZDKY Venture Capital, focusing on investment capacity building, continuously deepened cooperation with professional investment teams in the market and innovated the modes of setting up and operating funds such as through M&As and hybrid reforms, to help enterprises finance and pool wisdom. The two companies played an active role in improving the “trinity” and executing the Implementation Plan for Promoting the Multiplication of Listed Enterprises in Five Years in Henan Province. Both Central China Futures’ client margin scale and number of institutional accounts increased, the assets management business grew rapidly, and the service project for the soda ash industry was awarded the only “Excellent Demonstration Project” by the Zhengzhou Commodity Exchange.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(II) Analysis of principal business

1. Securities brokerage business

Market environment

In 2022, the domestic macro economy was weak overall, and the stock market was heavily hit. The SSE Composite Index closed at 3,089.26 points, down 15.13% from the end of last year, the SZSE Component Index 11,015.99 points, down 25.85% from the end of last year, and the ChiNext Index 2,346.77 points, down 29.37% from the end of last year. The transaction volume of the two markets decreased, with the stock-based trading hitting RMB247.61 trillion in the year, representing a year-on-year decrease of 10.36%. With the advent of a new era of wealth management, investment is becoming increasingly diversified, and professional investment is leading a new round of transformation and upgrading of wealth management. In response to the changing market demand, a new era has opened in the customer-oriented buyers' investment and consultation model, and the fund investment advisory business has become the new focus of brokers in transforming wealth management. With the two-wheeled digital transformation driven by intelligent networks and digital platforms, digitalization and servitization have become the "new infrastructure" of wealth management transformation. [Source: Wind Info]

Business measures and performance

In 2022, the Company continued developing its wealth management transformation business from the aspects of digital transformation, financial product services and investment advisory services, focusing on scenario empowerment and service upgrade. As for the securities brokerage business, the Company launched 56 intelligent customer operation scenarios, realizing the full lifecycle operation for the first time. The Company also constructed a digital marketing network. In 2022, the Company won the sixth "Stardust Award" as a leader in the data-driven industry. The "Caishengbao (财升寶)" application of the Company ranked 24th among brokers in terms of four major Internet operation indicators including DAU and MAU. The Company built a rich line of sales agent of financial products and established partnerships with 44 fund companies in the industry. Complying with the rotation cycle of major assets classes, the Company strengthened the sales of biased debt and interbank deposit products to satisfy the financial needs of investors. We set up an investment advisory business group consisting of the CIIA, CFA, headquarters-level investment advisors, senior investment advisors and other professionals, to further improve the quality of investment advisory business. Focusing on the entire customer lifecycle, we refined customer segments and carried out a series of online and offline activities such as "guessing highs and lows online", "health investment from the very start", "618 mid-year vitality gathering" and "Double 11 shopping festival". This strongly empowered the marketing services of branches to activate existing customers and welcome back old customers. [Source: Qianfan.analysys.cn, www.gsdata.cn]

As of the end of the Reporting Period, the number of the clients in the securities brokerage business totaled 2.6305 million, up 23.68% year on year. The sales of financial products totaled RMB11.002 billion, down 10.02% from the last year; the accumulative sales of beneficiary certificates reached RMB7.714 billion for the whole year, up 0.94% year on year.



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Outlook for 2023

In 2023, with regard to the securities brokerage business, the Company will, starting with wealth management transformation and digital transformation, promote the reshaping of business model, and consolidate its role of “ballast” in wealth management business. We will steadily increase assets of existing customers to consolidate the customer base. We will build up an investment advisory team at the headquarters, and work faster to explore the professional division of labor and the team-based business model. We will also comb and construct the process of product output and production, operation and promotion for “investment advisory + investment education”. In respect of the digital wealth management transformation, we will propel the release of the digital, intelligent version of Caishengbao APP5.0, and propel the putting of intelligent customer operation service scenarios online. We will step up the exploration and development of a new media matrix, and increase the number of customers and assets. On the base of consolidating the basic retail customers, the Company will accelerate the exploration of the profit potential of institutions, make targeted improvements in institutional customer service, strengthen the development of private placement and other institutional client, promote the implementation of quantitative trading and expanded institutional brokerage business. The Company will promote the transformation of wealth management model to the “asset-driven” model, accelerate the integration of internal and external resources of products, improve the ability of financial product screening, evaluation, sales and follow-up management, and continue to explore the path of wealth management transformation suitable for its own development.

2. Investment banking business

Market environment

In 2022, the further promotion of the registration system, the improvement of the Beijing Stock Exchange and the continuous reform of the capital market provided extensive opportunities for investment banking business. In 2022, 345 enterprises completed their initial offering either in the SSE or the SZSE, raising a total of RMB570.408 billion, up 6.59% year on year. The refinancing fund raised by listed companies was RMB1,100.988 billion, down 13.65% year on year. Since the beginning of 2022, a total of 83 companies have completed their initial public offerings in the Beijing Stock Exchange, raising RMB16.478 billion. The fund raised from the New Third Board market totaled RMB48.548 billion, up 58.17% year on year. The total amount of bonds issued by various institutions was RMB61.53 trillion, down 0.36% year on year. [Source: Wind Info]

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Business measures and performance

In 2022, by implementing the “trinity” financial service mechanism and formulating differentiated and distinctive service standards, the investment banking business of Company advanced the implementation of key projects and continued to promote the filing and approval of key projects. The Company strictly implemented the three lines of defense, namely the project team, quality control and internal audit, embedded the awareness of compliance into the business process, and strengthened the prevention and control of compliance risks, to mitigate compliance risks from the whole process and multiple angles. The Company continued optimizing its information system, and upgraded a range of important system modules. The Company, in conjunction with leading technology companies in the industry, developed intelligent investment banking-related systems to elevate operational efficiency through technological empowerment. During the Reporting Period, the Company completed a total of 3 IPO lead underwriting projects, 4 refinancing lead underwriting projects of listed companies, and 2 IPO lead underwriting projects approved by the Issuance Examination Committee Meeting of the CSRC to be issued. The Company reported 2 IPO projects under review. The total amount of equity lead underwriting in Shanghai and Shenzhen stock markets was RMB4.583 billion, down 58.65% year on year. Furthermore, the Company completed 13 corporate bond underwriting projects. The total amount of principal underwriting of bonds was RMB5.008 billion, down 33.34% year on year. We completed 99 bond co-lead underwriting and distribution projects with a total underwriting/distribution amount of RMB5.008 billion throughout the year. In addition, the Company completed 2 targeted placement projects on the NEEQ, raising RMB144 million in total.

As of the end of the Reporting Period, the Company ranked 25th in terms of the revenue of IPO lead underwriting, 25th in terms of the total revenue of equity underwriting and sponsorship, 29th in terms of the amount of IPO lead underwriting, and 35th in terms of equity underwriting amount. The Company was rated B in the “evaluation on the practicing ability of securities companies’ corporate bond business” in 2022. Among the 77 sponsor institutions participating in the evaluation of the quality of investment banking business of securities companies in 2022, the Company received an A class rating together with 11 others. [Source: the Securities Association of China, Wind Info]



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Outlook for 2023

In 2023, the Company will seize the policy opportunities arising from the comprehensive reform of the registration system and the “Promoting the Multiplication of Listed Enterprises in Five Years” of the Henan Provincial Government, continue to implement the “trinity” financial service model of the Company, pay equal attention to the markets in and outside Henan Province, seek business opportunities in vigorously supporting the real economy and technological innovation, pay special attention to the business opportunities of Beijing Stock Exchange, and enrich the echelon reserve of projects. The Company will strengthen the building of investment banking team, introduce high quality teams, and constantly improve its capability in pricing and underwriting of securities issuance. The Company will strengthen project follow-up services, pay close attention to and promptly learn the latest policies on innovative varieties of capital markets to meet the innovative financing needs of different clients. The Company will strengthen cooperation with research institutes, conduct research, judgment and analysis on industry characteristics, market competition pattern, upstream and downstream industry chains, and industry development trends of investment banking clients, deeply promote the businesses of initial public offering, increase in capital and share, bond issuance and financing, mergers and acquisitions of enterprises. The Company will play a leading role in driving the high-quality development of investment, margin financing and securities lending, pledge financing and wealth management businesses.

3. Investment management business

(1) Assets management

Market environment

In 2022, the asset management industry continued its structural optimization. This has diversified product supplies and new ecology and new patterns have been taking shape. That said, the complexity of the economic environment put more demands on the development of the industry. Asset management institutions focused on the main business and strengthened their responsibility by serving the growth of residents’ wealth and leading new business. As of the end of the Reporting Period, the scale of private equity management business of securities and futures institutions totaled RMB14.31 trillion (excluding the National Social Security Fund and enterprise annuity), decreasing by RMB1.67 trillion over the same period last year. By product type, the surviving products were mainly under single assets management plans, with a scale of 52.53%; by investment type, both the number and scale of fixed income products took the lion’s share, with 43.22% and 73.90% respectively. [Source: Asset Management Association of China]

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Business measures and performance

In 2022, the Company explored an integrated investment and research model for its assets management business and set up three investment and research teams for fixed income, equity and FOF. In light of the changing market environment and customer needs, the Company continued enriching its product lines, and completed the transformation of public offering of large pooled products, launched index enhancement products such as “Zhiyuan Series”, to complement the basic product system.

As of the end of the Reporting Period, the total asset under management of the Company amounted to RMB3.829 billion, including 5 collective asset management schemes in the amount of RMB3.546 billion, 1 single asset management scheme in the amount of RMB42 million and 1 specific asset management scheme in the amount of RMB241 million.

Outlook for 2023

In 2023, the Company will continue with the construction of an integrated platform for investment and research, deepen the process management of the entire chain of investment, trading and risk control, build and enrich the basic product system covering index enhancement products, fixed income products and FOF products, and enhance its ability to provide comprehensive capital management services to various clients.

(2) Private fund management

The Company carried out its private fund management business through ZDKY Venture Capital (the Company’s subsidiary) and its subsidiaries.

Market environment

In 2022, China’s equity investment market showed a new trend of transformation and development. In terms of capital raising, against the backdrop of deepening participation of state-owned capital in equity investment and accelerated layout of new infrastructure, large policy funds and infrastructure investment funds have been set up centrally, driving the total amount of capital raised to remain stable throughout the year, with 7,061 new funds raised throughout the year, representing a slight increase year-on-year. In terms of investment, there was an overall decline, and emerging markets accelerated their rise. A total of 10,650 investments amounting to RMB907.679 billion were completed throughout the year, representing a decline of 13.6% and 36.2% respectively year-on-year. On the other hand, investment in key and core technology has become a new hotspot in the market, and semiconductor, new energy vehicles and other emerging industries are favored by the market, with investment amount rising against the trend. In terms of withdrawal, as IPO project premium gradually decreased and listing uncertainty continued to increase, VC/PE institutions also began to adjust their withdrawal strategies and adopted more flexible and diversified withdrawal methods to obtain cash earnings. There were 4,365 withdrawals throughout the year, representing a slight decrease of 3.7% year-on-year. [Source: Zero2IPO Data]



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Business measures and performance

In 2022, ZDKY Venture Capital continued to implement the Company's "trinity" financial service strategy. Relying on the advantages of being the second batch of cooperative institutions for "specialized, advanced, special and new loan" of the Department of Industry and Information Technology of Henan Province, and the first batch of cooperative institutions of Zhengzhou mother funds. The Company responded to the business needs of advanced investment institutions, provincial mother funds, local governments and large enterprises, and planned and established funds such as Hebi Optoelectronic Fund (鹤壁光电子基金), and Henan Dingyu Xiangbei Equity Investment Fund (河南鼎豫向北股权投资基金), the first national special fund of Beijing Stock Exchange around special industries. The Company focused on supporting the development of "specialized, advanced, special and new" enterprises, conducted project due diligence investigation on multiple enterprises in technology industry, new energy, new materials, modern service industry and other sectors, achieved investment amounting to RMB128 million, and completed investment in Origin Dynamics Intelligent Robot Co., Ltd., Henan Winner Vibrating Equipment Co., Ltd. (河南威猛振动设备股份有限公司), Xinxiang Zhongtian New Energy Technology Co., Ltd. (新乡市中天新能源科技股份有限公司) and other high-quality enterprises in Henan province, leading and driving non-governmental funds to follow up, attracting loans from commercial banks, and breaking the bottleneck of enterprise capital. The Company actively carried out post-investment management, and steadily promoted the withdrawal of stock projects. In addition, the Company conducted post-investment management to help promote the growth of enterprises, and realized the listing on the investment project, Liying Environmental Protection (利盈环保), on the New Third Board.

During the Reporting Period, ZDKY Venture Capital and its subordinate institutions managed and filed 14 private funds, with a scale of RMB5.5 billion; established 1 fund, with a scale of RMB1.0 billion; with an investment scale of RMB1.335 billion.

Outlook for 2023

In 2023, ZDKY Venture Capital will leverage the advantages of Central China Securities as a corporate broker in Henan province, strengthen cooperation with local and municipal platforms and headquarter institutions, strive for more government-guided funds, focus on promoting the landing of funds such as state-owned enterprises' mixed reform fund, and M&A mother funds, and increase the scale of funds; besides, it will improve investment capacity, seize the opportunity of the establishment of the Beijing Stock Exchange, expand the proportion of investment in "specialized, advanced, special and new" SMEs, and provide "trinity" quality services, so as to realize the high level cycle of "technology-industry-finance"; it will also introduce excellent teams to expand the enterprises and investors in Guangdong-Hong Kong-Macao Greater Bay Area, with Guangzhou and Shenzhen as the core, and promote the high-quality development of its investment banking and investment business in the Greater Bay Area.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(3) Alternative investment

The Company carried out its alternative investment business through its subsidiary, Central China Blue Ocean.

Market environment

In 2022, due to the impact of international geopolitical changes and other influences, risk aversion in the primary market has been further enhanced, with both the number of domestic investments and the amount invested dropping significantly, and due to the sharp decline in the secondary market, a large scale of reverse in the primary and secondary market valuation has occurred. VC/PE project preferences began to shift from companies such as innovative drugs and semiconductors, which require continuous financing for R&D investment, to high-end manufacturing and new energy companies with stronger “blood-production” capacity of their own.

Business measures and performance

In 2022, Central China Blue Ocean continued to deepen the development strategy of “working with giants” and strengthened the layout of high-quality projects. The Company cooperated extensively with top domestic investment institutions, and 23 companies achieved IPO in the joint investment projects throughout the year. The Company enhanced the professional ability of the independent investment team and completed direct equity investment in two star projects, namely, Ruichips Semiconductor (銳駿半導體) and Bluepha Microbiology (藍晶微生物), and made progress in empowering the investee companies to enter the capital market, which showed the effectiveness of independent investment.

During the Reporting Period, Central China Blue Ocean made another 8 investments, amounting to RMB145 million, including 2 equity investments, with a scale of RMB15.00 million and 6 financial product investments, with a scale of RMB130 million. Central China Blue Ocean withdrew from 13 investment projects of various types and recovered an investment amount of RMB240 million. As of the end of the Reporting Period, Central China Blue Ocean had 51 projects under investment with a total scale of RMB2.879 billion, involving such fields as biomedicine, high-end manufacturing, new consumption and new materials.

Outlook for 2023

In 2023, with the end of the US interest-rate rise cycle and the introduction of the central government’s economic stabilization policy, market confidence will gradually recover and the equity market will see better investment opportunities. On the basis of strict risk control, Central China Blue Ocean will renew efforts to strengthen the scope and depth of cooperation with top investment institutions in the industry. Central China Blue Ocean will, together with the institutions, invest in high-quality projects nationwide, while continuously increasing the investment scale and profitability. In addition, Central China Blue Ocean will continue refining internal management, enhance the professional ability of the investment team, and strengthen the collaboration with the Company’s investment banking and wealth management business lines. Central China Blue Ocean will, using the featured financial service model of “trinity”, increase the support for outstanding enterprises, to realize the common growth with them.



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

4. Proprietary trading

Market environment

In 2022, the global macro economy was hit by a mix of factors, including the risk of geopolitical turmoil, policy adjustments, rising U.S. bond yields, economic recovery and growth stabilization policies. In terms of equity investment, the stock market was full of twists and turns, with all major indexes falling sharply. The SSE Composite Index fell 15.13%, the SZSE Component Index fell 25.85%, the STAR 50 fell 31.37%, and the GEI Index fell 29.37% for the year. In the bond market, the first 10 months were dominated by narrow fluctuations, followed by drastic adjustments in November. At the end of 2022, the closing price of the China Bond Treasury Bond Total Index was 213.7 with an increase of 7.1 from the end of 2021; the closing price of the China Bond New Composite Index (Full Price) was 122.1 with an increase of 0.6 from the end of 2021.

Business measures and performance

In 2022, for the fixed-income investment business, the Company timely adjusted the holding structure and size through band operation according to the market conditions. This improved the income of the investment trading business, and reduce the income retraction when the market changes sharply. During the Reporting Period, the Company claimed the 2021 annual best progress award for treasury bond futures (proprietary) granted by China Financial Futures Exchange, the 2021 annual prominent economic contribution award issued by Pudong New Area and the 2022 “Annual Market Influence Award” in national inter-bank lending and borrowing business. In terms of equity investment, we controlled the risks promptly by reducing the scale of the investment in active equity management.

During the Reporting Period, the proprietary trading business achieved an operating income of RMB308.0305 million.

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Outlook for 2023

In terms of equity investment, the Company in 2023 will accelerate investment transformation by optimizing portfolio allocation. Meanwhile, we will explore diversified and non-directional investment management modes. This aims to transform equity investment from a purely subjective long stock investment to the one focusing on risk-neutral trading and takes into account allocation and capital intermediary business. For the fixed-income investment business, we will continue to improve the investment strategy in light of market changes, study the bond market, and deepen the research on the credit bond investment to diversify interest rate bond investments and derivatives so as to improve investment yields. Catering to customers, we will develop OTC derivatives, foreign exchange, US dollar investment, settlement and sale of foreign exchange and other capital intermediary services and customer service to optimize the income structure. This will develop the proprietary trading business that features intermediary, productization, and risk neutrality.

5. Credit business

Market environment

In 2022, the capital market experienced significant fluctuations under the impact of multiple factors such as the Russia-Ukraine conflict. The margin trading and securities lending witnessed a slump. As of the end of the Reporting Period, the balance of the margin lending and securities lending in Shanghai and Shenzhen stock markets amounted to RMB1.54 trillion, down 15.93% from the end of 2021. The stock-pledged repurchase business of brokers ran steadily. The overall size of the market declined slowly, but the pressure of default risk continued mounting. The business strategies of brokers diverged and the overall competition for quality customers became more fierce.

Business measures and performance

In 2022, the Company, by launching the marketing activities themed “maintaining stability, promoting growth, and improving quality and efficiency”, made branches fully motivated. The Company also piloted low interest rate of branches, explored new modes of business development, and provided differentiated business support. As a result, the number of new customers increased by 50% against the trend throughout the year. As for the stock-pledged repurchase business, we, always adhering to general positioning of “service synergy”, deepened cooperation with the wealth management, investment banking and other business lines. By making full use of our comprehensive resources and information advantages, we explored high-quality customers and scaled up our business. We continued optimizing the credit-like operation process and the risk control system with our own characteristics, strictly controlled the quality of access and strengthened the ongoing management. Thanks to our work, no new defaults occurred throughout the year. We resolved defaulted projects to defuse potential risks and steadily improved the quality of our business.

During the Reporting Period, the Company’s margin financing and securities lending accounts increased by 5,245, up 48.75% year on year. As of the end of the Reporting Period, the margin lending balance was RMB6.807 billion, down 15.17% year on year. The outstanding balance of stock-pledged repurchase was RMB2.140 billion, up 3.88% from the end of last year. Among others, the on-balance sheet principal of the margin accounts to be repurchased in the stock-pledged repurchase business was RMB1.461 billion, up 5.79% year on year, with an average maintenance guarantee ratio of 181.92%; that for off-balance sheet was RMB679 million, flat as the same period of last year.



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Outlook for 2023

In 2023, as for the margin trading and securities lending business, the Company will, following the development trend of the industry, activate existing customers, expand the customers outside the province through more flexible market-based interest rates, acquire incremental scale through multiple channels, formulate personalized risk service plans for high-net-worth customers, and improve the service experience and stickiness of high net worth customers through personalized margin ratio, the discount rate of recoverable margin, the concentration of positions and the maintenance of guarantee ratio. As for the stock-pledged repurchase business, the Company will, adhering to general positioning of “service synergy”, strengthen team building, and enhance professional capability and risk control. The Company strives to achieve steady but progressive scale on the basis of compliance and with no major risks, to help improve its business synergy and comprehensive financial service capability.

6. Futures business

The Company carried out its futures business, futures investment consultation and assets management business through its subsidiary, Central China Futures, and its risk management business through Central China Futures’ subsidiary, Yuxin Investment.

Market environment

In 2022, due to the disturbances of internal and external macroeconomic factors, volatile commodity markets, cautious trading sentiment and other factors, the accumulated transaction volume in China’s futures market was 6.768 billion lots, down 9.93% year on year. The accumulated transaction amount was RMB534.93 trillion, down 7.96% year on year. [Source: China Futures Association]

Business measures and performance

In 2022, as for the futures brokerage business, Central China Futures insisting on the working idea of “serving industries and developing institutions”, focused on four major industry segments of coal chemical, agricultural products, ferrous and non-ferrous metals. The company continued enhancing original research capabilities, industry influence and resource integration, and accumulated comparative advantages in industry services in the region. By making these efforts, the company provided integrated risk management solutions for industry customers, and scaled up the futures brokerage business and industry customers.

During the Reporting Period, Central China Futures acquired 2,388 new customers, and served a total of 34,300 customers, among whom institutional customers increased 9.43% year on year. The average daily margin of customers was RMB1.633 billion, an increase of 27.08% year on year, among which the average daily margin of institutional customers was RMB847 million, accounting for 51.87%; the turnover was 26.9946 million lots, an increase of 0.73% year on year, and the turnover was RMB2,954.459 billion, an increase of 24.80% year on year. Futures assets management products were increasingly complete, forming four lines of fixed income enhancement, quantitative equity, CTA and FOF. There were a total of 45 ongoing assets management plans with a net management scale of RMB4.050 billion at the end of the period. As for the “Insurance + Futures” project for hogs, corn and soybean meal carried out by the risk management subsidiary, effectively helped enterprises and farmers resist market risks, the cumulative purchase of commodities was RMB179 million, a decrease of 86.51% year on year, and the accumulative sales revenue was RMB88 million, representing a year-on-year decrease of 94.28%.

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Outlook for 2023

In 2023, Central China Futures will continue to enhance its comprehensive competitive strength and further enhance its ability to serve the real economy with the goal of preventing risks, stabilizing operations and creating profits. As for the futures brokerage business, the company will, guided by strategic customer service, research service and financial technology service, build industry, institutional and retail customer service respectively, focusing on four varieties of futures of industry chain services: pure alkali, urea, peanut and ferrosilicon. Relying on the industrial base, the company will further explore the regional advantage and channel advantage, optimize revenue structure and upgrade customer structure. The development of futures management business focuses on continuous product design, active management and marketing support. To that end, the company will enrich product types, strengthen research on FOF-type products, and diversify existing CTA product strategies. The company will also strengthen communication and cooperation with banks, brokers and fund sales companies, to expand the sales scope of its assets management products. In terms of risk management business, the company will, using the trading treasury of advantageous varieties, optimize the cash and futures business and actively pursue market-making varieties to improve the return on net assets. With a mechanism-oriented approach, we will continue promoting the construction of an internal cooperative ecology, consolidate and expand the advantages of our superior futures products and services, and increase the business layout of new products, to offer customers comprehensive futures risk management services throughout their life cycle.

7. Overseas business

The Company carried out its overseas business through Central China International (the Company's subsidiary) and its subsidiaries.

Market environment

In 2022, with the total capital raised reaching HK\$251.9 billion and the capital raised through IPO reaching HK\$104.6 billion, ranking fourth in the world. 90 IPOs were completed in the year (including one which had been transferred from the ChiNext to the Main Board) and 368 new bonds were launched. Due to the combined impact of adverse factors, the Hang Seng Index fell by approximately 15.5% and the Hang Seng Technology Index fell by approximately 27.2%, showing a lower performance in major global markets in 2022. [Source: HKEx]

Business measures and performance

In 2022, Central China International steadily carried out licensed business, developed core competitiveness in the fields of equity financing, debt financing and high-end wealth management, enhanced the Group's service capacity in overseas markets, and took new steps in business transformation. In terms of brokerage business, Central China International strengthened the construction of sales team, improved the product system and reshaped the business process. Focusing on high net worth clients, major shareholders of listed companies and institutional clients, Central China International have achieved business landing with a number of high-quality clients. We strengthened the business linkage between investment banking business and various business segments and the parent company, increased business expansion in Henan Province, and gradually enriched the project reserve and project structure. Focusing on bond issuance business, we completed a number of overseas US dollar bond issuance projects, which enhanced the market awareness of Central China International. We prudently allocated public U.S. dollar bond investments, and established a relatively robust investment portfolio through selected industries, underlying, diversified allocation and controlled duration.



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As of the end of the Reporting Period, the number of customers of Central China International's securities business was 8,631, with total assets under custody at HK\$4,195 million, representing an increase of more than two times over the previous year. The accumulative trading volume of agency stocks and bonds amounted to HK\$2,482 million, ranking 327th among 595 members of HKEx. We ran the sales agent business of funds with an accumulated subscription amount of US\$30.15 million. The balance of margin financial business was approximately HK\$178 million, an increase of 119.75% from the end of last year. In terms of investment banking business, we completed 1 IPO global coordinator project, 1 IPO bookrunner project, and 6 financial advisory projects, and reserved a legion of IPO projects. We completed 15 overseas US dollar bond issuances, assisting companies in raising approximately US\$2,757 million. Central China International improved from 152nd place in 2021 to 63rd place in Bloomberg's underwriting value of Chinese-issued US dollar-denominated bonds. Significant headway was made in recovering the principal and investment income from its inventory projects, which amounted to approximately HK\$103 million.

Outlook for 2023

In 2023, Central China International, taking the investment banking business as the guide, strengthened the linkage of domestic and overseas business, and promoted the cooperation with external institutions. The company intensified project reserve and execution, and enhanced the financing service capability in overseas markets, which effectively propel the investment and institutional business. In terms of brokerage business, the company implemented targeted strategies for key institutions and high net worth clients, to tap more client resources and enhance professional service capabilities. Resting upon the debt issuance business in the primary market, the company concentrated its resources on building "star" projects to enhance the influence of our brand in Hong Kong. The company worked to ensure a stable income from the risk management of the public debt portfolio and margin business.

8. Other business

(1) Regional equity market business

The Company carried out its regional equity market business through its subsidiary, Equity Exchange Co.

Market environment

In 2022, the General Office of China Securities Regulatory Commission, the General Office of Industry and Information Technology and other departments and the Henan Provincial Government launched a series of guiding opinions and policy measures to promote the establishment of a "specialized, advanced, special and new" sector, further increasing organizational coordination, data sharing, policy resource integration and support, which laid the foundation for the Equity Exchange Co. to create its own "specialized, advanced, special and new" sector. In addition, the General Office of Henan Provincial People's Government printed and issued the Five-Year Multiplication Action of Henan Province to Promote the Listing of Enterprises (《河南省推進企業上市五年倍增行動方案》), which proposed to "encourage enterprises to be listed and non-listed joint-stock companies to list and raise funds and host equity in the Equity Exchange Co." The above policies are conducive to the further development of business in Henan's regional equity markets. As of the end of the Reporting Period, there were 42,400 listed companies, 138,700 display companies, and 59,600 custodian companies in the regional equity markets of China. The financing of various types totaled RMB1,873.774 billion, the transaction transfer turnover was RMB112.659 billion; a total of 93 companies have been listed on the Shanghai and Shenzhen Stock Exchanges, 841 companies were listed on the New Third Board, and 69 companies were acquired by listed companies and New Third Board listed companies. [Source: Regional Equity Markets Committee]

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Business measures and performance

In 2022, Equity Exchange Co. promoted the pilot project of blockchain construction innovation, which was officially included in the pilot project of blockchain construction of the CSRC and successfully connected to the supervision chain of CSRC. Fully utilizing the role of "Henan Service Base of the Beijing Stock Exchange (NEEQ)", Equity Exchange Co. improved the incubation function, and helped transfer 1 enterprise to the Sci-Tech Innovation Board and 4 enterprises to the NEEQ. The company deepened roadshow services, and organized offline and online roadshow activities to promote investment and financing matching. We provided comprehensive financial services in Luoyang and encouraged the listing and display of 118 enterprises. We standardized the audit of registration business and continuously improved registration and custody services. "Yuzhihui (育智匯)", an online training platform for enterprises was officially launched. 10 sessions of online training for enterprises were conducted using the platform's "master class" to continuously strengthen intellectual services.

As of the end of the Reporting Period, the total number of listed enterprises and those under custody increased slightly from the end of last year; the total financing reached RMB23.207 billion, up 30.03% from the end of last year; there were 83.489 billion shares under custody, up 25.91% from the end of last year.

Outlook for 2023

In 2023, Equity Exchange Co. will adhere to the development idea of "focusing on three types of enterprises, surrounding three functions, and building three platforms". By adding "specialized, sophisticated, new and unique boards" and creating innovation business application scenarios in block chains, the company will continuously promote the transformation and upgrading of business such as listing, financing, registration and custody, and cultivation, and support the development of SMEs in Henan. To refine various kinds of special segments, the company will complete the establishment of specialized, sophisticated, new and unique boards and the listing of the first batch of enterprises. In response to "specialized, sophisticated, new and unique" boards, fund boards and trading boards, the Company will carry out classified management based on the scientific and technological attributes of the enterprise and the industry track. By promoting the transformation and upgrading of businesses such as enterprise listing, financing, registration and custody, cultivation and incubation, the Company will further expand its financing channels and reduce its financing costs. By giving full play to the role of the capital market of the Shanghai Stock Exchange in serving the Henan Base and the role of Henan Service Base of the Beijing Stock Exchange (NEEQ), the company will continue exploring the local cooperation model, deepen comprehensive financial services in local cities, and help transfer enterprises to another board for listing.



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

III. THE SITUATION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD

The 20th National Congress of the Communist Party of China proposed to “improve the functions of the capital market and increase the proportion of direct financing”. Securities firms — important participants and builders of the capital market — play a significant role in serving the real economy. In recent years, with the continuous deepening of reform and opening up of capital market, multiple top-level initiatives have been taken to maintain the stability of the capital market and boost market confidence. In 2022, the regulatory authorities has expressed to actively introduce long-term investors and guide more medium- and long-term capital into the market through various ways on multiple occasions, so as to promote the high-quality development of the capital market. In particular, the implementation of personal pension system brings long-term capital to the capital market, stimulating the steady growth of the capital market. The official launch of the market-making system on STAR Market is a useful practice to comprehensively promote the high-quality development of STAR Market and build a capital market with Chinese characteristics. It releases market vitality by improving stock liquidity, and enhances market resilience through promoting market stability. With a series of policies for the stable operation of the capital market, the overall operation of the capital market and the overall business environment of the securities industry have been greatly improved, making various businesses return to the right track with benign development. At the same time, competition in the brokerage industry has intensified and profound changes have taken place in the way of development, placing higher requirements on the comprehensive strength and professionalism of securities firms, as well as the synergistic development of various businesses.

According to the statistics of the Securities Association of China, as of the end of the third quarter of 2022, there were 140 securities companies in China, with total assets, net assets and net capital of RMB10.88 trillion, RMB2.76 trillion and RMB2.11 trillion, respectively, increasing by 2.74%, 7.39% and 5.50% as compared with the end of 2021, respectively; with the total operating income and net profit of RMB304.242 billion and RMB116.763 billion, respectively, decreasing by 16.95% and 18.90% compared to the same period last year, respectively. Up to now, the cyclical nature of the securities industry has not yet significantly weakened, and the securities industry was in the “spiral” upward trend overall. Despite the short-term fluctuations, they would not change the trend in the medium to long term.

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IV. PARTICULARS OF THE BUSINESS ENGAGED BY THE COMPANY DURING THE REPORTING PERIOD

The Company is principally engaged in the securities brokerage business, credit business, futures business, investment banking business, investment management business, proprietary trading business and overseas business, etc.

The brokerage business of the Company refers to the Company's business of trading of stocks, funds, and bonds on behalf of the customers based on their engagement, and providing investment advisory services, financial planning services. The Company is in return for customers' commissions and other service charges, etc.

The credit business of the Company refers to the Company providing customers with financing services such as margin trading and securities lending, securities repurchase, and securities-backed lending. The Company is in return for charging interest.

The futures business of the Company contains futures brokerage business, futures asset management, futures investment advisory business and risk management business. The Company is in return for transaction and delivery fees through futures brokerage business, management fees and excess income distribution through futures asset management business, investment advisory fees through futures investment advisory business, and income by establishing risk management subsidiary to conduct base trading and OTC derivative and other risk management business.

The investment banking business of the Company mainly includes the underwriting and sponsorship business of equity securities, the underwriting business of bond products, and the financial advisory business regarding mergers, acquisitions and restructuring, and business for the New Third Board. The Company obtains the corresponding returns such as underwriting fee, sponsorship fee and financial advisory fee by providing the aforesaid financial services to customers.

The Company's investment management business is mainly comprised of asset management business, private fund management business, and alternative investment business. The Company earns management fees and excess revenue distribution through asset management business and private fund management business, meanwhile, it obtains investment revenues from proprietary capital investment.

The scope of investment of the proprietary trading business of the Company includes publicly offered stocks, bonds, funds, derivatives and other financial products approved by the CSRC. The Company obtains investment revenues through investment in the above-mentioned products.

The business scope of the Company's overseas business covers capital market services, including securities brokerage, margin financial, futures brokerage, investment banking services, securities research, and proprietary investment, etc.



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

V. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) “Trinity” financial service model was innovated and implemented, and written into the document of Henan Provincial People’s Government for implementation

Focusing on the business strategy of “strengthening investment banking business and making excellent investments”, the Company continued to deepen the reform of investment banking. Relying on the presence of the Company’s more than 100 branches in core cities such as Beijing, Shanghai, Guangzhou and Shenzhen, and various cities in Henan Province, the Company was at the forefront of in the industry in terms of certain core indicators of investment banking business. On this basis, the Company explored and implemented the “trinity” financial service model of investment, investment banking, investment and loan linkage. In other words, Central China Securities selected a number of promising enterprises, particularly scientific and technological enterprises. Then, Central China Securities allowed ZYKC Venture Capital and investment companies of the Company to make equity investment in these enterprises while attracting social capital and loans from commercial banks. When the conditions permitted, Central China Securities would support the listing of these enterprises and their entry into the capital market to achieve benign development. The model was innovated and implemented in many places in Henan Province, with favourable results, and it was recognized by the Henan Provincial Party Committee and the provincial government, and was written into the Implementation Plan for Promoting the Multiplication of Listed Enterprises in Five Years in Henan Province for implementation in the province.

(II) Advantage of A+H listing platforms

The Company is a securities company with A+H dual capital access, which has a certain brand and social influence and abundant and convenient financing channels to rapidly improve its capital strength and replenish its working capital. The issue of A Shares by the Company to specific subscribers has been considered and approved at the general meeting and accepted by the SSE, and it is proposed to raise not more than RMB7 billion (inclusive) through a issuance of not more than 1,392,865,410 A shares (inclusive).

(III) Advantage of “base area”

As the securities company as a legal person in Henan Province and the mainstay of capital market development in Henan, the Company boasts the “base area” of the largest economic province in China’s central and western areas. The Company has deeply explored the Henan market for a long time and established deep cooperation with the local government, enterprises and individual customers, with several business ranking at the top in terms of regional market share. In the Implementation Plan for Promoting the Multiplication of Listed Enterprises in Five Years in Henan Province issued by Henan Province, it was clearly proposed that the role of Central China Securities as a main local securities company should be brought into play, which created good business development opportunities for the Company.

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VI. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

For details, please refer to the “DISCUSSION AND ANALYSIS ON BUSINESS OPERATION” in this section.

(I) Analysis on principal business

1. Analysis on changes in income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Change rate (%)
Operating income	1,881,047,259.12	4,420,848,497.96	-57.45
Operating cost	1,765,497,934.13	3,710,316,417.23	-52.42
Net cash flows from operating activities	2,002,498,853.10	-956,413,909.29	N/A
Net cash flows from investing activities	-1,451,877,153.18	1,396,672,398.03	-203.95
Net cash flows from financing activities	-2,125,082,566.06	1,115,907,979.30	-290.44

Reason for the change in operating income: other operating income, gains on changes in fair value, and net fee and commission income decreased.

Reason for the change in operating cost: other operating costs, business and administrative expenses, and expected credit losses decreased.

Note: The Company's subsidiary Yuxin Investment has seen a decline in the business scale of commodity, a decline in other operating income and other operating costs, and low gross profit margin.

Reason for the change in net cash flows from operating activities: cash flows collected from financial instruments at fair value through profit or loss increased.

Reason for the change in net cash flows from investing activities: cash payments to acquire investments increased.

Reason for the change in net cash flows from financing activities: cash repayments of borrowings increased.

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2. Income and cost analysis

Among which, items with a change of more than 30% in the consolidated income statement are as follows:

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Change rate (%)	Explanation
Net fee and commission income	1,033,289,934.02	1,636,808,462.51	-36.87	Mainly due to the decrease of net income from investment banking business in the current period
Including: Investment bank business net income	267,706,018.37	635,907,867.58	-57.90	Mainly due to the decrease in the income from the securities underwriting business in the current period
Investment income (loss stated with "-")	1,033,678,430.53	588,394,946.32	75.68	Mainly due to the impact of changes in the profit or loss of the consolidated structured entity in the current period
Gains on changes in fair value (loss stated with "-")	-441,224,579.14	489,485,981.10	-190.14	Mainly due to the decrease in the income from the fair value change of financial assets at fair value through profit or loss in the current period
Other operating income	96,212,588.29	1,557,032,891.52	-93.82	Mainly due to the decrease in income from bulk commodity trading in the current period
Gains from assets disposal (loss stated with "-")	-125,883.14	69,744.36	-280.49	Mainly due to the loss from the disposal of right-of-use assets in the current period
Other income	25,965,466.55	9,130,585.76	184.38	Mainly due to the increase in government subsidies in the current period
Taxes and surcharges	13,600,551.95	22,031,146.36	-38.27	Mainly due to the decrease in VAT surcharge in the current period

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Change rate (%)	Explanation
Expected credit losses	145,845,397.69	373,913,233.39	-60.99	Mainly due to the decrease in the impairment loss of financial assets measured at amortised costs and financial assets held under resale agreements in the current period
Other assets impairment losses	11,105,025.21	2,752,382.99	303.47	Mainly due to the increase in the impairment loss of long-term equity investment in the current period
Other operating costs	87,315,259.57	1,507,657,152.42	-94.21	Mainly due to the decrease in sales cost of bulk commodity trading in the current period
Non-operating income	1,107,195.31	18,736,381.72	-94.09	Mainly due to the decrease in incomes unrelated to the Company's daily activities in the current period
Non-operating expenses	3,456,856.74	11,053,100.46	-68.73	Mainly due to the decrease in expenses unrelated to the Company's daily activities in the current period
Income tax expenses	5,555,175.42	167,195,492.71	-96.68	Mainly due to the decrease in the profit before tax in the current period
Other comprehensive income after tax	63,795,594.70	-13,421,475.85	N/A	Mainly due to the increase in the translation differences of foreign currency financial statements in the current period

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(1) Profile of principal businesses by industry, product, region and sales model

Unit: 0'000 Currency: RMB

Principal business by industry

Industry	Operating income	Operating cost	Gross margin (%)	Increase/decrease in operating income compared with last year (%)	Increase/decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
Securities brokerage business	71,648.46	60,572.32	15.46	-21.84	-4.96	Decreased by 15.01 percentage points
Proprietary business	30,803.05	13,903.22	54.86	-46.74	-5.26	Decreased by 19.77 percentage points
Investment banking business	26,189.84	26,803.29	-2.34	-57.67	-45.82	Decreased by 22.37 percentage points
Credit business	44,428.38	9,615.52	78.36	-4.73	-53.03	Increased by 22.26 percentage points
Investment management business	16,547.05	8,981.40	45.72	-23.78	-56.89	Increased by 41.69 percentage points
Futures business	21,184.33	19,020.97	10.21	-86.93	-88.19	Increased by 9.58 percentage points
Overseas business	-8,075.25	7,955.57	N/A	N/A	4.67	N/A
Headquarters and others	-14,250.31	29,686.94	N/A	-167.44	-44.26	N/A

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Principal business by region

Unit: 0'000 Currency: RMB

Region	Operating income	Operating cost	Gross margin (%)	Increase/decrease in operating income compared with last year (%)	Increase/decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
Branches in province	64,459.07	51,815.46	19.61	-22.48	-1.65	Decreased by 17.02 percentage points
Branches outside the province	37,992.44	22,660.08	40.36	-42.74	-11.90	Decreased by 20.88 percentage points
Domestic Subsidiaries	30,833.38	29,637.36	3.88	-84.97	-84.04	Decreased by 5.59 percentage points
Overseas Subsidiaries	-8,075.25	7,955.57	N/A	N/A	4.67	N/A
Headquarters business	63,265.91	64,470.76	-1.90	-41.55	-45.98	Increased by 8.36 percentage points

Description of principal businesses by industry, product, region and sales model

During the Reporting Period, the Group achieved an operating income of RMB1.881 billion, representing a year-on-year decrease of 57.45%, among which, the futures business achieved income of RMB212 million, representing a decrease of RMB1.409 billion, mainly due to the decrease in income from the sale of commodities by Yuxin Investment, a subsidiary of the Company during the Period; the investment banking business achieved income of RMB262 million, representing a decrease of RMB357 million, mainly due to the decrease in income from securities underwriting business during the Period; the headquarters and others achieved income of RMB143 million, representing a decrease of RMB354 million, mainly due to the decrease in the income of investment fund of Equity Exchange Co. and NEEQ market-making business during the period; the proprietary business achieved income of RMB308 million, representing a decrease of RMB270 million, mainly due to the decrease in income from secondary market investment business during the Period; the securities brokerage business achieved income of RMB716 million, representing a decrease of RMB200 million, mainly due to the decrease in income from securities brokerage business during the Period; the investment management business achieved income of RMB165 million, representing a decrease of RMB52 million, mainly due to the decrease in income from fund investment of certain subsidiaries during the Period; the credit business achieved income of RMB444 million, representing a decrease of RMB22 million, mainly due to the decrease in interest income from margin accounts during the Period; and the overseas business achieved income of RMB81 million, representing an increase of RMB96 million, mainly due to the increase in gains from the investment in and changes in fair value of financial products held by Central China International during the Period.

During the Reporting Period, the Group's operating cost amounted to RMB1.765 billion, representing a year-on-year decrease of 52.42%, among which, other operating costs amounted to RMB87 million, representing a decrease of RMB1.420 billion, mainly due to a decrease in the cost of sales of bulk commodities of Yuxin Investment, a subsidiary of the Company, during the Period; the business and administrative expenses amounted to RMB1.508 billion, representing a decrease of RMB296 million, mainly due to a decrease in staff costs during the Period; and the expected credit losses amounted to RMB146 million, representing a decrease of RMB228 million, mainly due to the decrease in the provision for impairment of financial assets measured at amortised costs and financial assets held under resale agreements during the Period. The Company will assess the credit



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

risk of each business in accordance with the principles of prudence and adequate provisioning and make provision of impairment allowances through the expected credit loss model. The Company will continue to monitor changes in the market value of collateral and the creditworthiness of financiers, and carefully assess the risks associated with its stock-pledged repo business. In the event of adverse factors such as a decline in the market value of collateral, the Company will make full provision for impairment for the current period in strict accordance with the China Accounting Standards for Business Enterprises and the Company's accounting policies.

During the Reporting Period, the Group realized the net profit attributable to shareholders of the parent company of RMB107 million, representing a year-on-year decrease of 79.23%, mainly due to the year-on-year decrease in net profit of the Company caused by stock market fluctuations and investment banking cyclicity.

During the Reporting Period, the Company's subsidiary Yuxin Investment has seen a decrease in the business scale of commodities, a decrease in the sales income and sales costs and a low gross profit margin.

3. Expenses

Please refer to "50. Business and administrative expenses" in VI. "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "FINANCIAL REPORT" in this report.

4. Cash flow

In 2022, the net decrease in cash and cash equivalents of the Group was RMB1.573 billion.

(1) Net cash flow from operating activities

During the Reporting Period, the net cash flow from the operating activities was RMB2.002 billion, with a year-on-year increase of RMB2.959 billion, mainly due to an increase in cash inflow from the recouping of the investment in financial instruments at fair value through profit or loss.

The cash inflow from the operating activities was RMB7.590 billion, accounting for 38.04% of the total cash inflow, mainly including: a net decrease in financial instruments at fair value through profit or loss of RMB3.878 billion, accounting for 51.10%; cash receipt from interests, fees and commissions of RMB2.338 billion, accounting for 30.80%; net decrease in margin accounts receivable of RMB1.125 billion, accounting for 14.83%; and cash received relating to other operating activities of RMB249 million, accounting for 3.28%. The cash outflow from the operating activities was RMB5.588 billion, accounting for 25.96% of the total cash outflow, mainly including: a net decrease in placements from banks and other financial institutions of RMB1.4 billion, accounting for 25.06%; cash paid to and on behalf of employees of RMB1.175 billion, accounting for 21.03%; net cash paid for brokerage clients of RMB722 million, accounting for 12.92%; net decrease in funds for repurchase business of RMB663 million, accounting for 11.87%; cash paid for interest, fee charges and commission of RMB624 million, accounting for 11.16%; other cash payments relating to operating activities of RMB542 million, accounting for 9.71%; net increase in funds for the resale business of RMB260 million, accounting for 4.65%; and payments of taxes of RMB201 million, accounting for 3.60%.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

The explanation of reasons for any significant variations between the net cash flow from operating activities and net profit during the Reporting Period: The net cash flow from operating activities of the Company was RMB2.002 billion, and the net profit of the Company was RMB108 million. The main reasons for the difference are: the net cash flow from operating activities of the Company includes the purchasing cost and the net cash flow from sales of financial instruments at fair value through profit or loss, placements from banks and other financial institutions, repurchase and resale, net cash flow of margin accounts receivable, and net cash flow from brokerage clients, while income statement reflected the income or expenses conditions such as investment income, interest expenses, commission income, which was formed by the aforementioned operations cash transferring and impact of non-cash flow to profit or loss, such as assets depreciation, amortization and impairment losses.

(2) Net cash flows from investment activities

During the Reporting Period, the net cash flow from the investment activities was RMB-1.452 billion, with a year-on-year decrease of RMB2.849 billion, mainly due to an increase in cash payments to acquire investments.

The cash inflow from the investment activities was RMB54 million, accounting for 0.27% of the total cash inflow, mainly including: cash received from investment income of RMB53 million, accounting for 99.44%; net cash received from the disposal of fixed assets, intangible assets and other long-term assets of RMB302.5 thousand, accounting for 0.56%. The cash outflow from the investment activities was RMB1.505 billion, accounting for 6.99% of the total cash outflow, mainly including: cash payments to acquire investments was RMB1.278 billion, accounting for 84.92%; cash payments to acquire fixed assets, intangible assets and other long-term assets was RMB227 million, accounting for 15.08%.

(3) Net cash flows from financing activities

During the Reporting Period, the net cash flow from the financing activities was RMB-2.125 billion, with a year-on-year decrease of RMB3.241 billion, mainly due to an increase in cash repayments of borrowings.

The cash inflow from the financing activities was RMB12.310 billion, accounting for 61.69% of the total cash inflow, mainly including: cash received from the issuance of bonds of RMB12.215 billion, accounting for 99.23%; cash received from loans of RMB95 million, accounting for 0.77%. The cash outflow from the financing activities was RMB14.435 billion, accounting for 67.05% of the total cash outflow, mainly including: cash repayments of borrowings of RMB13.705 billion, accounting for 94.94%; cash payments for distribution of dividends, profit or interest expenses of RMB528 million, accounting for 3.66%; other cash payments relating to financing activities of RMB202 million, accounting for 1.40%.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(II) Analysis on assets and liabilities

1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	Amount at the end of the Period	Proportion of the amount at the end of the Period in total asset (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period in the total assets (%)	Change ratio of amount at the end of the current period VS amount at the end of the previous period (%)	Explanation
Cash and bank balances	10,211,630,004.39	20.35	12,332,030,422.75	22.94	-17.19	Mainly due to the decrease in client's capital deposit at the end of the Period
Clearing settlement funds	3,115,104,687.58	6.21	2,558,219,120.46	4.76	21.77	Mainly due to the increase in clearing settlement funds held on behalf of clients at the end of the Period
Margin accounts receivable	7,016,885,351.83	13.98	8,148,017,143.05	15.16	-13.88	Mainly due to the decrease in scale of margin accounts receivable at the end of the Period
Derivative financial assets	2,246.26	0.00	54,610.00	0.00	-95.89	Mainly due to the decrease in stock options at the end of the Period
Financial assets at fair value through profit or loss	21,614,103,009.80	43.07	24,507,919,178.87	45.60	-11.81	Mainly due to the decrease in bonds investment held for trading at the end of the Period
Financial assets at fair value through other comprehensive income	2,288,258,640.42	4.56	970,426,547.78	1.81	135.80	Mainly due to the increase in investment scale of Local government bonds and corporate bonds at the end of the period
Investment properties	27,121,164.72	0.05	15,666,107.28	0.03	73.12	Mainly due to the increase in assets for leasing at the end of the Period
Construction in progress	118,898,335.11	0.24	58,641,526.64	0.11	102.75	Mainly due to the increase in expenses for the construction of office building at the end of the period
Other assets	603,629,483.01	1.20	283,225,421.38	0.53	113.13	Mainly due to the increase in the margins and prepayments at the end of the Period
Short-term loans	66,075,016.67	0.13	256,191,822.27	0.48	-74.21	Mainly due to the decrease in guaranteed loans at the end of the Period
Short-term financing instruments payable	4,132,771,764.91	8.24	7,032,271,969.93	13.08	-41.23	Mainly due to the maturity of certain bonds and the decrease in the bonds at the end of the Period

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Item	Amount at the end of the Period	Proportion of the amount at the end of the Period in total asset (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period in the total assets (%)	Change ratio of amount at the end of the current period VS amount at the end of the previous period (%)	Explanation
Due to banks and other financial institutions	1,502,279,361.14	2.99	2,900,742,263.92	5.40	-48.21	Mainly due to the decrease in due to banks at the end of the Period
Financial assets sold under repurchase agreements	9,887,887,932.32	19.70	10,548,472,328.09	19.63	-6.26	Mainly due to the decrease in sell repo business size at the end of the Period
Accounts payable to brokerage clients	11,849,666,807.82	23.61	12,571,797,812.48	23.39	-5.74	Mainly due to the decrease in client's capital deposit at the end of the Period
Accounts payable	237,527,662.62	0.47	143,594,220.52	0.27	65.42	Mainly due to the increase in open-end fund liquidation at the end of the Period
Derivative financial liabilities	793,800.00	0.00	465,376.83	0.00	70.57	Mainly due to the increase in forward contracts at the end of the Period
Bonds payable	5,364,791,008.73	10.69	3,685,225,541.41	6.86	45.58	Mainly due to the increase in the scale of corporate bonds at the end of the Period
Financial liabilities at fair value through profit or loss	1,525,542,658.61	3.04	971,171,013.72	1.81	57.08	Mainly due to the increase in short selling bond business at the end of the period
Provisions	1,186,481.49	0.00	0.00	0.00	N/A	Mainly due to the increase in prepayments for pending litigation at the end of the Period

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Other explanations

(1) Assets

As of the end of 2022, the total assets of the Group reached RMB50.183 billion, decreasing by RMB3.565 billion or 6.63% from RMB53.748 billion at the beginning of the year, which was mainly due to the decrease in financial assets at fair value through profit or loss, cash and bank balances and margin accounts receivable at the end of the period. Among which, cash and bank balances, clearing settlement funds and refundable deposits accounted for 28.43% of the total assets; financial investment accounted for 48.02% of the total assets; margin accounts receivable accounted for 13.98% of the total assets; investment properties, fixed assets, construction in progress and right-of-use assets accounted for 1.06% of the total assets; long-term equity investment accounted for 3.14% of the total assets; financial assets held under resale agreements accounted for 2.27% of the total assets; deferred income tax assets, intangible assets and other assets accounted for 3.09% of the total assets. The Company has good asset quality and liquidity and a sound asset structure.

(2) Liabilities

As of the end of 2022, the total liabilities of the Group reached RMB35.975 billion, decreasing by RMB3.629 billion or 9.16% from RMB39.604 billion at the beginning of the year, which was mainly due to the decrease in short-term financing instruments payable, due to banks and other financial institutions, accounts payable to brokerage clients and financial assets sold under repurchase agreements at the end of the period. Among which, the accounts payable to brokerage clients (including the accounts payable to brokerage clients in credit transactions) accounted for 32.94% of the total liabilities; bonds payable and short-term financing instruments payable accounted for 26.40% of the total liabilities; financial assets sold under repurchase agreements accounted for 27.49% of the total liabilities; bank borrowings accounted for 0.18% of the total liabilities; due to banks and other financial institutions accounted for 4.18% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities accounted for 4.24% of the total liabilities; employee benefits payable, tax payable and other liabilities accounted for 4.57% of the total liabilities.

As of 31 December 2022, gearing ratio of the Group after deducting the accounts payable to brokerage clients (including the accounts payable to brokerage clients in credit transactions) and accounts payable to underwriting clients was 62.94%, with a year-on-year decrease of 2.71 percentage points.

2. Overseas assets

Of which: overseas assets amounted to RMB1.778 billion, accounting for 3.54% of the total assets.

3. Major restricted assets at the end of the Reporting Period

Please refer to “60. Assets with restricted ownership or use rights” in VI. “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “FINANCIAL REPORT” of this report.

4. Commitments and contingent liabilities

Please refer to XII. “COMMITMENTS AND CONTINGENCIES” under Section 8 “FINANCIAL REPORT” of this report.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(III) Access to and ability of financing

Currently the Company meets its operating capital requirement through equity financing and debt financing. As a company listed on both domestic and overseas markets, the Company can obtain equity financing through channels such as further issuance of shares as approved by relevant authorities and according to market conditions and its own needs. Debt financing of the Company primarily consists of long-term financing through the public issuance of corporate bonds, and subordinated bonds. In addition, the Company obtains short-term funds by way of bond repurchases, interbank borrowing and lending, transfer financing and the issuance of beneficiary certificates.

The Company continued to strengthen the management of financing channels and maintained a good financing capability. As of 31 December 2022, the Company had obtained a comprehensive credit of RMB39.0 billion from a number of financial institutions, which could effectively guarantee the Company's business development funding needs.

(IV) Industry operation analysis

Please refer to "II. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION" under this section in this report.

(V) Analysis of investments

Overall analysis on external equity investments

As of the end of the Reporting Period, the Group's long-term equity investment was RMB1.578 billion, representing an decrease of RMB82 million or 4.96% compared with the end of the previous year.

(VI) Material disposal of assets and equity interests

The Proposal on the Second Transfer of the Partial Equity Interest of Central China Micro-lending Held by CCBO was considered and approved at the 35th meeting of the Sixth Session of the Board on 15 October 2021, pursuant to which the Board agreed that CCBO would transfer its 11% equity interests in Central China Micro-lending. In October 2021, the Company completed the filing of state-owned assets appraisal project with Henan Provincial Finance Department. In November 2021, the Company obtained the Reply on the Transfer of 11% Equity Interests of Henan Central China Micro-lending Company Limited by Central China Blue Ocean Investment Management Co., Ltd. (《關於中州藍海投資管理有限公司轉讓河南省中原小額貸款有限公司11%股權的批覆》) from the Henan Provincial Finance Department. In December 2021, CCBO and Luohe Financial Holding Co., Ltd. (漯河市金融控股有限公司) entered into the State-owned Property Rights Transaction Contract (《國有產權交易合同》) pursuant to which CCBO agreed to transfer its 11% equity interests in Central China Micro-lending to Luohe Financial Holding Co., Ltd. In March 2022, the Henan Provincial Local Financial Supervision Administration issued the Reply of Henan Provincial Local Financial Supervision Administration on the Change Matters of Henan Central China Micro-lending Company Limited (Yujinjian [2022] No. 56) (《河南省地方金融監督管理局關於河南省中原小額貸款有限公司變更事項的批覆》(豫金監[2022]56號)), approving the change of shareholding structure of Central China Micro-lending. According to the above approval, Central China Micro-lending completed the change of industrial and commercial registration in March 2022.

For details of the above, please refer to the relevant announcements disclosed by the Company dated 15 October 2021, 20 December 2021 and 15 March 2022.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(VII) Analysis of major subsidiaries and companies in which the Company has invested

Central China Futures Co., Ltd.

Registered address: 4F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

Date of incorporation: 18 April 1993

Registered capital: RMB330 million

Shareholding proportion: 51.357%

Legal representative: Xie Xuezhong

Contact No.: 0371-68599199

Principal business: commodity futures brokerage; financial futures brokerage; futures investment advisory business; assets management.

Financial position: As of 31 December 2022, the total assets and net assets amounted to RMB2.362 billion and RMB452 million respectively. In 2022, Central China Futures recorded operating income of RMB212 million and net profit of RMB16.4022 million.

Zhongding Kaiyuan Venture Capital Management Co., Ltd.

Registered address: Rooms 501-11, Building 1, No. 18 Courtyard, Lize Road, Fengtai District, Beijing

Date of incorporation: 8 February 2012

Registered capital: RMB680 million

Shareholding proportion: 100%

Legal representative: Zhou Jie

Contact No.: 0371-69177108

Principal business: investment management; assets management; equity investment; venture capital investment; investment advisory business; financial advisor.

Financial position: As of 31 December 2022, the total assets and net assets amounted to RMB1.211 billion and RMB817 million respectively. In 2022, Zhongding Kaiyuan Venture Capital Management Co., Ltd. recorded operating income of RMB30.4649 million and net profit of RMB5.7020 million.

Reasons for large fluctuations: In 2022, Zhongding Kaiyuan Venture Capital Management Co., Ltd.'s operating income decreased by 73% year on year, and the net profit decreased by 88%. This was mainly due to the significant decrease in net value of the fund managed by Kaiyuan Private Equity, a subsidiary of Zhongding Kaiyuan Venture Capital Management Co., Ltd., resulting from the fluctuation of share prices in certain projects in the secondary market.

Central China International Financial Holdings Company Limited

Registered address: Suites 1505 and 1508, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

Date of incorporation: 29 October 2014

Registered capital: HK\$1.8 billion

Shareholding proportion: 100%

Contact No.: 00852-25001375

Principal business: securities brokerage, provide advice for securities, margin financing, futures brokerage, provide advice for futures contracts, sponsorship underwriting, financial advisor, self-run investment and other capital market services.

Financial position: As at 31 December 2022, the total assets and net assets of Central China International amounted to HK\$1.990 billion and HK\$618 million, respectively. In 2022, its revenue and other income and net profit amounted to HK\$-39 million and HK\$-187 million, respectively.

Reasons for loss: Due to unfavourable factors such as the increase in interest rate by the Federal Reserve and the decline in asset prices caused by the regulation of the mainland's macro-economic policies, the Hong Kong market was more volatile and the revenue fell short of expectations; the decrease in fair value of historical risk items and the provision for impairment have a phased impact on the operating results.

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Central China Blue Ocean Investment Management Company Limited

Registered address: West to Laodong Road and north to Hongteng Road, Weidu Industry Cluster Area, Xuchang City

Date of incorporation: 25 March 2015

Registered capital: RMB3.5 billion

Shareholding proportion: 100%

Legal representative: Wu Yang

Contact No.: 0371-86503971

Principal business: using self-owned funds to invest in financial products, securities and equity.

Financial position: As of 31 December 2022, the total assets and net assets amounted to RMB3.154 billion and RMB3.141 billion respectively. In 2022, Central China Blue Ocean Investment Management Company Limited recorded operating income of RMB94.0729 million and net profit of RMB24.3788 million.

Reasons for significant fluctuations: Due to the uncertainties in domestic and international political and economic situations, the secondary market suffered marked setbacks, resulting in a significant retreat in the net value of certain financial products in the secondary market. Consequently, the profit for the period decreased over the same period last year.

Central China Equity Exchange Co., Ltd.

Registered address: No.23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City

Date of incorporation: 29 June 2015

Registered capital: RMB350 million

Shareholding proportion: 36%

Legal representative: Zhao Jizeng

Contact No.: 0371-61775086

Principal business: provide enterprises with services such as registration, custody, listing, transfer and financing of equity, creditor's rights and other equity assets; investment and asset management; financial advisory, corporate promotion, corporate presentation, training and advisory services. (For projects subject to approval according to law, business activities can only be carried out after approval from relevant authorities)

Financial position: As of 31 December 2022, the total assets and net assets amounted to RMB447 million and RMB399 million respectively. In 2022, Central China Equity Exchange Co., Ltd. recorded operating income of RMB-28 million and net profit of RMB-33 million.

Reason for the loss: Due to the uncertainties in domestic and international political and economic situations, the stocks of fund investment enterprises held by Equity Exchange Co. declined considerably.

(VIII) Structured entities controlled by the Company

As of 31 December 2022, the Group merged 4 structured entities. For the structured entities that served as the manager or investment advisor of structured entities and hold product shares, the Company included the structured entities under the control of the Company into the scope of consolidated statements after comprehensively considering the investment decision rights of the Company, the variable return exposure and the use of investment decision power to influence variable return. Please refer to VII. "CHANGES IN THE SCOPE OF CONSOLIDATION" under Section 8 "FINANCIAL REPORT" of this report for scope of consolidation of structured entities.



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

VII. COMPANY'S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry landscape and development trend

The CPC 20th National Congress has mapped out an ambitious blueprint for advancing the great rejuvenation of the Chinese nation on all fronts through a Chinese path to modernization. The report to the CPC 20th National Congress has made it clear that “improving the functions of the capital market for a risen proportion of direct financing” represents another demand for the capital market to shape a socialist market economy system for high-quality development. Meanwhile, it manifests that the capital market figures prominently on the Chinese path to modernization. In 2023, as the comprehensive registration system is rolled out, a further round of opportunities for development presented itself to the capital market, which will truly make fresh headway in the sense of gain of investors by enhancing the quality of listed companies and underpinning the development of new-type enterprises. This will enable the development of the securities industry.

The securities industry progresses with opportunities and risks. The reform of the comprehensive registration system and the reform of shareholder structure are of equal landmark significance. They have profound implications for the development logic, business model and business form of the industry. Those employed in the industry will more challenge the pattern that “the strong is always strong”. Medium and small brokers will have to confront the high-level competition from leading investment banking at home and abroad. This defines the normal of rigorous regulation. These changes are putting more demands on securities companies in the capital strength, professional competency and the capacity for resource integration.

The competitive landscape of the securities industry features as follows: First, the capital-driven model is trending in the industry. With the reform of the capital market deepened in all respects, the securities industry continued to be in a prosperous upward cycle, and capital strength became the core element for securities companies to achieve quality development. In recent years, various companies in the industry implemented one or more rounds of equity financing to meet business needs and open up development space, in order to remain invincible in the fierce market competition. Second, the industry was more concentrated. The top brokerage firms, with their strong capital strength, the breadth and depth of their business development and the expansion of their balance sheets, kept enhancing their profitability and eased their performance fluctuations, sustaining a high level of industry concentration. Third, to be differentiated and professional defines the development of the small and medium-sized brokers. They, on the back of their own endowment resources, gave full play to their location advantages to tap into shareholder resources and deepen business reform. Meanwhile, they focused on the foremost business and pooled limited resources to shape competitive advantages. Fourth, the competition was more diversified. With the deepening openness, foreign investment banks were expanding their presence in China's capital market and gradually becoming new and powerful competitors in the industry. With its global perspective and mature service system, foreign investment banks would compete fiercely with domestic securities firms in the areas of investment banking, assets management and other high value-added businesses. Fifth, the digital transformation supported by financial technology was accelerating. Internet brokers and third-party sales institutions, which were based on the Internet ecology with massive user resources and enhanced user stickiness, continued to affect the traditional business model of securities companies. The overall competition pattern of the securities industry tended to be more complicated and white-hot.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(II) Development strategy of the Company

The Company will insist on the guidance of the Xi Jinping Thought with Chinese Characteristics for a New Era, fully implement the guiding principles of the 20th National Congress of the CPC, follow the guidance of party construction, and adhere to the general principle of seeking progress while maintaining stability. The Company will fully and faithfully apply the new development philosophy on all fronts, seize the opportunity in the acceleration of the building of a new development paradigm, and focus on promoting high-quality development.

Driven by capital, reforms, talents, and innovations, the Company will face the whole country while taking root in central China. The Company will focus on the main business such as investment banking business, wealth management, proprietary investment and assets management, hold fast to the development philosophy of “specialization, marketization, and differentiation”, and stick to the bottom line of compliance risk control. The Company will promote the corporate core competency as well as operation quality and economic effectiveness. On the basis of serving the real economy and the broad group of investors, the Company will work to make Central China Securities get stronger, do better, and grow bigger. All this will see the Company contributing to the country and society, increasing shareholder benefit and staff wellbeing, and becoming a comprehensive financial service provider boasting certain brand influence and unique competitiveness across the country with its shares listed on both Hong Kong and Shanghai stock exchanges.

(III) Operating plan

2023 is the first year to fully implement the guiding principles of the 20th National Congress of the Communist Party of China, a crucial year for continuing to implement the 14th Five-Year Plan, and a year for the Company to accelerate the new round of deepening reform and achieving high-quality development for the future. The Company will thoroughly implement the guiding principles of the 20th National Congress of the Communist Party of China, follow the general principle of making progress while working to keep performance stable, and adhere to the path of distinctive and differentiated development. Leading business restructuring, management improvement and professional advancement with the new development concept, the Company will aim at enhancing profitability throughout its work, complete the strategic layout as soon as possible, implement the established business development positioning, solidify the base in Henan, accelerate the development of the three key regions, and achieve the rapid development of the main business segments and improvement of the level of profitability.



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(IV) Potential risks

Major risks faced by the Company include: credit risk, market risk, liquidity risk, reputation risk, operational risk, compliance risk and information technology risk, etc. Specific details are set out as follows:

1. Credit risk and policies

Credit risk refers to the risk of losses arising from a borrower, counterparty or issuer's failure to perform an agreement as agreed. Specifically in the following aspects: default or ratings downgrade of investment targets; a counterparty's default; risk of failure to duly repay loans or securities upon expiry of product or customer contracts or when the maintenance guarantee ratio or performance guarantee ratio falls under the closing positions; and receivables due to settlement of brokerage business becoming bad debts. Currently the Company's credit risk mainly comes from the bond investment, margin trading and securities lending, and securities-backed lending, as well as financing business, investment business and over-the-counter derivatives business carried out by its subsidiaries.

The management of credit risk revolves around six aspects: a clear policy system of access criteria for borrowers/counterparties and collateral/investment targets, a scientific collateral discount rate model, a unified due diligence standard, a sound credit approval system, post-investment tracking management and default disposal management. At the same time, the credit risk of the Company's business is measured and evaluated by calculating expected and unexpected losses through default probability, default loss rate, and credit risk exposure; according to the risk characteristics of each business, risk indicators including business scale limit, single investment target/single counterparty limit, single customer/single securities financing scale, percentage of single customer/single securities concentration and other risk indicators are set for monitoring; the Company adopted the methods of collecting deposits, qualified collaterals and net settlement to mitigate the credit risks to reduce the net risk exposure and expected loss assumed by the Company.

Specific control of credit risk business: (1) We set access criteria for bond investment business, conducted investment target and counterparty management and concentration control, carried out the categorized review, and continuously tracked and evaluated the negative public opinion of bond holdings. (2) For margin trading and securities lending, securities-backed lending, securities repurchases and margin business of overseas subsidiaries, we established strict standards on collateral scope and conversion rate, deposit ratio, maintenance guarantee ratio standards according to the business characteristics, carried out front-end control from credit investigation, credit granting, marking to market, closing positions and other aspects, and conducted dynamic monitoring in the duration on the risk conditions such as concentration degree, contract expiration, maintenance guarantee ratio or performance guarantee ratio, and significant events. (3) For the credit risk of the receivables arising from settlement advances for brokerage business, the Company controlled the credit risk by strengthening the customer credit granting and deposit as well as collateral securities management. (4) The Company incorporated risk management of subsidiaries into the comprehensive risk management system, and conducted the vertical management over the risk management efforts of subsidiaries, promoting the establishment of risk control framework of subsidiaries with reference to the Company by appointing risk management officers of subsidiaries, and established regular and irregular risk reporting system and key risk mark-to-market mechanism to monitor and control the risks of subsidiaries.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company strengthened the pre-audits of risk control of major investment and financing projects, established a sound mechanism for access and ongoing management of FOFs, and had in place a credit risk management mechanism for OTC derivative business. The Company strengthened the vertical management of subsidiaries and refined the risk management mechanism of overseas subsidiaries. In addition, the Company constructed the investment banking duration system and internal rating system, and promoted the construction of the same customer system for the same business. No significant credit risk items were added to the Company's business.

2. Market risk and policies

Market risk refers to the risk that the fair value of the financial instruments held is adversely affected by changes in the market prices. It consists of risk of price fluctuations of equity assets, interest rate risk, exchange rate risk, etc. Specifically: Price risk mainly refers to the risk of losses of the Company's on-balance and off-balance businesses due to unfavorable changes in the price of securities products such as stocks caused by fluctuations in the securities market. Interest rate risk refers to the risk of negative impact on the Company's financial performance due to interest rate changes in the market. Exchange rate risk refers to the possibility that the Company may suffer losses from operating activities which involve holding or using foreign exchange due to changes in the exchange rate. The Company's market risk mainly involves investment transactions in equity securities and their derivatives, investment transactions in fixed-income securities and their derivatives, and market-making business.

The Company's management of market risk revolves around five aspects. First, implement a strict investment authorization system. The management of the Company is responsible for breaking down and allocating business size and risk limits for equity securities proprietary trading, fixed income securities proprietary trading and asset management during the year within the authorization granted by the Board. Second, establish a management mechanism for the securities pool and black and white list database, clarify the access standards, and strictly managed the transactions in the pool. Third, establish a multi-index risk monitoring and evaluation system, set scale, concentration, risk limit, position control, risk exposure, stop loss and other risk control indicators, and use stress testing and sensitivity analysis to evaluate market risks. Fourth, establish a mark-to-market system with front and back office collaboration and dynamic monitoring in real time to ensure the implementation of risk management policies, strategies and risk control indicators and identify, monitor, warn, and report related risks so as to adopt risk control measures such as exposure reduction or hedging. Fifth, establish market risk measurement analysis models and tools, quantify and analyze market risks through risk measurement models such as VaR value, volatility, Beta, duration, convexity, DV01 and other indicators, and adjust business strategies in time to control market risks.

During the Reporting Period, the Company strengthened its control over market risks. First, the Company implemented its prudent risk appetite, optimized the breakdown of risk limits of proprietary fixed-income business by business type, and specified risk limits of each business category. Second, the Company kept strengthening the management of equity proprietary securities pools and improved risk control measures for outsourced investment business. Third, the Company optimized the market risk control indicator system, and refined the risk control indicators of equity proprietary stocks and overall loss prevention. It also strengthened the control over the scale, industry, region and investment concentration of low-rated credit bonds. Fourth, the Company encouraged alternative subsidiaries to establish an access mechanism for cooperation with financial product investment institutions, to prevent business risks. Fifth, the Company improved the timeliness, accuracy and comprehensiveness of business data collection by promoting the upgrading of the market risk management system. Sixth, the Company studied new business and established a market risk management mechanism for over-the-counter derivatives and quantitative investment business. As of the end of the Reporting Period, the Company's market risk was controlled within the scale and limits authorised by the Board of Directors.



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

3. Liquidity risk and policies

Liquidity risk refers to the risk that the Company is unable to obtain sufficient funds in time at reasonable costs in order to repay maturing debts, comply with other payment obligations and satisfy the funding needs for carrying on normal business.

In order to prevent liquidity risk, the following measures were taken: Firstly, the Company strengthens capital position and cash flow management, adopts a significant amount of fund advance reservation model, strengthens the monitoring and management of significant amount of funds, scientifically predicts the cash flow gap in different periods in the future, and ensures the consistency of financing arrangements and business capital utilization; Secondly, the Company expands financing channels, comprehensively use various financing methods, balance the distribution of debt maturity, improve the diversification and stability of financing, and avoids the repayment risk due to single financing channel or concentrated debt maturity; Thirdly, the Company has established a liquidity reserve fund operation and management mechanism, reasonably set the minimum holding size of liquidity reserve fund and the allocation ratio of high-quality liquid assets, and holds sufficient high-quality liquid assets to ensure that the Company can realize sufficient funds in a timely manner to deal with the funding gap under normal and stressed conditions; Fourthly, the Company has adopted a risk monitoring system with net capital and liquidity as the core, monitored risk control indicators, and used stress tests to assess the impact of business activities on the Company's liquidity; Fifthly, the Company has established and continued to improve the liquidity risk emergency response mechanism, and regularly carried out liquidity risk emergency drills to ensure the timeliness and effectiveness of the Company's liquidity crisis response.

As at the end of the Reporting Period, the liquidity coverage ratio and net stable funding ratio of the Company were 192.85% and 158.54%, respectively, which were in compliance with the regulatory requirements. No material liquidity risk events occurred during the Reporting Period.

4. Reputation risk and policies

Reputation risk refers to the risk that investors, issuers, regulatory agencies, self-regulatory organizations, the public and the media may give negative evaluation to the Company due to the Company's behavior or external events, and our staff's violation of integrity regulations, professional ethics, business norms, rules and agreements and other related behaviors, which damage the brand value of the Company, adversely affects the normal operation of the Company and even impacts the market stability and social stability.

In terms of reputation risk management, the Company has improved its brand value by using effective management measures to reduce, prevent and control the impact of reputation events on the Company. We manage the reputation risk by sticking to the principles of full staff in the whole process, prevention first, prudent management and rapid response. We improve the overall risk management system, and prevent moral risks of securities practitioners to safeguard the image of the securities industry and market stability.

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During the Reporting Period, the Company incorporated reputation risk into its overall risk management system according to the Guidelines on Reputation Risk Management of Securities Firms (《證券公司聲譽風險管理指引》) issued by the Securities Association of China. First, the Company further revised and improved the relevant policies on reputation risk management, and strengthened reputation risk management by optimizing the organizational structure, division of responsibilities, management process, emergency response mechanism, staff behavior regulation and reporting mechanism, etc. Second, the Company built a reputation risk management system to identify, prudently assess, dynamically monitor, timely respond to and report reputation risks through effective public opinion monitoring means. Third, the Company bettered the mechanism for reporting and managing reputation risks. All departments, branches and subsidiaries prevented reputation risks and dealt with reputation risk events to maintain the Company's reputation and positive brand image.

During the Reporting Period, the overall public sentiment of the Company was normal and no significant reputation risk events occurred.

5. Operational risk and policies

Operational risk refers to the risk of direct or indirect loss caused by imperfect or faulty internal procedures, personnel, information systems, and external events. Operational risk involves all business, branches and subsidiaries of the Company.

With respect to operational risk management, the Company has adopted a relatively perfect internal control environment construction and compliance and effectiveness management and assessment as the basis for operational risk prevention. Specific operational risk management includes: first, the Company has formulated operational risk management methods and relevant rules to standardize the whole process of operational risk identification, assessment, monitoring, control, and reporting; second, each unit has developed effective operational risk identification and assessment procedures to proactively identify operational risks existing in the business, process, and system, and ensure that the internal operational risks of new businesses and products are fully assessed before they are launched; third, the Company has established management rules for key indicators of operational risk to monitor operational risks; fourth, we collected and analyzed operational risk loss events; fifth, through the risk management system, the operational risk is measured and monitored, and a visual report of the operational risk is formed.

During the Reporting Period, the Company continued collecting the data of key risk indicators and the loss data of operational risks with the three major tools for operational risk management, including self-assessment of operational risk and control, collection of key risk indicators of operational risk and loss data of operational risk. It also reviewed and improved the process inventory sheets covering all business lines and subsidiaries, and conducted self-assessment on annual operational risk control. The Company further promoted the identification and control of the accumulative "high-frequency low-loss" operational risk events as well as the probability of "low-frequency high-loss" operational risk events and the timeliness of early warning. The Company's operational risk losses were within the limits authorized by the Board.



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6. Compliance risk and policies

Compliance risk refers to the risk of the Company being legally held accountable, subject to supervisory measures, given disciplinary sanction or suffering from loss of property or reputation arising from the violation of laws, regulations or rules by the Company or its personnel in their operation, management or practices.

The Company keeps track of laws, regulations and guidelines in a timely manner, and continuously improves the compliance management system based on the actual situation of the Company; at the same time, supervises all units to formulate and revise their internal management system and improve their business process in a timely manner; actively carries out the construction of a compliance culture, improves the self-discipline mechanism; conducts compliance reviews of the Company's systems, major decisions, new products, new business plans, etc.; provides compliance advice and consultation for the Company's management and various units, and reviews the compliance of management activities; strictly implements compliance assessment and accountability mechanisms, effectively plays the role of assessment-oriented and accountability and warning; performs internal and external reporting obligations in accordance with regulations; organizes and promotes all units to carry out money laundering risk prevention and control work in accordance with the Company's anti-money laundering system. The Company's Compliance Management Department strengthens the training and management of compliance administrators, 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 consultation, compliance review, compliance inspection, compliance monitoring and other channels, and integrates compliance management into decision-making, execution, supervision, feedback and other links, and into the whole process of company operation and management. In 2022, according to the parent company's approach, the Company's total investment in compliance risk control was RMB110.2284 million.

7. Information technology risk and policies

Information technology risk mainly refers to the risk that the information technology system and communication system cannot provide normal services, which affects the normal business management of the company; insufficient security protection and backup capabilities of information technology systems and key data cause the Company to suffer from the problems with business continuity or information security risks; the risk that a critical IT system provider fails to provide ongoing support and services throughout the life cycle of the technical system.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company continued to invest and optimize in basic resource investment, IT operation and maintenance management, information security protection, disaster recovery capacity building, emergency response capacity building and other aspects to ensure the safe operation of the information system. In 2022, according to the parent company's approach, the Company's total investment in information technology was RMB180.6430 million. The specific measures were detailed as follows:

- (1) Invested more in basic resources, and further improved the robustness of information system by updating the key equipment used in core systems and investing in the expansion of cloud computing resources.
- (2) Regularly carried out vulnerability scanning, engaged professional organizations to perform security penetration, and quickly fixed system bugs, to strengthen system security; strengthened the accuracy and breadth of system monitoring with platform tools such as automated O&M and big data analysis, thus improving the information security of the Company.
- (3) Implemented IT O&M process control, strengthened the standardized and refined management of system changes and upgrades, formulated detailed and thorough work plans for ensuring information system security, and conducted in-depth information system self-inspection, to ensure the safe and stable operation of information system.
- (4) Comprehensively carried out emergency drills targeting various parts of the information system, regularly revised the Company's emergency disposal plan for information and network security events, and reinforced security in time.

VIII. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PROPOSAL

Please refer to "XI. PROPOSAL FOR PROFIT DISTRIBUTION OR CAPITALISATION ISSUE under Section 4 CORPORATE GOVERNANCE REPORT" of this report.

IX. DIRECTORS

Please refer to "IV. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT under Section 4 CORPORATE GOVERNANCE REPORT" of this report.

X. DIRECTORS' INTERESTS IN THE BUSINESS COMPETING WITH THE COMPANY

During the Reporting Period, none of the Directors of the Company has any interest in the business that competes or may compete, either directly or indirectly, with the Company.

XI. PERMITTED INDEMNITY PROVISION

Please see "I. OVERVIEW OF THE CORPORATE GOVERNANCE — (II) Directors and the Board — 1. Composition of the Board under Section 4 CORPORATE GOVERNANCE REPORT" of this report.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

XII. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 31 December 2022, based on the information acquired by the Company and the knowledge of the Directors, none of the Directors, Supervisors and chief executive of the Company have the following (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code.

As of 31 December 2022, no Directors, Supervisors or their respective spouse or children under the age of 18 have been given the right to purchase the shares or debentures of the Company to obtain benefits, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the Directors, Supervisors or their respective spouse or children under the age of 18 in any other body corporate.

XIII. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 31 December 2022, pursuant to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executive of the Company) have the following interests or short positions in shares or underlying shares required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name	Class of shares	Nature of interest	Number of shares held (shares)	Percentage of the Company's total issued shares (%)	Percentage of the Company's total issued A shares/H shares (%)	Long position/ short position/ lending pool
Henan Investment Group	A Share	Beneficial owner	822,983,847	17.726	23.872	Long position
	H Share	Beneficial owner/ Interest of corporation controlled by the substantial shareholder	200,573,000 ^{Note}	4.320	16.779	Long position
Anyang Iron & Steel Group Co., Ltd.	A Share	Beneficial owner	177,514,015	3.823	5.149	Long position
Shanghai Wealspring Asset Management Co., Ltd.	H Share	Investment manager	156,209,000	3.364	13.068	Long position

Note: As known to the Company, as of the end of the Reporting Period, in addition to the 822,983,847 A shares of the Company directly held by it, Henan Investment Group also held 46,733,000 H shares of the Company through its wholly-owned subsidiary, Dahe Paper (Hong Kong) Co., Limited, and held 153,840,000 H shares of the Company through Stock Connect's Southbound trading, totaling 1,023,556,847 shares of the Company, accounting for 22.05% of the total issued shares of the Company.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Save as disclosed above, as of 31 December 2022, the Company was not aware of any other persons (excluding the Directors, Supervisors and chief executive of the Company) having the interests or short positions required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.

XIV. PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or repurchased any securities of the Company during the Reporting Period.

XV. NON-COMPETITION UNDERTAKING OF CONTROLLING SHAREHOLDERS

Please refer to "II. SPECIFIC MEASURES OF THE COMPANY'S CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER FOR ENSURING THE INDEPENDENCE OF THE COMPANY'S ASSETS, PERSONNEL, FINANCE, INSTITUTION AND BUSINESS AS WELL AS SOLUTIONS, WORK PROGRESS AND FOLLOW-UP PLANS THAT INFLUENCE THE COMPANY'S INDEPENDENCE under Section 4 CORPORATE GOVERNANCE REPORT" of this report.

XVI. OTHER DISCLOSURES

(I) Share capital

Please refer to the VI. NOTE 36 in the "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "FINANCIAL REPORT" as set out in this report.

(II) Pre-emptive rights arrangement

According to the PRC law and the Articles of Association, currently the Company has no pre-emptive rights arrangements.

(III) Sufficiency of public float

From the date on which the Company's H shares were listed to the date of this report, according to the information obtained by the Company and the knowledge of the Directors, the public float of the Company has been in compliance with the relevant regulations of Rule 8.08 and Rule 13.32 of the Hong Kong Listing Rules.

(IV) Management contract

During the Reporting Period, the Company entered into no management or administration contracts relating to all or any substantial part of the business of the Company.

(V) Director and Supervisor service contract

No Director or Supervisor of the Company have entered into any service contracts with the Company or its subsidiaries which are not terminable within one year or are not terminable without payment of compensation (other than statutory compensation).



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(VI) Material interests of Directors and Supervisors in transactions, arrangements or contracts

The Company or its subsidiaries have not entered into any significant transactions, arrangements or contracts entitling substantial interests to the Directors or Supervisors of the Company or their related entities directly or indirectly during the Reporting Period.

(VII) Rights of Directors and Supervisors to acquire shares or debentures

During the Reporting Period, no arrangements to which the Company, any of its subsidiaries, its holding company or any subsidiaries of its holding company is or was a party enabling the Directors or Supervisors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or other body corporate.

(VIII) Donations

During the Reporting Period, the Group's charitable and other donations amounted to RMB110,110.00.

(IX) Employees

Please refer to "X. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES AS AT THE END OF THE REPORTING PERIOD under Section 4 CORPORATE GOVERNANCE REPORT" of this report.

(X) Pension scheme

The Company and its domestic subsidiaries pay basic pension insurance for the employees (the "Pension Insurance Plan") in accordance with the relevant regulations of the local government. The subsidiaries of the Company in Hong Kong, including Central China International Financial Holdings Company Limited, make contributions to the Mandatory Provident Fund (the "MPF Plan") in accordance with the "Mandatory Provident Fund Schemes Ordinance" of Hong Kong. The Company and its domestic subsidiaries have established the enterprise annuity plan (the "Enterprise Annuity Plan") in accordance with the relevant policies of the domestic enterprise annuity system. The Company and its domestic subsidiaries make monthly contributions to the pension insurance plan at a certain percentage of the payment base stipulated by the government authorities, and make contributions to the enterprise annuity plan at a certain percentage of the payment base. Central China International contributes to the MPF Plan based on certain percentages of the monthly relevant income of the existing eligible employees.

As of the years ended 31 December 2022, the Group had no forfeited contributions under the Pension Insurance Plan or the MPF Plan. Under the Enterprise Annuity Plan, the forfeited contributions of the Group are retained in the public account for enterprise annuity in accordance with the domestic enterprise annuity policy and the Group's enterprise annuity management system. The forfeited contributions shall be enjoyed by the employees who are still in the Enterprise Annuity Plan and shall not be available to reduce future contributions or reduce levels of existing and future contributions.

Please refer to the VI. NOTE 28 in the "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "FINANCIAL REPORT" as set out in this report.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(XI) Property, plants, equipment and investment properties

As of the end of the Reporting Period, for details of the Group's property, plants, equipment and investment properties, please refer to the VI. NOTES 12 and 13 in the "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "FINANCIAL REPORT" as set out in this report.

(XII) Reserves

For changes in the Group's reserves and distributable reserves during the Reporting Period, please refer to the VI. NOTES 37 to 40 in the "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "FINANCIAL REPORT" as set out in this report.

(XIII) Tax reduction and exemption

A Shareholders

In accordance with the Notice of Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2015] No. 101) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) and Notice on Issues Relating to Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) issued by the Ministry of Finance, State Administration of Taxation and the CSRC, for shares of listed companies obtained by individuals from public offerings or the market, where the holding period is less than one month (inclusive) (from the date of an individual's acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares), the full amount of dividends shall be counted as taxable income at an effective tax rate of 20%; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis at an effective tax rate of 10%; and where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax. For dividends distributed by the listed company, where the period of individual shareholding is within one year (inclusive), the listed company shall not withhold the individual income tax temporarily. When an individual transfers his/her shares, the securities depository and clearing company calculates the actual taxable income according to his/her period for holding shares, and the company withholds tax otherwise through the securities depository and clearing company for the part in excess of the withheld tax. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the Cai Shui [2012] No. 85 requirements. For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable on their own.

For the shareholders who are Qualified Foreign Institutional Investors (QFII), the listed company shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) (《關於中國居民企業向 QFII 支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)) by the State Administration of Taxation. QFII shareholders who wish to enjoy tax concessions shall apply to the competent taxation authority for tax rebates (arrangements) according to the relevant rules and regulations after they receive the dividends.



SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Pursuant to the requirements of the Notices of Ministry of Finance, State Administration of Taxation and CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), the listed company shall withhold an income tax at the rate of 10% on dividends from the A shares of the Company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to the China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the Company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

H Shareholders

In accordance with provisions of the Notice of the State Administration of Taxation on Personal Income Tax Collection Issues after the Document with the Number of Guo Shui Fa [1993] No. 045 has been Abolished (Guo Shui Han [2011] No. 348) 《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號), withholding and remitting obligor will withhold and remit personal income tax as per item of “interest, dividends and bonus income” for dividends and bonus income of overseas resident individual shareholders from domestic non-foreign-funded enterprise by issuing shares in Hong Kong. When domestic non-foreign-funded enterprise issues shares in Hong Kong, its overseas resident individual shareholders will enjoy relevant tax preference in accordance with the tax convention signed by China and the country stated in the residential identity and tax arrangement of inland and Hong Kong (Macao). In general, the tax rate for dividends is 10% in accordance with relevant tax conventions and provisions on tax arrangements. To simplify tax collection and management, when a domestic non-foreign funded enterprise that has issued shares in Hong Kong distributes dividends and bonuses, personal income tax will be generally withheld and remitted as per the tax rate of 10% and application is not necessary. Situations in which the tax rate for dividends is not 10% will be handled in accordance with the following provisions: (1) according to the Administration Measures on Preferential Treatment Entitled by Non-residential Taxpayers under Tax Treaties (Announcement issued by State Administration of Taxation 2019 No. 35) 《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號), as for residents of a conventional country whose tax rate is less than 10%, such H share individual holders shall submit an application to the Company for regulated treatment and reserve related information. If those holders are residents in countries with tax agreement at the rate of less than 10%. If the applied information is complete, the tax will be paid by the Company according to taxation laws and regulations in China and the provisions in treaties; (2) as for residents of a conventional country whose tax rate is between 10% and 20%, withholding and remitting obligor shall withhold and remit personal income tax as per actual conventional tax rate when distributing dividends and bonus and it need not handle application and approval issues; (3) as for residents without tax convention and other situations, withholding and remitting obligor shall withhold and remit personal income tax at the tax rate of 20% when distributing dividends and bonus.

According to the Notice on the Withholding Corporate Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外 H 股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H share non-resident enterprise shareholders, they shall pay the withholding enterprise income tax at the rate of 10%.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

According to the requirements of Notice on the Tax Policies Concerning the Pilot Program of the Shanghai, Hong Kong Stock Connect Published by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission (Cai Shui [2014] No. 81) (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen, Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the Company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, H share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular the dividends received by resident enterprises in the mainland which hold H shares for at least 12 consecutive months could be exempted from enterprise income tax according to the law.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

(XIV) Bond issuance

For details of the issuance of corporate bonds of the Company during the Reporting Period, please refer to Section 7 INFORMATION ON BONDS ISSUED BY THE COMPANY of this report.

All references in this section to other parts, sections or notes in this report form part of the Report of the Board of Directors.



By order of the Board
Chairman
Jian Mingjun

29 March 2023



SECTION 4 CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF THE CORPORATE GOVERNANCE

Being a public company listed in both Mainland China and Hong Kong, the Company operates in strict compliance with laws, regulations, and normative documents at the domestic and overseas listing places, including the Company Law, Securities Law, Regulation on the Supervision and Administration of Securities Companies, Rules for Governance of Securities Companies, Code of Corporate Governance for Listed Companies, the Corporate Governance Code, and is committed to maintaining and improving its good social image of the Company. During the Reporting Period, the Company actively implemented the requirements of the Central Government, the provincial Party committee and the provincial government regarding the deepening of the reform of state-owned enterprises, and appointed a general manager by market-oriented open competition, becoming the first provincial financial enterprise to pilot the career manager system and taking an important step in the reform of the market-oriented system and mechanism. Drawing on the advanced experience of the industry, the Company successfully completed the formulation of the executive committee system and completed the selection and appointment of the executive committee members, which further improved the Company's decision-making efficiency. The Company, timely following the changes of external regulations such as the Guidelines for Articles of Association of Listed Companies and the Listing Rules of the Hong Kong Stock Exchange as well as the requirements of superior regulatory authorities, and combining with its reality, revises the Articles of Association, the Rules of Directors' Meeting and the Rules of Procedure for General Meetings and supplements the major provisions of party building, professional manager system, integrity culture construction, integrity management and anti-money laundering management, to improve the corporate governance system with Chinese characteristics based on the deep integration of party building and corporate governance, and further exert the leading role of the party committee in steering the direction, managing the overall situation, and ensuring implementation. The Company strictly complied with all code provisions of the Corporate Governance Code and met requirements for most recommended best practices specified in the Corporate Governance Code during the Reporting Period.

(I) Shareholders and general meeting

The general meeting shall be the supreme authority of the Company. All shareholders exercise their power through the general meeting. The Company strictly complied with the relevant requirements of the Articles of Association and Rules of Procedure for General Meetings to ensure that the calling, proposing, notice giving, convening, and voting procedures for general meetings are legal and valid, and all shareholders, especially minority shareholders, could enjoy equal status and fully exercise their rights as shareholders. The general meeting exercises the following functions and powers in accordance with the laws:

- (1) to decide on the business operation policies and investment plan for the Company;
- (2) to elect and change Directors and Supervisors who are not employees' representatives, and resolve on the remunerations of Directors and Supervisors;
- (3) to consider and approve reports of the Board;
- (4) to consider and approve reports of the Supervisory Committee;
- (5) to consider and approve the annual financial budgets and final accounting plans of the Company;
- (6) to consider and approve the Company's profit distribution plan and loss recovery plan;
- (7) to resolve on increase or decrease of the registered capital of the Company;
- (8) to resolve on issuance of bonds of the Company;

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- (9) to resolve on the merger, division, dissolution, liquidation, or change of nature of organization of the Company;
- (10) to amend the Articles of Association;
- (11) to appoint, dismiss, or cease to re-appoint of the accounting firms;
- (12) to consider and approve the external guarantees of the Company that require the approval by the general meetings;
- (13) to consider the Company's purchase or disposal of material assets within one year of an aggregate value exceeding 30% of the latest audited total assets of the Company;
- (14) to consider and approve matters relating to the changes in the use of proceeds;
- (15) to consider share incentive scheme and employee share ownership scheme;
- (16) to consider proposals proposed by shareholders holding no less than 3% (inclusive) in aggregate of the Company's shares;
- (17) to consider other matters which, in accordance with laws, administrative regulations, departmental rules or the Articles of Association, shall be resolved at a general meeting.

The matters resolved at a general meeting which are subject to approval by national regulatory and management authorities of securities shall take effect upon such approval. For those matters involving with change of registration, formalities on change of registration shall be gone through in accordance with law.

(II) Directors and the Board

1. Composition of the Board

Pursuant to the provisions of the Articles of Association, the Company's Board comprises 11 Directors. The Directors shall be elected at general meetings. The term of office of each session of the Board shall be three years, and the Directors may seek re-election upon expiry of the term of office. For the composition of the Board as at the date of this report, please refer to "IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT under Section 4 CORPORATE GOVERNANCE REPORT" of this report.

There is no relationship among the Directors, Supervisors and senior management including relationships in terms of financial, business, family, or other significant or related relations.

During the Reporting Period, to further encourage Directors, Supervisors, and senior management to fully and diligently fulfill their duties, the Company purchased liability insurance for Directors, Supervisors, and senior management to control potential legal and regulatory risks that may arise in their performance of duties.

2. Responsibilities of the Board

The Board of Directors of the Company shall be accountable to the General Meeting and exercises its functions and powers in accordance with the Articles of Association, Rules of Procedure for Board Meetings and other rules. According to the Articles of Association, the main duties of the Board of Directors include:

- (1) to convene general meetings and report to general meetings;



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- (2) to report at the annual general meetings and disclose in the annual reports the performance of Directors, including the number of attendances of Directors at Board meetings and voting;
- (3) to execute resolutions of general meetings;
- (4) to resolve on the Company's operation and development strategies, business plans and investment plans;
- (5) to prepare the annual financial budgets and final accounting plans of the Company;
- (6) to prepare the profit distribution plan and loss makeup plan of the Company;
- (7) to prepare plans for the increase or reduction of the registered capital of the Company and for the issuance of corporate bonds or other securities and listing;
- (8) to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company;
- (9) to resolve on the establishment of internal management organizations and branches of the Company;
- (10) to appoint or dismiss the Company's general manager, chief compliance officer, secretary to the Board, and members of the Executive Committee as nominated by the chairman and determine their remunerations; to decide to appoint or dismiss the Company's vice general manager, chief financial officer, and other senior management as nominated by the general manager and determine their remunerations;
- (11) to set up the basic management system of the Company;
- (12) to formulate the proposals for any amendment to the Articles of Association;
- (13) to formulate proposals for appointment and dismissal of an accounting firm;
- (14) to decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, related party transactions, external donation, etc. of the Company within the authority granted by the general meeting;
- (15) to listen to the work report of the general manager of the Company and examine the general manager's work;
- (16) to listen to the report of the chief compliance officer on the compliance status of the Company;
- (17) to listen to the work report of the Executive Committee and examine the work of the Executive Committee;
- (18) to determine Directors' remunerations and distribution plan thereof, and submit special reports to the general meeting on the performance evaluation and remunerations of Directors;

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- (19) to evaluate and determine the nature and extent of the risks the Company is willing to take in achieving its strategic objectives, ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems, oversee the Company's risk management and internal control systems on an ongoing basis, oversee management in the design, implementation and monitoring of the risk management and internal control systems, and ensure that a review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems has been conducted at least annually;
- (20) to be ultimately responsible for money laundering risk management, establishing objectives for building a money laundering risk management culture, considering money laundering risk management strategies, considering and approving basic policies and procedures for money laundering risk management, authorizing senior management to take the lead for money laundering risk management, reviewing anti-money laundering reports in a regular manner, and keeping abreast of significant anti-money laundering risk incidents and their handling;
- (21) to determine the objectives of Company's culture construction and be liable to the effectiveness of the Company's culture construction;
- (22) to exercise other functions and powers as stipulated by laws and regulations, departmental rules, regulatory documents, or the Articles of Association.

The Board may resolve on the issues specified in the above paragraphs by approval of more than half of the Directors save for the issues specified in (7), (8), and (12), in which approval of two-thirds of the Directors is required.

3. Management

The powers and duties of the Board and the management are clearly defined in the Articles of Association to ensure adequate check and balance for good corporate governance and internal control. The management of the Company is responsible for organizing the implementation of resolutions of the Board and the annual business and investment plans of the Company, consistently executing the financial budget of the Company, formulating specific rules of the Company, and deciding on the employment and dismissal of employees.

(III) Supervisors and the Supervisory Committee

1. Composition of the Supervisory Committee

For the composition of the Supervisory Committee as at the date of this report, please refer to "IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT under Section 4 CORPORATE GOVERNANCE REPORT" of this report.



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2. Responsibilities of the Supervisory Committee

The Company's Supervisory Committee is responsible to all shareholders, and responsible for supervising the legal compliance of the Company's financial operations and the Company's Directors, General Managers, and other senior management in performing their duties, and safeguarding the lawful rights and interests of the Company and its shareholders. The calling, convening, transacting, and voting procedures for Supervisory Committee are strictly in compliance with the Rules of Procedures for the Supervisory Committee, ensuring the standard operation of the Supervisory Committee. The Supervisory Committee of the Company shall mainly exercise the following functions and powers:

- (1) to examine financial operations of the Company;
- (2) to supervise the work performance of the Directors and senior management, and propose dismissal of Directors and senior management who have violated laws, administrative regulations, the Articles of Association, or the resolutions of general meetings;
- (3) to require Directors and senior management to make corrections if their conduct has damaged the interests of the Company;
- (4) to require the Board to make corrections when any resolution of the Board runs against the laws and administrative regulations or regulations of China Securities Regulatory Commission;
- (5) to review the financial reports and profit distribution plans to be submitted by the Board to the general meetings; to conduct investigation if there is any doubt or any unusual circumstances in the Company's operations; and if necessary, to engage an accounting firm, law firm, or other professional institutions to assist in their work, from which the reasonable fees incurred shall be borne by the Company;
- (6) to be responsible for the supervision of money laundering risk management, to supervise the performance of the Board and the management in money laundering risk management and urge the rectification, and to provide suggestions and opinions on the money laundering risk management of the Company;
- (7) to propose the convening of extraordinary general meetings and, in case the Board does not perform the obligations to convene and preside over the general meetings in accordance with Company Law, to convene and preside over the general meetings;
- (8) to propose proposals to the general meeting;
- (9) to coordinate with Directors on behalf of the Company or initiate legal proceedings against Directors and senior management in accordance with the laws;
- (10) to formulate remuneration and distribution plan for Supervisors and submit special reports on performance evaluation and remuneration of Supervisors to the general meeting;
- (11) to exercise other functions and powers specified in the laws and regulations, departmental rules, normative documents, or the Articles of Association.

The supervisors may attend Board meetings and make inquiries or suggestions in relation to the resolutions of such meetings. The Company shall bear all reasonable fees incurred in the retaining of such professionals as lawyers, certified public accountants, and practising auditors by the supervisory committee to exercise its functions and powers.



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II. SPECIFIC MEASURES OF THE COMPANY'S CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER FOR ENSURING THE INDEPENDENCE OF THE COMPANY'S ASSETS, PERSONNEL, FINANCE, INSTITUTION AND BUSINESS AS WELL AS SOLUTIONS, WORK PROGRESS AND FOLLOW-UP PLANS THAT INFLUENCE THE COMPANY'S INDEPENDENCE

The Company has independent business and operation capabilities, and operates in strict accordance with the Company Law, Securities Law, other relevant laws and regulations and the Articles of Association. The Company is independent from the controlling shareholders in terms of assets, personnel, finance, institutions and business. During the Reporting Period, the important decisions of the Company were made and implemented by the Company independently. No controlling shareholders intervened in the Company's decision-making and production and operation activities beyond the general meeting.

To avoid competition in the same industry, the Company entered into a non-competition agreement with Henan Investment Group on 10 March 2014. Henan Investment Group undertook that if Henan Investment Group or its holding companies discovers any new business opportunity that constitutes or may constitute direct or indirect competition with the principal business of the Company or the Company's holding companies, it shall, subject to the applicable laws and regulations of Henan Investment Group, notify the Company in writing within ten business days of the discovery of such new business opportunity and provide the Company with such information as it may require in relation to such new business opportunity, and endeavor to procure the same to be first provided to the Company or the Company's holding companies on reasonable and fair terms and conditions.

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III. SUMMARY OF GENERAL MEETING

Session	Date of convening	Designated website for publication of the resolutions	Date of publication of the resolutions	Meeting resolution
2022 First Extraordinary General Meeting	17 February 2022	http://www.see.com.cn https://www.hkexnews.hk	17 February 2022	Meeting resolution of the 2022 First Extraordinary General Meeting
2021 Annual General Meeting	24 June 2022	http://www.see.com.cn https://www.hkexnews.hk	24 June 2022	Meeting resolution of the 2021 Annual General Meeting of the Company
2022 First Class Meeting for Holders of A Shares	24 June 2022	http://www.see.com.cn https://www.hkexnews.hk	24 June 2022	Meeting resolution of the 2022 First Class Meeting for Holders of A Shares
2022 First Class Meeting for Holders of H Shares	24 June 2022	http://www.see.com.cn https://www.hkexnews.hk	24 June 2022	Meeting resolution of the 2022 First Class Meeting for Holders of H Shares
2022 Second Extraordinary General Meeting	14 December 2022	http://www.see.com.cn https://www.hkexnews.hk	14 December 2022	Meeting resolution of the 2022 Second Extraordinary General Meeting

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Particulars of general meetings

During the Reporting Period, the Company convened 5 general meetings in total, with the information about the meetings and resolutions set out as follows:

1. The Company convened the 2022 First Extraordinary General Meeting on 17 February 2022, and considered and approved the Proposal on the Amendments to Articles of Association, the Proposal on the Election of Non-Executive Director for the Seventh Session of the Board, and the Proposal on the Election of Independent Non-Executive Director for the Seventh Session of the Board.
2. The Company convened the 2021 Annual General Meeting on 24 June 2022, and considered and approved the Work Report of the Board for the Year of 2021, the Work Report of the Supervisory Committee for the Year of 2021, the Duty Report of Independent Directors for the Year of 2021, the Annual Report for the Year of 2021, the Profit Distribution Plan for the Second Half of 2021, Final Financial Report for the Year of 2021, the Proposal on the Re-appointment of Auditing Firms for the Year of 2022, the Evaluations and Remuneration of the Directors for the Year of 2021, the Evaluations and Remuneration of the Supervisors for the Year of 2021, the Proposal on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited, the Proposal on the Determination of the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2022, the Proposal on the Change of Shareholders' Representative Supervisor, the Proposal on Fulfillment of the Conditions for Non-public Issuance of A Shares by the Company, the Proposal on the Plan of the Non-public Issuance of A Shares by the Company, the Proposal on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company, the Proposal on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company, the Proposal on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures, the Proposal on Shareholders' Return Plan for the Next Three Years (2022–2024), and the Proposal on the Grant of Authorization to the Board and Its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares.
3. The Company convened the 2022 First Class Meeting for Holders of A Shares on 24 June 2022, and considered and approved the Proposal on the Plan of the Non-public Issuance of A Shares by the Company and the Proposal on the Grant of Authorization to the Board and Its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares.
4. The Company convened the 2022 First Class Meeting for Holders of H Shares on 24 June 2022, and considered and approved the Proposal on the Plan of the Non-public Issuance of A Shares by the Company and the Proposal on the Grant of Authorization to the Board and Its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares.
5. The Company convened the 2022 Second Extraordinary General Meeting on 14 December 2022, and considered and approved the Proposal on the Amendments to Articles of Association, the Proposal on the Amendments to Rules of Procedure for General Meetings, the Proposal on the Amendments to Rules of Procedure for Board Meetings, the Proposal on the Amendments to Rules of Procedure for Supervisory Committee Meetings, and the Proposal on General Authorization for the Company to Issue Onshore and Offshore Debt Financing Instruments.

SECTION 4 CORPORATE GOVERNANCE REPORT

IV. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in the shareholding held by and information on remuneration of the Directors, Supervisors and senior management who held office or resigned during the Reporting Period

Name	Position (Note)	Gender	Age	Term of office commencing on	Term of office ending on	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes (increase/decrease) in shares held during the year	Reason for changes (increase/decrease)	Total remuneration after tax received from the Company during the Reporting Period (RMB'0,000)	Whether received remuneration from related parties of the Company
Liu Hao	Chief Investment Officer Member of the Executive Committee	Male	51	2020-05-06 2022-01-18	2024-11-09 2024-11-09				N/A	391.34	No
Li Zhaoxin	General Manager Deputy Director of the Executive Committee Member of the Executive Committee Chief Accountant, Person in-charge of Finance Department	Male	53	2022-04-29 2022-04-29 2022-01-18 2018-01-29	2024-11-09 2024-11-09 2024-11-09 2024-11-09				N/A	108.90	No
Zhu Jianmin	Executive Vice General Manager Deputy Director of the Executive Committee (resigned)	Male	60	2015-09-10 2022-01-18	2024-11-09 2022-06-28				N/A	103.11	No
Zhu Junhong	Vice General Manager Member of the Executive Committee	Female	53	2015-09-10 2022-01-18	2024-11-09 2024-11-09				N/A	75.07	No
Xu Haijun	Vice General Manager Deputy Director of the Executive Committee Member of the Executive Committee	Male	52	2016-09-03 2022-06-28 2022-01-18	2024-11-09 2024-11-09 2024-11-09				N/A	73.21	No
Hua Jinzhong	Vice General Manager Member of the Executive Committee	Male	50	2019-02-25 2022-01-18	2024-11-09 2024-11-09				N/A	72.40	No
Zhu Qiben	Secretary to the Board Member of the Executive Committee	Male	58	2018-01-18 2022-01-18	2024-11-09 2024-11-09				N/A	71.59	No
Shi Hongxing	Chief Compliance Officer Member of the Executive Committee	Male	48	2021-11-09 2022-01-18	2024-11-09 2024-11-09				N/A	71.42	No
Wang Xiaogang	Member of the Executive Committee	Male	52	2022-01-18	2024-11-09				N/A	69.45	No
Li Feng	Chief Risk Officer Member of the Executive Committee	Male	52	2019-10-29 2022-01-18	2024-11-09 2024-11-09				N/A	69.39	No
Han Junyang	Chief Information Officer Member of the Executive Committee	Male	53	2019-10-29 2022-06-28	2024-11-09 2024-11-09				N/A	60.39	No

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Name	Position (Note)	Gender	Age	Term of office commencing on	Term of office ending on	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes (increase/decrease) in shares held during the year	Reason for changes (increase/decrease)	Total remuneration after tax received from the Company during the Reporting Period (RMB'0,000)	Whether remuneration received from related parties of the Company
Lu Zhili	Chairman of the Supervisory Committee	Male	56	2015-09-10	2024-11-09				N/A	86.28	No
Xiao Yichen	Employee Representative Supervisor	Female	38	2018-01-12	2024-11-09				N/A	94.05	No
Ba Guanhua	Employee Representative Supervisor	Male	48	2021-11-09	2024-11-09				N/A	55.87	No
Xu Changyu	Employee Representative Supervisor	Female	43	2021-11-09	2024-11-09				N/A	57.33	No
Xiang Siying	Independent Supervisor	Female	59	2015-09-10	2024-11-09				N/A	10.08	No
Xia Xiaoning	Independent Supervisor	Male	62	2016-05-09	2024-11-09				N/A	11.29	No
Wei Zhihao	Shareholder Representative Supervisor	Male	42	2021-11-09	2024-11-09				N/A	0	Yes
Zhang Xiansheng	Shareholder Representative Supervisor (resigned)	Male	57	2018-05-17	2022-06-24				N/A	0	No
Li Zhifeng	Shareholder Representative Supervisor	Male	42	2022-06-24	2024-11-09				N/A	0	No
Zhang Bo	Shareholder Representative Supervisor	Male	45	2021-11-09	2024-11-09				N/A	0	No
Jian Mingjun	Chairman, Executive Director Director of the Executive Committee	Male	60	2015-09-10 2022-01-18	2024-11-09 2024-11-09				N/A	76.07	No
Zhang Dongming	Independent Non-executive Director	Female	70	2018-10-16	2024-11-09				N/A	21.00	No
Tsang Sung	Independent Non-executive Director	Male	51	2021-06-30	2024-11-09				N/A	22.69	No
Chen Zhiyong	Independent Non-executive Director	Male	65	2021-06-30	2024-11-09				N/A	21.00	No
He Jun	Independent Non-executive Director	Male	47	2022-02-17	2024-11-09				N/A	18.38	No
Yu Xugang	Independent Non-executive Director (resigned)	Male	54	2015-12-07	2022-02-17				N/A	3.50	No
Lu Benson Cheng	Non-executive Director	Male	41	2018-11-01	2024-11-09				N/A	3.51	No
Zhang Xiaoqi	Non-executive Director	Male	37	2015-09-10	2024-11-09				N/A	3.07	No
Li Xingjia	Non-executive Director	Male	58	2015-10-12	2024-11-09				N/A	0	Yes
Zhang Qiuyun	Non-executive Director	Female	51	2021-11-09	2024-11-09				N/A	0	Yes
Tang Jin	Non-executive Director	Male	57	2022-02-17	2024-11-09				N/A	0	Yes
Tian Shengchun	Non-executive Director	Male	48	2018-10-16	2024-11-09				N/A	0	No
Total	/	/	/	/	/				/	1,650.39	/

Note:

- The remuneration of the Chairman of the Board, the Chairman of the Supervisory Committee and the senior management personnel is an advance amount, and shall be determined by the Board, the Supervisory Committee and the general meeting of the Company.
- The remuneration of Mr. Jian Mingjun for the current year includes the payment of unpaid bonuses for previous years in the amount of RMB250,800 (half of the bonuses paid to other deputy team members).

The independence of all the independent non-executive Directors of the Company has been confirmed to the HKSE upon their election. The Company has also received the annual declarations of independence of these independent non-executive Directors, and reconfirmed their independence. The Company considers that all the independent non-executive Directors have the independence as defined in Rule 3.13 of Hong Kong Listing Rules.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Jian Mingjun	Born in 1963, he holds a doctoral degree in economics and is an expert enjoying special government allowances from the State Council. He is a Model Worker of Henan Province. He has been an officer in the Comprehensive Plan Office of the Ministry of Finance, the deputy director of the General Office of the Finance Department of Henan Province, the director of the General Office of the Finance Department of Henan Province and the chairman of the State-owned Enterprises Supervisory Committee of the Henan Provincial Government. Currently, he also served as a director of the Securities Association of China, the president of the Securities, Futures and Fund Association of Henan Province. He served as the President of the Company from October 2008 to August 2012, the Chairman of the Company since August 2012, the secretary to the Party Committee of the Company since November 2014, and the Director of the Executive Committee of the Company since January 2022.
Li Xingjia	Born in 1964, Mr. Li Xingjia holds a master's degree. He currently serves as a Director of the Company and a deputy general manager of Henan Investment Group. Mr. Li has worked in the Henan Planned Economy Committee, Henan Planning Commission and Henan Development and Reform Commission as officer, managing officer and deputy division head. He has served in Henan Construction and Investment Corporation as the chief economist and deputy general manager, while serving as the chairman of the board of Yuneng Holdings Company Limited. He has also worked in Henan Investment Group Co. LTD as the temporary officer responsible for asset management department I, the chief technology officer and deputy general manager.
Zhang Qiuyun	Born in 1972, Ms. Zhang Qiuyun holds a doctoral degree in economics. She currently serves as a Director of the Company and a deputy general manager of Henan Investment Group. She successively served as a teacher in Kaifeng No. 1 Middle School, the deputy investigator and the deputy director of the Finance Division of Henan Development and Reform Commission and the secretary to the Party Branch of Henan Academy of Macroeconomic Research, and the deputy managing director of the Management Committee of Zhengzhou Section of China (Henan) Pilot Free Trade Zone. She has served as the director of the Financial Management Department of Henan Investment Group Co., Ltd. since June 2019. She has been the Chairman of Henan Zhongyuan Financial Holdings Co., Ltd. (河南中原金融控股有限公司) since September 2022. She has been serving as a Supervisor of the Company from June 2020 to November 2021.
Tang Jin	Born in 1966, a graduate student of Party School of C.P.C Jiangsu Committee, Mr. Tang Jin is the vice president and a member of the Party committee of Jiangsu SOHO Holdings. He has served as the chief and deputy director of the secretary section of Jianhu County Party Committee Office in Jiangsu Province, the deputy director and director of each of the Research Office and the General Office of the Jiangsu Provincial Government, and the vice president and a member of the Party Committee of Jiangsu SOHO Holdings.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Tian Shengchun	Born in 1975, Mr. Tian Shengchun is a senior engineer with an on-duty master's degree of University of Science and Technology Beijing. He is currently the deputy director of the Planning and Development Department of Anyang Iron & Steel Group. He began to work in 1998, and successively served in Anyang Iron & Steel Group Co., Ltd. No. 4 Steel Mill (安陽鋼鐵集團有限責任公司第四軋鋼廠) as an assistant engineer, engineer, officer and the deputy director of the general office, the investment administrator of the investment management division of the planning department, the director of the external investment management office of the strategic investment division, the director of the policy research office of the planning and development department and the chief Level II management expert.
Zhang Xiaoqi	Born in 1985, Mr. Zhang Xiaoqi holds a bachelor's degree in commerce. He is 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 served as a staff of the index division of Shenzhen Securities Information Co., Ltd. at the Shenzhen Stock Exchange, and a project manager of Beijing Maoyuan Capital Investment Management Co., Ltd.
Lu Benson Cheng	Born in 1982, Mr. Lu Benson Cheng holds an EMBA degree from the Tsinghua PBC School of Finance. He is 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)), the executive director of Zhuhai Geyun Industrial Co., Ltd. (珠海格昀實業有限公司) and the executive director of Guangzhou Jinhong Financial Leasing Co., Ltd. (廣州金鴻融資租賃有限公司). He served as an analyst in the Investment Banking Department of Morgan Stanley Asia, the executive director in 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 Advisory LLP (天津融澤通遠投資管理合夥企業(有限合夥)).
Zhang Dongming	Born in 1953, Ms. Zhang Dongming holds a doctoral degree of economics. She is currently a retired researcher of Chinese Academy of Fiscal Sciences (formerly known as the Research Institute for Fiscal Science of the Ministry of Finance). She began to work in September 1969. She successively served as a worker of Mudanjiang Air Force May Seventh Cadre School and an officer of the Industrial Transport Department of Dongcheng District, Beijing City. She also served in the Research Institute for Fiscal Science of the Ministry of Finance as the section chief of the Graduate Faculty, the deputy division head and the division head of the Academic Affairs Office, a senior economist and a researcher, and a researcher of the Foreign Financial Research Center.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Chen Zhiyong	Born in 1958, a member of CPC, Mr. Chen Zhiyong holds a doctoral degree in economics from Zhongnan University of Economics and Law. He is currently a professor and doctoral supervisor of Zhongnan University of Economics and Law. He graduated from Zhongnan University of Economics with a master's degree in 1987, majoring in finance, and stayed for teaching in the same year. He has served as the head of the Department of Finance and the vice president and the president of the School of Public Finance and Taxation in Zhongnan University of Economics and Law. He is concurrently a head member of the Public Finance Professional Committee under the Higher Financial & Economic Education Branch of Chinese Association of Higher Education, the deputy chairman of the National University Financial Education Research Association, a member of China National Guidance Committee for Master Education of Taxation, a standing director of Hubei Finance Institute, the deputy chairman of Hubei Budget and Accounting Research Institute, the deputy chairman of Hubei Tax Institute and a director of Hubei International Cultural Exchange Center. He is entitled to the special government allowance of the State Council.
Tsang Sung	Born in 1972, Mr. Tsang Sung holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong and a master's degree in Business Administration (International Banking and Finance) from the University of Birmingham. He is currently the Chairman of Esquel China Holdings Limited and the Managing Director (Group Human Resources) of Esquel Group. He started to work in October 1996 and gained extensive experience in strategic management, business operation and human resources management. He has served as the Assistant to Chairman (Asia Pacific) and the China Country Manager of American Appraisal Limited, the Director of Operation of CampusALL Company Limited, and the Vice President of The 8th Network Corporation. He joined Esquel Group since 2002 and has served in various positions including general manager in respective subsidiaries in China, Chief Human Resources Officer and Managing Director of Global Sales.
He Jun	Born in 1976, Mr. He Jun holds a doctoral degree in industrial economics from the Graduate School of the Chinese Academy of Social Sciences. He has been included on the list of "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 entitled to the special allowances of the State Council. He joined the workforce in 2002 and was an investment strategy analyst in the Research Institute of CSC Financial Co., Ltd. (中信建投證券有限責任公司證券研究所). He is a researcher, professor and doctoral supervisor at the Institute of Industrial Economics of the Chinese Academy of Social Sciences, the director of the Research Center for Small and Medium-sized Enterprises at the Chinese Academy of Social Sciences, and a member of the National Spectrum Resources Committee (國家頻譜資源委員會).
Lu Zhili	Born in November 1966, Mr. Lu Zhili holds a master's degree in economics and is a senior economist. He served as the manager and assistant to general manager of the securities issuance department, and the chairman of the research department of Henan Securities. He served as the deputy general manager of the Company from November 2002 to March 2013 and the standing deputy general manager of the Company from March 2013 to September 2015. He has served as the Chairman of the Supervisory Committee of the Company since September 2015. At present, he also serves as the deputy president of the second council of the Financial Law Research Association of the Henan Law Society.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Wei Zhihao	Born in May 1980, Mr. Wei Zhihao holds a master's degree in engineering and is a senior auditor. He served as the deputy section chief and the section chief of Information Center of Henan Provincial Audit Department, and the deputy director of Computer Audit Center of Henan Provincial Audit Department. He served as the deputy director of the Audit Department of Henan Investment Group Co., Ltd. from September 2019 to November 2020. He has served as the director of the Audit Department of Henan Investment Group Co., Ltd. since November 2020. He has served as a Supervisor of the Company since 9 November 2021.
Li Zhifeng	Born in December 1981, Mr. Li Zhifeng holds an on-the-job master's degree and is a senior accountant. He served as an officer of the Financial Division, and the deputy section chief and section chief of the Comprehensive Budget Management Section of Anyang Iron & Steel Group, the section chief of the Sales Finance Department of Anyang Iron & Steel Co., Ltd., and the deputy director of the Funds Management Center of Anyang Iron & Steel Group. From August 2015 to August 2017, he served as the deputy division head of the Finance Department and the securities affairs representative of Anyang Iron & Steel Co., Ltd. From August 2017 to June 2021, he served as the deputy division head of the Finance Department and the Secretary to the Board of Anyang Iron & Steel Co., Ltd. Since June 2021, he has served as the director of the Finance Department of Anyang Iron & Steel Co., Ltd. He has served as a Supervisor of the Company since 24 June 2022.
Zhang Bo	Born in 1977, Mr. Zhang Bo holds a master's degree in philosophy and is a senior accountant. He served as the project manager and certified asset appraiser of Anyang Fangzheng Certified Public Accountants Office Co., Ltd. (安陽方正會計師事務所有限責任公司), and the chief of the Administrative and Finance Division and the chief of the Reform and General Affairs Division of Anyang Municipal Party Committee Office. He has served as a member of the Party Committee and the deputy general manager of Anyang Economic Development Group Co., Ltd. (安陽經濟開發集團有限公司) since July 2020. He has served as a Supervisor of the Company since 9 November 2021.
Xiang Siying	Born in 1963, Ms. Xiang Siying holds a master's degree of economics and a master's degree in business administration. She served as an officer of the foreign economic office and the general office of the rural management and administration in the Ministry of Agriculture of China, an investment analyst of the Chinese representative division of International Finance Corporation, an investment officer in Washington DC of the East Asia and Pacific Department and Global Manufacturing and Consumer Service Branch of International Finance Corporation, the executive general manager of the investment banking division and direct investment division of China International Capital Corporation Limited, and the executive director and investment advisor of CDH Investments Fund Management Company. She has served as an independent non-executive director of several Hong Kong listed companies and domestic listed companies since May 2008. She has served as an independent Supervisor of the Company since 10 September 2015.
Xia Xiaoning	Born in 1960, Mr. Xia Xiaoning holds a bachelor's degree in engineering. Mr. Xia served as an investment officer in Asian Development Bank, a senior partner and managing director in AIF Capital Limited, the chief executive officer of CITP Advisors (Hong Kong) Limited and the senior consultant to Vision Finance Group Limited. He has served as an independent non-executive director of China Medical & HealthCare Group Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 00383) since December 2016. She has served as an independent Supervisor of the Company since 9 May 2016.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Ba Guanhua	Born in 1974, Mr. Ba Guanhua holds a master's degree in monetary banking. He successively worked in Bank of Communications Zhengzhou Branch, Henan Securities Co., Ltd., and the Preparation Team of the Company. From November 2002 to August 2010, he successively worked in the division of secretary to the Board, brokerage business headquarters, and marketing management headquarters of the Company; from September 2010 to December 2016, he served as the assistant to general manager and the deputy general manager of the wealth management center, the deputy general manager of the capital market headquarters, and the deputy general manager (in charge of work) of the market-making business headquarters of the Company; from January 2017 to February 2020, he served as a member of the Party committee and the deputy general manager of Xinjiang Hami State-owned Assets Investment Operation Co., Ltd. (新疆維吾爾自治區哈密市國有資產投資經營有限公司) (assigned to support Xinjiang); from March 2020 to March 2021, he served as the deputy director of the inspection office, the leader of inspection team I, and the executive deputy director of the risk prevention and mitigation office of the Company; he has served as the director of the inspection office of the Company since April 2021. He has been the employee representative Supervisor of the Company since 9 November 2021.
Xu Changyu	Born in 1979, Ms. Xu Changyu holds a master's degree in law with legal professional qualification. She worked as a teacher in Jiujiang University (九江學院). From July 2007 to March 2016, she worked at the Company's compliance management headquarters as the head of second-level department; from March 2016 to March 2017, she served as the assistant to the Company's office director and the assistant to the research office director; from March 2017 to January 2020, she served as the assistant to the director and the deputy director of the Board office, and the representative of securities affairs of the Company. She has served as the general manager of the Company's compliance management headquarters since January 2020. She has been the employee representative Supervisor of the Company since 9 November 2021.
Xiao Yichen	Born in 1984, Ms. Xiao Yichen holds a master's degree in accounting. She is the representative of sponsor. She worked at the investment banking headquarters and capital market headquarters of the Company from March 2010 to January 2014; served as the principal officer of quality control division I of the investment banking comprehensive management department of the Company from December 2014 to December 2017, and the assistant to general manager of the investment banking comprehensive management department from January to April 2018. She was the assistant to general manager of the quality control headquarters from May 2018 to December 2021. She has been the person in-charge-of the financial market department from December 2021 to May 2022. She has been the general manager of quality control headquarters since June 2022. She has been the employee representative Supervisor of the Company since 12 January 2018.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Li Zhaoxin	Born in 1969, Mr. Li Zhaoxin holds a master's degree in accounting. He is a senior accountant, a certified public accountant, a certified tax adviser and an economist. He handled financial work at the Bureau of Corrections of Henan Province (河南省勞改局) and Bureau of Prison Management of Henan Province (河南省監獄管理局) from July 1991 to October 2004. He worked at the State-owned Assets Supervision and Administration Commission of Henan Provincial Government from October 2004 to November 2017 and successively served as the deputy division head of the property rights administration division, a researcher at the planning and development division and the division head of the general division (Research Office). He has been a member of the Party Committee of the Company since November 2017. He has been the Chief Accountant and person-in-charge of the finance department of the Company since January 2018. He has been a member of the Executive Committee of the Company since January 2022. He has been the general manager and deputy director of the Executive Committee of the Company since April 2022. He is concurrently a member of the Financial Accounting Professional Committee of the Securities Association of China.
Zhu Jianmin	Born in 1963, Mr. Zhu Jianmin holds an executive master's degree in business administration. He served as the deputy manager of the issuance department, manager of the operation department of Funiu Road branch, director of Beijing office, manager of the brokerage management department, and manager of the operation department of Shangqiu branch of Henan Securities, and the director of general manager's office, general manager of the Brokerage Business Headquarters, and assistant to the general manager of the Company, etc. He was the deputy general manager of the Company from August 2007 to September 2015. He has been the standing deputy general manager of the Company since September 2015, the deputy secretary to the Party Committee of the Company since September 2018, and a member and deputy director of the Executive Committee of the Company from January 2022 to June 2022. Currently, he is the deputy secretary to the Party Committee, and the standing deputy general manager of the Company. He is currently a member of the Securities Brokerage and Wealth Management Committee of the Securities Association of China and the vice president of the Henan Securities and Futures Fund Association.
Zhu Junhong	Born in 1969, Ms. Zhu Junhong holds an executive master's degree in business administration. She is a senior accountant and an academic and technology leader of Henan province. She served as the chief accounting officer, deputy manager and manager of planning and finance department, and the chief accountant of Henan Finance and Securities Company. She has been the person in-charge-of the finance department, assistant to general manager and general manager of the planning and finance department of the Company from November 2002 to September 2009; the Chief Accountant, the person-in-charge-of the finance department, and general manager of the planning and finance department of the Company from September 2009 to August 2012; the Chief Accountant and the person-in-charge-of the finance department of the Company from August 2012 to January 2018. She has been the vice general manager of the Company since August 2012 and a member of the Executive Committee of the Company since January 2022.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Xu Haijun	Born in 1970, Mr. Xu Haijun holds a master's degree in computer technology engineering and is a senior programmer. He served as the manager of the computer department of the Shanghai branch, the deputy manager of the Huayuan Road branch, the manager and assistant to general manager of the Zijingshan branch, the manager of Shenzhen branch of Henan Securities, and the assistant to general manager of Shanghai Huierdun Investment Company (上海匯爾頓投資公司). From January 2004 to January 2018, he has held various positions in the Company, including the general manager of IT Headquarter, the general manager of Compliance Management Headquarter, the chief compliance officer and the secretary to the Board. He has been the deputy general manager of the Company since September 2016, a member of the Executive Committee of the Company since January 2022, and deputy director of the Executive Committee of the Company since June 2022. He is concurrently the vice chairman of the Institute of Commercial Law of Henan Law Society.
Hua Jinzhong	Born in 1972, Mr. Hua Jinzhong is a senior accountant, certified public accountant, certified public assets estimator, and certified public tax agent with a master's degree in management. He worked at Henan Laien (Group) Co., Ltd. (河南萊恩(集團)股份有限公司工作) from November 1993 to April 2001, and Zhengzhou Representative Office of China Great Wall Asset Management Company (中國長城資產管理公司) from April 2001 to October 2004. He worked at Henan Branch of the CSRC from October 2004 to March 2018, and successively served as the managing officer, deputy division head and deputy office director of the supervision division of the listed company, the deputy division head of the new business supervision division, division head of the company inspection division, and the director of office (Party affairs office). He was the Chief Compliance Officer of the Company from April 2018 to November 2021. He has been the vice general manager of the Company since February 2019 and a member of the Executive Committee of the Company since January 2022. He is concurrently a member of the Investment Banking Committee of the Securities Association of China.
Zhu Qiben	Born in 1964, Mr. Zhu Qiben holds a master degree of economics. He was the project manager of the investment banking department and the assistant to director of general office of Henan Securities. He has been the vice general manager and general manager of the Company's Human Resources Management Department, assistant to the general manager and general manager of Human Resources Management Department, director of the Supervision Office and auditor-in-charge of the Company from November 2002 to December 2015. He served as the Chief Risk Officer of the Company from December 2015 to January 2018. He has been the Secretary to the Board of the Company since January 2018 and a member of the Executive Committee of the Company since January 2022. He is concurrently a director of Central China Equity Exchange Co., Ltd. and a member of Development and Strategy Committee of the Securities Association of China.
Liu Hao	Born in 1972, Mr. Liu Hao holds a master's degree in business administration and obtains the qualification of a certified public accountant. He successively served as the senior manager of the Audit Department II of Shenzhen Zhonghua Accounting Firm (深圳中華會計事務所) from July 1993 to January 1998, the senior manager of the Investment Banking Headquarters of Everbright Securities from January 1998 to October 2006, the general manager of the Bond Business Department of United Securities from October 2006 to August 2011, and the vice president of the Investment Banking Division and the president of the Fixed Income Division of Minsheng Securities and the Vice President of the Company from August 2011 to May 2018. Joining the Company in June 2018, he has been the Company's Chief Investment Officer since May 2020 and a member of the Executive Committee of the Company since January 2022.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Li Feng	Born in 1971, Mr. Li Feng holds a master's degree in engineering and a master's degree in business administration. He began to work in July 1996. He successively served as the deputy general manager and general manager of Sanmenxia operation branch of Henan Securities. From 2002 to 2015, he acted as the general manager of Sanmenxia operation branch, the general manager of Xinxiang operation branch, the general manager of Shanghai operation branch, the general manager of Brokerage Business Headquarters, the general manager of Innovation Business Headquarters and the assistant to the general manager of the Company. He was the general manager of Equity Exchange Co. from 2015 to 2017 and the assistant to the general manager of the Company from 2017 to 2019. He has been the Chief Risk Officer of the Company since 2019 and a member of the Executive Committee of the Company since January 2022.
Wang Xiaogang	Born in 1971, Mr. Wang Xiaogang holds a master's degree in business administration. He joined the workforce in August 1993 and worked in the futures department of Henan Packaging New Technology Center (河南包装新技术中心) and the operation department of Weiwu Road branch of Henan Securities. From 2002 to 2015, he served as the deputy general manager of the operation department of Weiwu Road branch, the general manager of the operation department of Beijing Jiuxianqiao branch, the deputy general manager of the brokerage business headquarters, the general manager of the marketing management headquarters, and the general manager of the wealth management center. From 2015 to 2019, he served as the general manager of the Company's Shanghai branch, the general manager of the Securities Investment Headquarters, the general manager of the Asset Management Headquarters, and the assistant to the president. From February 2019 to December 2019, he was a general manager-level officer and the general manager of the Asset Management Headquarters of the Company. From December 2019 to March 2021, he was the general manager of Central China International Financial Holdings Company Limited. From March 2021 to January 2022, he was the senior managing director of the Company. He has been a member of the Executive Committee of the Company since January 2022.
Shi Hongxing	Born in 1974, Mr. Shi Hongxing holds a master's degree in business administration. He began to work in July 1997. He successively served in Henan Grease Co., Ltd. (河南省油脂公司) and Henan Futures Association. He worked at Henan Branch of the China Securities Regulatory Commission from October 2004 to August 2016, and successively served as the level-4 administrative assistant, associate managing officer and managing officer of the futures supervision division, and the deputy division head of the intermediary supervision division. From August 2016 to January 2020, he served as the vice general manager and general manager of Central China Equity Exchange, and he was the general manager of Zhengzhou Branch of the Company from January 2020 to November 2021. He has been the Chief Compliance Officer of the Company since November 2021 and a member of the Executive Committee of the Company since January 2022. He is concurrently a director of Central China International Financial Holdings Company Limited and a member of Self-discipline and Internal Audit Committee of Securities Association of China.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name Major working experience

Han Junyang Born in 1970, Mr. Han Junyang holds a master's degree in engineering. He began to work in July 1993. He worked in the Henan Securities and successively served as the manager of the Computer Division of Shenzhen operation branch, the deputy manager of the administrative region operation branch and the department head of Computer Centre. From 2002 to 2019, he successively served as the deputy general manager of IT Department of the Company, the general manager of Hangzhou operation branch, the general manager of the IT Department, the general manager of the Brokerage Business Headquarters, the general manager of the Internet Finance Headquarters of the Company, etc. He was the employee representative supervisor of the Company from 2015 to 2019. He has been the Chief Information Officer of the Company since 2019 and a member of the Executive Committee of the Company since June 2022. He is concurrently a member of the Investor Service and Protection Committee of the Securities Association of China.

(II) Position of Directors, Supervisors and senior management that held office or resigned during the Reporting Period

1. Positions held in shareholders

Name	Shareholder name	Positions held in shareholders	Term of office commencing on	Term of office ending on
Li Xingjia	Henan Investment Group	Deputy general manager	June 2010	January 2023
	Henan Investment Group	Director	June 2010	
Tian Shengchun	Anyang Iron & Steel Group	Deputy director of the Planning and Development Department	December 2016	
Zhang Qiuyun	Henan Investment Group	Director of the Financial Management Department	June 2019	
Tang Jin	Jiangsu SOHO	Deputy general manager	September 2022	
		Vice President and member of the Party Committee	December 2017	
Wei Zhihao	Henan Investment Group	Director of the Audit Department	November 2020	
Li Zhifeng	Anyang Iron & Steel Group	Director of the Financial Department	June 2021	
Zhang Bo	Anyang Economic Development	Deputy general manager and member of the Party Committee	July 2020	
Explanations	N/A			

SECTION 4 CORPORATE GOVERNANCE REPORT

2. Positions held in other entities

Name	Name of other entities	Position held in other entities	Term of office commencing on	Term of office ending on
Jian Mingjun	Henan Securities and Futures Fund Association	President	June 2013	
	Central China International	Director	January 2015	
Li Xingjia	Henan Natural Gas Storage and Transportation Co., Ltd.	Chairman	August 2018	
Zhang Qiuyun	Henan Zhongyuan Financial Holdings Co., Ltd. (河南中原金融控股有限公司)	Chairman	September 2022	
	Henan Investment Group Guarantee Co., Ltd.	Executive director	June 2019	
	Zhongfu Payment Service Co., Ltd.	Executive director	June 2019	
	Zhongyuan Yuze Financial Leasing (Shanghai) Co., Ltd.	Chairman	July 2019	
	Zhongyuan Trust	Director	September 2020	
	Zhongyuan Bank Co., Ltd.	Director	January 2021	
	Li'an Excellent Insurance brokers Co., Ltd. (立安卓越保險經紀有限公司)	Executive director	August 2020	
	Zhongyuan Capital International Holdings Co., Ltd.	Director	June 2019	
	Henan Investment Group Co., Ltd. Asset Management Company	Chairman	December 2020	
	Henan Asset Management Company Limited	Director	October 2019	
Tang Jin	Henan Huirong Supply Chain Management Co., Ltd.	Chairman	September 2020	
	Jiangsu International Trust Corporation Limited	Director	June 2018	
	Jiangsu Coastal Innovative Capital Management Co., Ltd.	Director	June 2018	
	Jiangsu Artall Cultural Industry Co., Ltd.	General Party branch secretary	November 2019	
Tian Shengchun	Anyang Iron & Steel Automation Software Co., Ltd.	Director	September 2018	
Lu Benson Cheng	Zhuhai Rongze Tongyuan Investment Management Partnership	Managing director	January 2014	
	Zhuhai Geyun Industrial Co., Ltd. (珠海格昀實業有限公司)	Executive director and legal representative	January 2021	
	Guangzhou Jinhong Financial Leasing Co., Ltd. (廣州金鴻融資租賃有限公司)	Executive director and legal representative	November 2018	
Zhang Xiaoqi	Beijing Maoyuan Capital Investment Management Co., Ltd.	Deputy general manager	March 2014	
	CITIC New Future (Beijing) Investment Management Co., Ltd. (中信新未來(北京)投資管理有限公司)	Deputy general manager	August 2020	
Chen Zhiyong	Zhongnan University of Economics and Law	Professor and doctoral supervisor	September 1987	
	Higher Financial & Economic Education Branch of Chinese Association of Higher Education	Chairman of the Public Finance Professional Committee	May 2016	
	National University Financial Education Research Association	Deputy chairman	August 2014	
	Hubei Finance Institute	Standing director	September 2016	
	Tianjian Taxation Agent (Hubei) Co., Ltd. (天健稅務師事務所(湖北)有限公司)	Legal representative	June 2003	
	Hubei Tianyi Engineering Project Management Co., Ltd. (湖北天一工程項目管理有限公司)	Legal representative	March 2021	
	Hubei Budget and Accounting Research Institute	Deputy chairman	July 2012	
	Hubei Tax Institute	Deputy chairman	May 2016	
	Hubei International Cultural Exchange Center	Director	March 2009	

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Name of other entities	Position held in other entities	Term of office commencing on	Term of office ending on
Tsang Sung	Esquel Group	Managing director	October 2002	
	Esquel China Holdings Limited	Chairman	December 2021	
He Jun	Institute of Industrial Economics of the Chinese Academy of Social Sciences	Analysist II and doctoral supervisor	June 2020	
	Research Center for Small and Medium Enterprises, Chinese Academy of Social Sciences	Head	October 2014	
	National Spectrum Resources Strategy Committee (國家頻譜資源戰略委員會)	Member	May 2020	
	China Mobile Industry Chain Expert Committee (中國移動產業鏈專家委員會)	Member	March 2022	
Lu Zhili	Financial Law Research Association of Henan Law Society (河南省法學會金融法學研究會)	Deputy chairman	October 2021	
Wei Zhihao	Xinxiang Zhongyi Power Co., Ltd.	Supervisor	November 2019	
	Henan Talent Group Co., Ltd.	Supervisor	July 2022	
	Henan Innovation Investment Group Co., Ltd. (河南創新投資集團有限公司)	Supervisor	September 2022	
	Henan Institute of Internal Audit	Deputy chairman and standing director	November 2020	
Zhang Xiansheng	Anyang Iron & Steel Co., Ltd.	Chief accountant	July 2021	August 2022
Li Zhifeng	Anyang Iron & steel Group International Trade Co., Ltd. (安鋼集團國際貿易有限責任公司)	Chairman of the Board of Supervisors	August 2021	
	Henan Dituo Industrial Co., Ltd. (河南締拓實業有限公司)	Director	August 2021	
	Anyang Iron & steel Automation Software Co., Ltd. (安鋼自動化軟件股份有限公司)	Director	September 2021	
Zhang Bo	Anyang State-owned Capital Operation Group Co., Ltd. (安陽國有資本運營集團有限公司)	Vice general manager	June 2022	
Xiang Siying	China Ocean Industry Group Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 00651)	Independent non-executive director	May 2008	
	Huili Resources (Group) Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 01303)	Independent non-executive director	September 2017	
	Sino Prima Gas Technology Co., Ltd. (the shares of which are listed on the SSE, stock code: 300483)	Independent director	June 2022	
	Power HF Co., Ltd. (the shares of which are listed on the SSE, stock code: 605100)	Independent director	October 2022	
Xia Xiaoning	China Medical & HealthCare Group Limited (the shares of which are listed on Hong Kong Stock Exchange, stock code: 00383)	Independent non-executive director	December 2016	
Li Zhaoxin	Financial Accounting Committee of the Securities Association of China	Member	January 2022	
Zhu Jianmin	Securities Brokerage and Wealth Management Committee of the Securities Association of China	Member	January 2022	
	Henan Securities and Futures Fund Association	Deputy chairman	November 2019	
Xu Haijun	Institute of Commercial Law of Henan Law Society	Deputy chairman	July 2017	

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Name	Name of other entities	Position held in other entities	Term of office commencing on	Term of office ending on
Hua Jinzhong	Investment Banking Committee of the Securities Association of China	Member	January 2022	
Zhu Qiben	Central China Equity Exchange Center Co., Ltd.	Director	June 2018	
	Development and Strategy Committee of the Securities Association of China	Member	January 2022	
Shi Hongxing	Central China International Financial Holdings Company Limited	Director	November 2021	
	Self-discipline and Internal Audit Committee of the Securities Association of China	Member	January 2022	
Han Junyang	Investor Service and Protection Committee of the Securities Association of China	Member	January 2022	
Explanations	N/A			

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(III) Remuneration of Directors, Supervisors and senior management

Decision-making procedures of remuneration of Directors, Supervisors and senior management	The remuneration and assessment of the Company's Directors shall be proposed by the Remuneration and Nomination Committee under the Board, considered and approved by the Board and considered and determined by the general meeting; the remuneration and assessment plans of the Supervisors shall be proposed by the Supervisory Committee, which shall be considered and determined by the general meeting; and the remuneration and assessment of the senior management shall be proposed by the Remuneration and Nomination Committee under the Board and determined by the Board.
Basis for determining the remuneration of Directors, Supervisors and senior management	The remuneration of the internal Directors and Supervisors of the Company shall be determined according to the Company's basic remuneration system, operating conditions, individual job responsibilities, work performance and results, and according to the resolution on remuneration of Directors and Supervisors at the general meeting of the Company. The remuneration of the external Directors and Supervisors shall be proposed by the Remuneration and Nomination Committee under the Board according to the industry and market conditions, subject to the approval by the general meeting. The remuneration of the senior management of the Company is determined according to the Company's basic remuneration system, operating conditions, individual job responsibilities, work performance and results, and is determined according to the resolutions of the Board. The remuneration of senior management is paid in strict accordance with the relevant national regulations on deferred payment of remuneration.
Payment of remuneration of Directors, Supervisors and senior management	For details about the payment of remuneration of Directors, Supervisors and senior management, please refer to I. "(I) Changes in the shareholding and remuneration of incumbent Directors, Supervisors and senior management and those leaving office during the Reporting Period" in this section in this report. According to relevant state provisions and with reference to personal will, the Directors, namely Mr. Li Xingjia, Ms. Zhang Qiuyun, Mr. Tang Jin and Mr. Tian Shengchun, and the Supervisors, namely Mr. Wei Zhihao, Mr. Li Zhifeng and Mr. Zhang Bo, waived their allowance since their appointment while they would continue to perform their relevant duties.
The total remuneration received by all Directors, Supervisors and senior management at the end of the Reporting Period	RMB16,503,900 (after tax)

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(IV) Changes in Directors, Supervisors and senior management of the Company

Name	Position	Change	Reason for the change
Jian Mingjun	Member and Director of the Executive Committee	Appointed	
Tang Jin	Director	Elected	
He Jun	Independent Director	Elected	
Yu Xugang	Independent Director	Ceased to act	Expiry of term of office of independent Director
Zhang Xiansheng	Supervisor	Ceased to act	Work commitment
Li Zhifeng	Supervisor	Elected	
Li Zhaoxin	Member of the Executive Committee	Appointed	
	General Manager, Deputy Director of the Executive	Appointed	
Zhu Jianmin	Member and Deputy Director of the Executive Committee	Appointed	
	Member and Deputy Director of the Executive Committee	Ceased to act	Change of job assignment
Zhu Junhong	Member of the Executive Committee	Appointed	
Xu Haijun	Member of the Executive Committee	Appointed	
	Deputy Director of the Executive Committee	Appointed	
Hua Jinzhong	Member of the Executive Committee	Appointed	
Zhu Qiben	Member of the Executive Committee	Appointed	
Liu Hao	Member of the Executive Committee	Appointed	
Li Feng	Member of the Executive Committee	Appointed	
Wang Xiaogang	Member of the Executive Committee	Appointed	
Shi Hongxing	Member of the Executive Committee	Appointed	
Han Junyang	Member of the Executive Committee	Appointed	

(V) Punishment by securities regulatory authorities in the past three years

On 28 August 2020, the Company received the Decision on Implementing Administrative Supervision Measure of Issuing Warning Letter to Zhu Jianmin (Decision Letter on Administrative Supervision Measure by Henan Bureau of the CSRC [2020] No. 13) (《關於對朱建民實施出具警示函行政監管措施的決定》(河南證監局行政監管措施決定書[2020]13號)) and the Decision on Implementing Administrative Supervision Measure of Issuing Warning Letter to Wang Xiaogang (Decision Letter on Administrative Supervision Measure by Henan Bureau of the CSRC [2020] No. 14) (《關於對王曉剛實施出具警示函行政監管措施的決定》(河南證監局行政監管措施決定書[2020]14號)) from Henan Bureau of the CSRC. For details, please refer to the announcement of the Company disclosed on 30 August 2020.

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V. PARTICULARS OF BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Session	Date of convening	Meeting resolution
The 5th Meeting of the Seventh Session of the Board	18 January 2022	Considered and approved the following proposals: 1. Proposal on the Election of Candidates for Directors for the Seventh Session of the Board 2. Proposal on the Election of Candidates for Independent Directors for the Seventh Session of the Board 3. Proposal on the Adjustment of the Members of the Specialized Committees of the Seventh Session of the Board of the Company 4. Proposal on the Appointment of Members of the Executive Committee 5. Proposal on Authorization to Convene the First Extraordinary General Meeting in 2022
The 6th Meeting of the Seventh Session of the Board	25 March 2022	Considered and approved the following proposals: 1. Work Report of the Board for the Year of 2021 2. Work Report of the President for the Year of 2021 3. Duty Report of Independent Directors for the Year of 2021 4. Annual Report for the Year of 2021 (A Shares) 5. Annual Report for the Year of 2021 (H Shares) and the Results Announcement for the Year Ended 31 December 2021 6. Work Report of the Audit Committee under the Board for the Year of 2021 7. Work Report of the Risk Control Committee under the Board for the Year of 2021 8. Work Report of the Development and Strategy Committee under the Board for the Year of 2021 9. Work Report of the Remuneration and Nomination Committee under the Board for the Year of 2021 10. 2021 Social Responsibility Report and ESG (Environment, Social and Governance) Report 11. 2021 Compliance Report 12. Evaluation Report on Effectiveness of Compliance Management for the Year of 2021 13. 2021 Risk Management Annual Report 14. 2021 Internal Control Assessment Report 15. Special Work Report on Information Technology for the Year of 2021 16. Audit Report for the Year of 2021 17. Profit Distribution Plan for the Second Half of 2021 18. Final Financial Report for the Year of 2021 19. Proposal on Provision for Impairment on Assets 20. Evaluation and Remuneration of the Directors of the Company for the Year of 2021 21. Proposal on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited 22. Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business for the Year of 2022 23. Special Report on the Deposit and Actual Use of Funds Raised in 2021 24. Proposal on the Establishment of Headquarters Departments 25. Proposal on the Authorization of the Establishment of a Branch of the Brokerage Business 26. Proposal on Risk Preference and Tolerance for the Year of 2022 27. Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2022 28. Proposal on the Business Scale and Size of Investment by Funds at the Disposal of the Company and Affordable Risk Limits in Asset Management for the Year of 2022 29. Proposal on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2022 30. Proposal on Authorizing the Convening of the 2021 Annual General Meeting

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Session	Date of convening	Meeting resolution
The 7th Meeting of the Seventh Session of the Board	29 April 2022	Considered and approved the following proposals: 1. Proposal on the Appointment of President of the Company 2. Proposal on Fulfillment of the Conditions for Non-public Issuance of A Shares by the Company 3. Proposal on the Plan of the Non-public Issuance of A Shares by the Company 4. Proposal on the Plan of the Non-public Issuance of A Shares by the Company 5. Proposal on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company 6. Proposal on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company 7. Proposal on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures 8. Proposal on Shareholders' Return Plan for the Next Three Years (2022-2024) 9. Proposal on the Grant of Authorization to the Board and Its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares 10. 2022 First Quarterly Report 11. Proposal on Formulating the Relevant System for Professional Managers 12. Proposal on the Change of Representatives of Securities Affairs 13. Proposal on the Re-appointment of Auditing Firms for the Year of 2022 14. Proposal on Convening the 2021 Annual General Meeting, the 2022 First Class Meeting for Holders of A Shares and the 2022 First Class Meeting for Holders of H Shares
The 8th Meeting of the Seventh Session of the Board	27 June 2022	Considered and approved the following proposals: 1. Proposal on the Adjustment of Members of the Executive Committee 2. Proposal on the Establishment of Headquarters Departments
The 9th Meeting of the Seventh Session of the Board	14 July 2022	Considered and approved the following proposals: Proposal on Provision for Impairment on Assets
The 10th Meeting of the Seventh Session of the Board	22 August 2022	Considered and approved the following proposals: Proposal on Considering the 2022 Interim Report, the Interim Results Announcement for the Six Months Ended 30 June 2022 and the 2022 Interim Report
The 11th Meeting of the Seventh Session of the Board	28 October 2022	Considered and approved the following proposals: 1. 2022 Third Quarterly Report 2. Proposal on General Authorization for the Company to Issue Domestic and Overseas Debt Financing Instruments 3. Proposal on Purchasing all the Equity of Central China Futures Co., Ltd. held by Henan Railway Construction Investment Group Co., Ltd. and Connected Transactions 4. Proposal on Amendment of the Measures for the Administration of Incorruptibility 5. Proposal on Formulating the Administrative Measures for the Protection of Investors' Rights and Interests 6. Proposal on Authorization to Convene the Second Extraordinary General Meeting in 2022
The 12th Meeting of the Seventh Session of the Board	28 November 2022	Considered and approved the following proposals: 1. Proposal on the Amendment to Articles of Association 2. Proposal on the Amendments to Rules of Procedure for General Meetings 3. Proposal on the Amendments to Rules of Procedure for Board Meetings 4. Proposal on the Amendments to Comprehensive Risk Management System 5. Proposal on the Amendments to Investor Relations Management System 6. Proposal on the Amendments to Information Disclosure Management System

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VI. PERFORMANCE OF DUTIES BY DIRECTORS

(I) Directors' attendance at Board meetings and general meetings

Director(s) Name	Whether or not an independent Director	Number of required attendances at Board meetings	Number of attendance in person	Number of attendance through communication	Number of attendance by proxy	Number of absence	Whether unable to attend in person for two consecutive meetings	Attendance at general meetings
								Number of attendance
Jian Mingjun	No	8	8	7	0	0	No	5
Li Xingjia	No	8	8	7	0	0	No	5
Zhang Qiuyun	No	8	8	7	0	0	No	5
Tang Jin	No	7	7	6	0	0	No	5
Tian Shengchun	No	8	8	7	0	0	No	5
Zhang Xiaoqi	No	8	8	7	0	0	No	5
Lu Benson Cheng	No	8	8	7	0	0	No	5
Yu Xugang (Retired on 17 February 2022)	Yes	1	1	1	0	0	No	1
Zhang Dongming	Yes	8	8	7	0	0	No	5
Chen Zhiyong	Yes	8	8	7	0	0	No	5
Tsang Sung	Yes	8	8	7	0	0	No	5
He Jun	Yes	7	7	6	0	0	No	4
Number of Board meetings convened during the year								8
Among which: number of on-site meetings								0
Number of meetings held through communication								7
Number of meeting held by means of on-site combined with communication								1

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VII. PARTICULARS OF DIRECTORS' TRAININGS

Trainings are provided to Directors on an on-going basis. The Company attaches great importance to the ongoing training of Directors, to ensure that the Directors form an appropriate understanding of the operation of the Company and its business and they understand their duties and responsibilities as directors as required by the CSRC, the SSE, the Hong Kong Stock Exchange and as stipulated in the Articles of Association and other relevant laws and regulatory requirements. During the Reporting Period, the Company's Directors attached great importance to updating professional knowledge and skills, to adapt to the needs of the development of the Company. In addition to participation in regular trainings held by regulatory organizations and self-regulatory organizations and complete required ongoing trainings, the office of the Board also prepared the Monthly Performance Report regularly and sent it to the Directors to enable them to understand the latest policies and regulations and industrial trends and enhance their knowledge and understanding of the culture and operation of the Company. In addition, the Company continuously improved the internal work procedures, established the multi-level information communication mechanism, and set up the information communication platform, in order to ensure the access to information for Directors to perform their duties and constantly improve their overall performance capability.

During the Reporting Period, details of the trainings for Directors are specified as follows:

1. All Directors of the Company (Including Mr. JIAN Mingjun, Mr. LI Xingjia, Ms. ZHANG Qiuyun, Mr. TANG Jin, Mr. TIAN Shengchun, Mr. ZHANG Xiaoqi and Mr. LU Benson Cheng, Ms. ZHANG Dongming, Mr. CHEN Zhiyong, Mr. TSANG Sung and Mr. HE Jun) participated in the online special training on code of conduct for major shareholders and actual controllers of listed companies in Henan Province organized by Henan Securities Regulatory Bureau on 25 May 2022;
2. All Directors of the Company (Including Mr. JIAN Mingjun, Mr. LI Xingjia, Ms. ZHANG Qiuyun, Mr. TANG Jin, Mr. TIAN Shengchun, Mr. ZHANG Xiaoqi and Mr. LU Benson Cheng, Ms. ZHANG Dongming, Mr. CHEN Zhiyong, Mr. TSANG Sung and Mr. HE Jun) participated in the online special training on governance of key minority corporates in Henan Province organized by Henan Securities Regulatory Bureau on 7 December 2022;
3. Zhang Qiuyun, the Director, participated in the first phase of the 2022 initial training for directors, supervisors and senior management of listed companies organized by the SSE on 18 April 2022;
4. He Jun, the Independent Director, participated in the 79th independent director qualification training organized by the SSE on 20 April 2022;
5. Zhang Dongming, the Independent Director, participated in the 4th independent director subsequent training organized by the SSE on 13 September 2022.

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VIII. THE SPECIALIZED COMMITTEES UNDER THE BOARD

1. Members of the specialized committees under the Board as of the date of this report

Specialized committees	Name of members
Development and Strategy Committee	Chairperson: Jian Mingjun (executive Director) Members: Li Xingjia (non-executive Director), Zhang Qiuyun (non-executive Director), Tian Shengchun (non-executive Director), Tang Jin (non-executive Director)
Audit Committee	Chairperson: Zhang Dongming (independent non-executive Director) Members: Tsang Sung (independent non-executive Director), Tian Shengchun (non-executive Director)
Remuneration and Nomination Committee	Chairperson: Chen Zhiyong (independent non-executive Director) Members: Zhang Xiaoqi (non-executive Director), Lu Benson Cheng (non-executive Director), Tsang Sung (independent non-executive Director), He Jun (independent non-executive Director)
Risk Control Committee	Chairperson: Jian Mingjun (executive Director) Members: Zhang Xiaoqi (non-executive Director), Chen Zhiyong (independent non-executive Director)

Note: The Company held the Fifth Meeting of the Seventh Session of the Board on 18 January 2022, which considered and passed the Proposal on the Election of Directors for the Seventh Session of the Board, the Proposal on the Election of Independent Directors for the Seventh Session of the Board, and the Proposal on the Adjustment of the Members of the Specialized Committees of the Seventh Session of the Board of the Company. On 17 February 2022, the Company held the 2022 First Extraordinary General Meeting to elect Tang Jin as the director of the Seventh Session of the Board of the Company, and He Jun as the independent director of the Seventh Session of the Board for the term of office until the expiration of the Seventh Session of the Board.

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The main duties of the Development Strategy Committee are as follows: (I) studying the Company's medium and long-term development strategy plans and proposing suggestion; (II) studying major investment financing programs which requires to be approved by the Board as stated in the Articles of Association and proposing suggestion; (III) studying major capital operation and assets management projects which requires to be approved by the Board as stated in the Articles of Association and proposing suggestion; (IV) studying other important matters affecting the Company's development and to make recommendation; (V) other duties authorized by the Board.

The main duties of the Audit Committee are: (I) supervising and evaluating the Company's internal auditing; (II) making recommendation to the appointment, re-appointment, or replacement of the external auditing firm; examining and supervising the independence and objectiveness of the external auditing firm as well as the effectiveness of auditing process in accordance with the applicable standards; (III) being responsible for the communication between internal and external auditing; (IV) conducting auditing of the Company's financial information and disclosure; (V) supervising the Company's financial reporting system, risk management, and internal control system; (VI) and other duties specified by the Articles of Association.

The main duties of the Remuneration and Nomination Committee are: (I) evaluating the remuneration structure and policies of the Directors and senior management and making recommendation to the Board as to the establishment of standardized and transparent formulation procedure for remuneration policies; (II) examining and making recommendation to the Board as to the remuneration policies (including non-monetary income, pensions and compensation, etc.), structure and formulation procedures of the remuneration policy of Directors, supervisors and senior management of the Company. Formulation procedures of remuneration policy shall be proper and transparent; (III) making recommendation to the Board on remuneration of non-executive Directors; (IV) making recommendation to the Board on remuneration of individual executive Directors and senior management or making decision on remuneration with powers designated by the Board; the above mentioned remuneration includes non-monetary benefit, retirement allowance and compensation, etc; (v) other functions and powers authorized by the Board.

The main duties of the Risk Control Committee are: (I) reviewing and opining on overall objectives and basic policies of compliance management and risk management; (II) reviewing and opining on establishment of specific departments and duties of compliance management and risk management; (III) evaluating and opining on the risk of major decisions approved by the Board and solution to eliminating such major risk; (IV) reviewing and opining on compliance reports and risk evaluation reports approved by the Board; (V) reviewing the Company's risk management and internal control systems; (VI) formulating the Company's corporate governance policies, reviewing the implementation and making suggestion to the Board; (VII) reviewing and supervising Directors and senior management's training and their continuing professional development; (VIII) reviewing and supervising whether Company's policies is in compliance with laws and supervisory regulations, and the implementation; (IX) formulating, reviewing and supervising professional code of conduct and compliance manual (if any) of employees and Directors; (X) reviewing the Company's compliance with the Appendix 14 of the Hong Kong Listing Rules, the Corporate Governance Codes and relevant disclosure in the Corporate Governance Report, including but not limited to how the Company meets its responsibilities in its review of the risk management and internal control systems and the effectiveness of the Company's internal audit function; (XI) other duties specified by the Articles of Association.

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2. During the Reporting Period, the Development Strategy Committee held 4 meetings

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
21 March 2022	2022 First Meeting of Development Strategy Committee	Considered and approved the following proposals: 1. Work Report of the Board for the Year of 2021 2. Work Report of the President for the Year of 2021 3. Work Report of the Development and Strategy Committee under the Board for the Year of 2021 4. 2021 Social Responsibility Report and ESG (Environment, Social and Governance) Report 5. Special Work Report on Information Technology for the Year of 2021 6. Proposal on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited 7. Proposal on the Establishment of Headquarters Departments 8. Proposal on the Authorization of the Establishment of a Branch of the Brokerage Business 9. Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2022 10. Proposal on the Business Scale and Size of Investment by Funds at the Disposal of the Company and Affordable Risk Limits in Asset Management for the Year of 2022 11. Proposal on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2022	The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
27 April 2022	2022 Second Meeting of Development Strategy Committee	Considered and approved the following proposals: 1. Proposal on Fulfillment of the Conditions for Non-public Issuance of A Shares by the Company 2. Proposal on the Plan of the Non-public Issuance of A Shares by the Company 3. Proposal on the Plan of the Non-public Issuance of A Shares by the Company 4. Proposal on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company 5. Proposal on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company 6. Proposal on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures 7. Proposal on Shareholders' Return Plan for the Next Three Years (2022-2024) 8. Proposal on the Grant of Authorization to the Board and its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares 9. Proposal on Formulating the Relevant System for Professional Managers	The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
27 June 2022	2022 Third Meeting of Development Strategy Committee	Considered and approved: Proposal on the Establishment of Headquarters Departments	The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
27 October 2022	2022 Fourth Meeting of Development Strategy Committee	Considered and approved the following proposals: 1. Proposal on General Authorization for the Company to Issue Domestic and Overseas Debt Financing Instruments 2. Proposal on Purchasing all the equity of Central China Futures Co., Ltd. held by Henan Railway Construction Investment Group Co., Ltd. and Connected Transactions	The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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The following table sets forth the details of the attendance of the members of the Development and Strategy Committee meetings of the Development and Strategy Committee during the Reporting Period.

Director(s)	Number of Attendance/ Number of Required Attendance	Remarks
Jian Mingjun (Executive Director, Chairperson)	3/3	
Li Xingjia (Non-Executive Director)	3/3	
Zhang Qiuyun (Non-Executive Director)	1/1	
Tian Shengchun (Non-Executive Director)	3/3	
Tang Jin (Non-executive Director)	4/4	

Note: On 17 February 2022, Mr. Tang Jin, a non-executive Director of the Company, was appointed as a member of the Development and Strategy Committee.

3. During the Reporting Period, the Audit Committee held 5 meetings

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
21 March 2022	2022 First Meeting of Audit Committee	Considered and approved the following proposals: 1. Annual Report for the Year of 2021 (A Shares) 2. Annual Report for the Year of 2021 (H Shares) and the Results Announcement for the Year Ended 31 December 2021 3. Work Report of the Audit Committee under the Board for the Year of 2021 4. 2021 Compliance Report 5. 2021 Internal Control Assessment Report 6. Audit Report for the Year of 2021 7. Profit Distribution Plan for the Second Half of the Year of 2021 8. Financial Statements for the Year of 2021 9. Proposal on Provision for Impairment on Assets 10. Proposal on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited 11. Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business for the Year of 2022 12. Special Report on the Deposit and Actual Use of Funds Raised in 2021	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
27 April 2022	2022 Second Meeting of Audit Committee	Considered and approved the following proposals: 1. 2022 First Quarterly Report 2. Proposal on the Re-appointment of Auditing Firms for the Year of 2022	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
13 July 2022	2022 Third Meeting of Audit Committee	Considered and approved: Proposal on Provision for Impairment on Assets	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
22 August 2022	2022 Fourth Meeting of Audit Committee	Considered and approved: Half Year Report for the Year of 2022	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
27 October 2022	2022 Fifth Meeting of Audit Committee	Considered and approved the following proposals: 1. 2022 Third Quarterly Report 2. Proposal on Purchasing all the Equity of Central China Futures Co., Ltd. held by Henan Railway Construction Investment Group Co., Ltd. and Connected Transactions	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

The following table sets forth the details of the attendance of the members of the Audit Committee at the meetings of the Audit Committee during the Reporting Period.

Director(s)	Number of Attendance/ Number of Required Attendance	Remarks
Zhang Dongming (Independent Non-executive Director, Chairperson)	5/5	
Tian Shengchun (Non-executive Director)	5/5	
Tsang Sung (Independent Non-executive Director)	5/5	

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4. During the Reporting Period, the Remuneration and Nomination Committee held 4 meetings

During the Reporting Period, the Remuneration and Nomination Committee implemented the following Director Nomination Policy of the Company: The Remuneration and Nomination Committee reviewed the candidates for Directors and senior management in accordance with the relevant standards of the Articles of Association and the Board diversity policy, and reported to the Board. Please refer to the section headed "Board diversity policy" below for the diversity policy. In addition, shareholders holding more than 3% (including 3%) of the Company's shares may nominate directors.

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
14 January 2022	2022 First Meeting of Remuneration and Nomination Committee	Considered and approved the following proposals: 1. Proposal on the Election of Candidates for Directors for the Seventh Session of the Board 2. Proposal on the Election of Candidates for Independent Directors for the Seventh Session of the Board 3. Proposal on the Adjustment of the Members of the Specialized Committees of the Seventh Session of the Board of the Company 4. Proposal on the Appointment of Members of the Executive Committee	The Remuneration and Nomination Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
22 March 2022	2022 Second Meeting of Remuneration and Nomination Committee	Considered and approved the following proposals: 1. Work Report of the Remuneration and Nomination Committee under the Board for the Year of 2021 2. Evaluation and Remuneration of the Directors of the Company for the Year of 2021	The Remuneration and Nomination Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
28 April 2022	2022 Third Meeting of Remuneration and Nomination Committee	Considered and approved the following proposals: 1. Proposal on the Appointment of President of the Company 2. Proposal on the Change of Representatives of Securities Affairs	The Remuneration and Nomination Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
27 June 2022	2022 Fourth Meeting of Remuneration and Nomination Committee	Considered and approved: Proposal on the Adjustment of Members of the Executive Committee	The Remuneration and Nomination Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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The following table sets forth the details of the attendance of the members of the Remuneration and Nomination Committee at the meetings of the Remuneration and Nomination Committee during the Reporting Period.

Director(s)	Number of Attendance/ Number of Required Attendance	Remarks
Chen Zhiyong (Independent Non-executive Director, Chairperson)	4/4	
Zhang Xiaoqi (Non-executive Director)	4/4	
Lu Benson Cheng (Non-executive Director)	4/4	
Tsang Sung (Independent Non-executive Director)	4/4	
He Jun (Independent Non-executive Director)	3/3	Appointed on 17 February 2022
Yu Xugang (Independent Non-executive Director)	1/1	Ceased to hold position on 17 February 2022

Note: On 17 February 2022, Mr. He Jun, an independent non-executive Director of the Company, was appointed as a member of the Remuneration and Nomination Committee.

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5. During the Reporting Period, the Risk Control Committee held two meetings

In 2022, the Risk Control Committee actively performed its duties, focusing on the research of the Company's compliance management and risk management matters, providing support for the Board's decision makings, determining the overall goal of the Company's annual risk management, continuously strengthening the Company's comprehensive risk management, improving the Company's reputation risk management system, continuously promoting the risk management of subsidiaries, and reviewing the Company's internal control report.

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
21 March 2022	2022 First Meeting of Risk Control Committee	Considered and approved the following proposals: 1. Work Report of the Risk Control Committee under the Board for the Year of 2021 2. 2021 Compliance Report 3. 2021 Risk Management Annual Report 4. 2021 Internal Control Assessment Report 5. Proposal on Risk Preference and Tolerance for the Year of 2022 6. Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2022 7. Proposal on the Business Scale and Size of Investment by Funds at the Disposal of the Company and Affordable Risk Limits in Asset Management for the Year of 2022 8. Proposal on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2022	The Risk Control Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
28 November 2022	2022 Second Meeting of Risk Control Committee	Considered and approved: Proposal on the Amendments to Comprehensive Risk Management System	The Risk Control Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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The following table sets forth the details of the attendance of the members of the Risk Control Committee at the meetings of the Risk Control Committee during the Reporting Period.

Director(s)	Number of Attendance/ Number of Required Attendance	Remarks
Jian Mingjun (Executive Director, Chairperson)	2/2	
Zhang Xiaoqi (Non-executive Director)	2/2	
Chen Zhiyong (Independent Non-executive Director)	2/2	

IX. PERFORMANCE OF DUTIES BY SUPERVISORS

(I) Supervisors' attendance at meetings of the Supervisory Committee and general meetings

								Attendance at general meetings
Supervisor(s) Name	Whether or not an independent Supervisor	Number of required attendances at meetings of the Supervisory Committee	Attendance at meetings of the Supervisory Committee				Whether unable to attend in person for two consecutive meetings	Number of attendance
			Number of attendance in person	Number of attendance through communication	Number of attendance by proxy	Number of absence		
Lu Zhili	No	6	6	5	0	0	No	5
Wei Zhihao	No	6	6	6	0	0	No	5
Zhang Xiansheng (Retired on 24 June 2022)	No	2	2	2	0	0	No	4
Li Zhifeng (Appointed on 24 June 2022)	No	4	4	4	0	0	No	0
Zhang Bo	No	6	6	6	0	0	No	5
Xiang Siying	Yes	6	6	6	0	0	No	5
Xia Xiaoning	Yes	6	6	6	0	0	No	5
Ba Guanhua	No	6	6	5	0	0	No	5
Xu Changyu	No	6	6	5	0	0	No	5
Xiao Yichen	No	6	6	5	0	0	No	5
Number of meetings of the Supervisory Committee held during the year								6
Among which: number of on-site meetings								0
Number of meetings held through communication								5
Number of meeting held by means of on-site combined with communication								1

SECTION 4 CORPORATE GOVERNANCE REPORT

(II) Particulars of meetings of the Supervisory Committee

Session	Date of convening	Meeting resolution
The 4th Meeting of the Seventh Session of the Supervisory Committee	25 March 2022	Considered and approved the following proposals: 1. Work Report of the Supervisory Committee for the Year of 2021 2. Work Report of the Financial Supervision Committee under the Supervisory Committee for the Year of 2021 3. Work Report of the Performance Supervision and Evaluation Committee under the Supervisory Committee for the Year of 2021 4. Profit Distribution Plan for the Second Half of the Year of 2021 5. Financial Statements for the Year of 2021 6. Annual Report for the Year of 2021 (A Shares) 7. Annual Report for the Year of 2021 (H Shares) and the Results Announcement for the Year Ended 31 December 2021 8. 2021 Social Responsibility Report and ESG (Environment, Social and Governance) Report 9. Special Report on the Deposit and Actual Use of Raised Funds in 2021 10. Proposal on Provision for Impairment on Assets 11. Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business for the Year of 2022 12. 2021 Compliance Report 13. Evaluation Report on Effectiveness of Compliance Management for the Year of 2021 14. 2021 Internal Control Assessment Report 15. Evaluations and Remuneration of the Supervisors for the Year of 2021 Proposals heard at the meeting: Annual report on Risk Management for the Year of 2021 and Audit Report for the Year of 2021
The 5th Meeting of the Seventh Session of the Supervisory Committee	29 April 2022	Considered and approved the following proposals: 1. Proposal on Fulfillment of the Conditions for Non-public Issuance of A Shares by the Company 2. Proposal on the Plan of the Non-public Issuance of A Shares by the Company 3. Proposal on the Plan of the Non-public Issuance of A Shares by the Company 4. Proposal on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company 5. Proposal on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company 6. Proposal on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures 7. Proposal on Shareholders' Return Plan for the Next Three Years (2022-2024) 8. 2022 First Quarterly Report 9. Proposal on the Replacement of Shareholders' Representative Supervisors
The 6th Meeting of the Seventh Session of the Supervisory Committee	14 July 2022	Considered and approved the Proposal on Provision for Impairment on Assets
The 7th Meeting of the Seventh Session of the Supervisory Committee	22 August 2022	Considered and approved the Half Year Report for the Year of 2022
The 8th Meeting of the Seventh Session of the Supervisory Committee	28 October 2022	Considered and approved the 2021 Third Quarterly Report and the Proposal on Purchasing all the Equity of Central China Futures Co., Ltd. held by Henan Railway Construction Investment Group Co., Ltd. and Connected Transactions
The 9th Meeting of the Seventh Session of the Supervisory Committee	28 November 2022	Considered and approved the Proposal on the Amendments to Rules of Procedure for Supervisory Committee Meetings

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X. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES AS AT THE END OF THE REPORTING PERIOD

(I) Employees

Number of in-service employees of the parent company	2,375
Number of in-service employees of the major subsidiaries	371
Total number of in-service employees	2,746
Number of retired employees whose expenses are borne by the parent company and the major subsidiaries	2

Composition of professions	
Type of professions	Number of staff
Brokerage personnel	1,759
Investing banking personnel	249
Asset management personnel	56
Securities investment personnel	104
Researcher	39
International business personnel	53
Legal compliance, risk control and audit personnel	80
IT personnel	77
Finance personnel	61
Administration and management personnel	194
Others	74
Total	2,746

Education level	
Type of education level	Number of persons
Doctoral degree	12
Master's degree	635
Bachelor's degree	1,904
Associate's degree and below	195
Total	2,746

As at the end of the Reporting Period, the Company and its subsidiaries had a total of 2,746 employees, including 1,538 male employees and 1,208 female employees, accounting for 43.99%. As at the end of the Reporting Period, the Company had a total of 12 senior management members, including 11 male and 1 female (accounting for 8.33% of the senior management). The Company is committed to creating a diverse and inclusive working environment to attract and retain the best talents and to promote business growth. The Company recruits employees in accordance with the principle of equality between men and women, and provides equal training and development opportunities to protect the rights and interests of female employees.



SECTION 4 CORPORATE GOVERNANCE REPORT

(II) Remuneration policies

The remuneration of the Company's employees is composed of basic salaries, allowances, performance bonus and welfare. Basic salary is a relatively fixed part of remuneration and is the basic income of employees. As a supplement to basic salary, allowance includes allowance for special posts and allowance for professional and technical personnel. Performance bonus is withdrawn from annual profits and distributed according to the results of performance evaluation in favor of the front-line employees with outstanding performance.

The Company provided employees with statutory welfare such as social insurance and housing provident fund according to relevant state provisions. Moreover, to improve the level of welfare and security of employees, it offered employees enterprise annuity plan.

The Company explored and worked out an employee equity incentive scheme and studied and designed a plan for employee equity incentive, and will initiate employee equity incentive at an appropriate time under the circumstances permitted by external laws and policies.

(III) Training plans

The Company made various training plans for employees at all levels in order to constantly improve their professional ability and quality. The Company provided operation and management personnel with trainings centered on enhancing their understanding of the development of the securities industry, management theory and skills, strategic thinking ability, operation management ability, etc.; and offered trainings focused on improving business knowledge, product development and service abilities and marketing skills for employees of various business lines and departments. Moreover, it encouraged employees to study by themselves, take professional qualification certificates exams, etc. in order to educate themselves and update their professional knowledge in a timely manner. Especially, it rewarded employees who have obtained qualifications for CIIA, CFA, FRM, etc.

During the Reporting Period, the Company provided employee training at all levels, diversified business and compliance training and innovative training program by means of face-to-face teaching or mobile online training, in order to enhance their professional skills and quality and facilitate the strategic development of the Company. The Company organized 33 internal training sessions, which were attended by more than 3,700 employees in total; the Company participated in trainings organized by superior and external training institutions, including 58 training classes organized by the CSRC, the Securities Association of China, the Organization Department of Henan Provincial Party Committee, the Department of Finance of Henan Province, the SASAC of Henan province, the stock exchanges, etc. which were attended by more than 400 employees in total; the Company organized follow-up vocational trainings for 2,343 securities practitioners and 1,864 fund practitioners; and the Company incurred training expenditure amounting to RMB2.438 million. The Company organized and implemented a series of pertinent and foresighted occupational and business training programs, and built a platform for further study, in order to enhance the comprehensive quality and business skills of employees, and realized the mutual benefits of both the Company and employees. In 2023, the Company will, on the basis of its business needs, strengthen and expand the employee training, focus on the practicality of the training, continuously provide human resources and cultivate more excellent employees for the sustainable development of the Company.

(IV) Labour outsourcing

Total working hours on labor outsourcing: 490.8 thousand hours

Total payment for labor outsourcing: RMB5.7961 million

SECTION 4 CORPORATE GOVERNANCE REPORT

XI. PROPOSAL FOR PROFIT DISTRIBUTION OR CAPITALISATION ISSUE

According to the Articles of Association, the Company may distribute dividends in cash or in shares. The profit distribution of the Company shall focus on providing reasonable investment returns to investors, and the profit distribution policy shall maintain continuity and stability. The Company shall listen to and consider the opinions of the shareholders (especially the minority shareholders) and the independent directors, and give priority to cash dividends. If there is no important investment plan, significant cash expenditure or other events that prevent the dividend distribution as specified in the relevant laws, regulations and normative documents, the profit distributed in cash dividend each year shall be not less than 20% of the profit available for distribution in that year.

The Board of Directors will propose the annual and interim profit distribution scheme after carefully researching and verifying the cash dividend timing, condition and low limit, adjustment conditions and decision-making procedure requirements and other relevant issues based on the specific operation data, profitability, cash flow status, development stage and current capital demand of the Company, as well as the opinions of the shareholders (especially the minority shareholders) and the independent directors. The independent directors shall clearly express their opinions.

As audited by Da Hua Certified Public Accountants (Special General Partnership), as of 31 December 2022, the distributable profit for the parent company amounts to RMB468,406,423.99.

The Company proposes to distribute profits for 2022 based on the total share capital registered on the record date for payment of the cash dividend. The Company proposes distributing a cash dividend of RMB0.07 (tax inclusive) for every 10 shares to all shareholders, calculated based on the total share capital of the Company as of 31 December 2022, the total cash dividend amounts to RMB32,500,192.90 (tax inclusive), representing 30.49% of the net profit attributable to owners of the parent company in 2022. No capital reserves will be converted into share capital and no bonus shares will be distributed by the Company.

In the event of a change in the total share capital of the Company after the date of the Board meeting approving the profit distribution plan and before the record date for payment of the cash dividend, the total distribution amount will be kept unchanged and the rate will be adjusted accordingly.

The proposed profit distribution plan is subject to the consideration of the general meeting of the Company.

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Specific description on the cash dividend policy of the Company

Whether the policy is in compliance with the provisions of the Articles of Association or requirements of the resolutions of the general meeting	√Yes ☐ No
Whether the criteria and rate of the dividend are explicit and clear	√Yes ☐ No
Whether the relevant decision-making procedures and mechanism are adequate and complete	√Yes ☐ No
Whether the independent Directors have performed their duties and made due contributions	√Yes ☐ No
Whether the opinions and requests of the minority shareholders can be properly expressed and their legal rights and interests are fully protected	√Yes ☐ No

Profit distribution and conversion of capital reserve into share capital during the Reporting Period

(Unit: Yuan Currency: RMB)

Number of bonus shares for every 10 shares (share)	0
Amount of cash dividend for every 10 shares (RMB) (tax inclusive)	0.07
Number of shares converted for every 10 shares (share)	0
Amount of cash dividend (RMB) (Tax inclusive)	32,500,192.90
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement during the year of distribution (RMB)	106,577,985.92
Percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement (%)	30.49
Amount of repurchased shares under cash included in cash dividend	0
Total amount of the dividend (RMB) (Tax inclusive)	32,500,192.90
Percentage of the total dividend amount of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement (%)	30.49

XII. THE APPRAISAL MECHANISM FOR SENIOR MANAGEMENT PERSONNEL, AND THE ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISMS DURING THE REPORTING PERIOD

The Company adheres to the principle of equal emphasis on incentive and restraint for senior management, strictly implements the appraisal and evaluation mechanism for senior management, improves the appraisal and evaluation system for cadres, enriches the content of cadre evaluation and ensures the combat effectiveness of the cadre. Through performance appraisal, democratic assessment, individual conversation and other means, the cadres are comprehensively assessed for morality, competence, diligence, performance and integrity. The Company will strengthen the target assessment of the senior management of the Company, increase the application of the assessment results, and take the completion of annual targets and tasks of the senior management and the assessment results as the basis for determining incentives, so as to achieve differentiated remuneration.

The Implementation Plan for Bonus Allocation of Central China Securities Co., Ltd., which was considered and approved by the Board, determines the performance awards for senior executives and, in the process of implementation, strictly enforces the relevant requirements of the industry in relation to the deferred payment of remuneration of senior management.

SECTION 4 CORPORATE GOVERNANCE REPORT

XIII. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

Since its establishment, the Company has been attaching great importance to the development of internal rules and regulations and management system. From the level of corporate governance, it has strengthened the system control from top to bottom for various businesses and management work. Based on relevant laws and regulations and according to the actual situation, the Company has comprehensively considered its internal environment, risk assessment, control activities, Information and communication, internal supervision, and other factors to develop a more comprehensive internal control system, and kept supplementing, revising, and improving the internal control system according to requirements in respect of industry regulation, business development, and risk management strengthening. Such internal control system has basically covered the operational management of the Company in different aspects and business segments at all levels, which has been implemented effectively.

The Company always places the development of internal control throughout the operation and development of the Company, so as to ensure sustainable, sound and stable growth of the Company by continuously improving the system and strengthening the implementation thereof with effective supervision and inspection.

XIV. MANAGEMENT AND CONTROL OVER THE SUBSIDIARIES DURING THE REPORTING PERIOD

As of the end of the Reporting Period, the Company had a total of 14 holding subsidiaries, including 5 primary holding subsidiaries and 9 secondary holding subsidiaries. The Company implements the management and control mode of strategy + operation over its subsidiaries. Firstly, the Company strictly complied with the Company Law, Securities Law and other relevant laws and regulations and rules and exercised the rights of shareholders such as asset income and participation in major decisions by participating in the formulation of the Articles of Association, participating the meetings of the board of directors, supervisory committee and the shareholders' general meetings of subsidiaries, recommending directors, supervisors and senior management to the subsidiaries, improving the corporate governance and strengthening the performance of the board, supervisory committee and the shareholders' general meeting. Secondly, the compliance department, the risk control department, the finance department and other functional departments of the Company, in accordance with the relevant provisions of the Regulations on the Supervision and Administration of Securities Companies issued by the CSRC and other relevant provisions, implemented vertical and penetrating management on subsidiaries, so as to better control the operating risks of subsidiaries, eradicate capital occupation and prevent the spread of operating risks.

XV. DESCRIPTION OF AUDIT REPORT ON INTERNAL CONTROL

The Company has engaged Da Hua Certified Public Accountants (Special General Partnership) as the auditors for internal control. Da Hua Certified Public Accountants (Special General Partnership) has issued the Audit Report on Internal Control of Central China Securities Co., Ltd.

For details of the Audit Report on Internal Control, please see the Audit Report on Internal Control of Central China Securities Co., Ltd. disclosed by the Company on the website of the SSE on the same date as this report.



SECTION 4 CORPORATE GOVERNANCE REPORT

XVI. RECTIFICATION OF SELF-INSPECTION PROBLEMS OF SPECIAL ACTIONS FOR CORPORATE GOVERNANCE OF LISTED COMPANIES

The Company received the List of Special Self-inspection on Governance of Listed Companies issued by Henan Securities Regulatory Bureau in December 2020, against which the Company conducted a comprehensive self-inspection. The Company actively rectified and improved the problems found in the inspection, and notified all Directors, supervisors and officers to be aware of them, to implement the responsibility of rectification from top to bottom, comprehensively improve its corporate governance and enhance its awareness of compliance and risk control. The results of the self-inspection are as follows:

1. The nineteenth meeting of the Sixth Session of the Board of Directors convened by the Company on 29 April 2020 involved Directors' abstention. The Proposal on Capital Increase in Hong Kong Subsidiary, Central China International Financial Holdings Co., Ltd. was considered at such meeting. There were 10 votes for consent, 0 for opposition and 1 for abstention. Mr. WANG Lixin, a shareholder and Director, was unable to understand in depth the development of relevant businesses of the Hong Kong subsidiary due to his tight schedule and thus was unable to express his opinions, and therefore, he abstained from voting.

Rectification: In the future, the Company's Board will allow sufficient time to provide support for the Directors of the Company to further understand the background and content of the proposal and express their opinions, and the Board will communicate with its members in advance on the proposal of the meeting and obtain consensus before submitting it to the Board for consideration.

2. On 1 June 2020, the Company disclosed the Announcement on Continuance of the Performance of Duties by Independence Director upon the Expiry of Term of Office at the website of the SSE. Mr. Yuen Chi Wai ceased to hold position on 3 June 2020 due to the expiration of the term of office for six years. As the resignation of Mr. Yuen Chi Wai would result in the number of independent Directors of the Sixth Session of the Board of the Company falling below one-third of the members of the Board, which is not in compliance with the relevant requirements. Mr. Yuen Chi Wai will continue to perform his duties until a new independent Director is appointed.

Rectification: The 2020 Annual General Meeting of the Company considered and approved the Proposal on Election of Independent Directors for the Sixth Session of the Board, and Mr. Yuen Chi ceased to hold position. The Board of Directors will continue to prudently review the qualifications of Directors and independent Directors, strictly follow the requirements of laws, regulations and regulatory documents such as the Company Law of the People's Republic of China, the Securities Law of the PRC, the Guidelines for the Articles of Association of Listed Companies and the Code of Corporate Governance for Listed Companies in China, and further optimize the structure of the Board of Directors and special committees, so as to explore and establish a long-term mechanism of corporate governance and promote the consolidation and enhancement of the effectiveness of corporate governance.

SECTION 4 CORPORATE GOVERNANCE REPORT

XVII. OTHERS

1. New establishment and disposal of securities branches, branch offices and subsidiaries of the Company and impact on results during the Reporting Period

During the Reporting Period, the Company completed the relocation of 2 securities branch offices and 3 securities branches within the same city at home. All of these changes will facilitate the optimization of the Group's network as well as the enhancement of the Company's customer service capability and the comprehensive strength of its subsidiaries.

(1) Establishment of and changes in branch offices and securities branches

The Company is constantly adjusting and optimizing its securities branch network. During the Reporting Period, the Company completed the relocation of 2 securities branch offices and 3 securities branches within the same city at home.

For details, please refer to the paragraph headed "I. (I) Administrative licensing of branch offices and securities branches during the Reporting Period under Section 11 INFORMATION DISCLOSURE OF SECURITIES COMPANY".

(2) Establishment and changes of branch offices

Central China Futures:

On 28 October 2022, the 11th Meeting of the Seventh Session of the Board of the Company considered and approved the Proposal on Purchasing all the Equity of Central China Futures Co., Ltd. held by Henan Railway Construction Investment Group Co., Ltd. and Connected Transactions, agreed that the Company exercise the preemptive right to participate in the public listing of 40.935% equity of Central China Futures by Henan Railway Construction Investment Group Co., Ltd. at a price not exceeding RMB225.5519 million. On 27 December 2022, the Company signed the a Property Rights Transaction Contract with Henan Railway Construction Investment Group Co., Ltd. at the delisting price of RMB225.55185 million. On 28 December 2022, the Company entered into a Memorandum of Understanding with Henan Railway Construction Investment Group Co., Ltd.

For details of the above, please refer to the relevant announcements of the Company disclosed on 28 October 2022 and 28 December 2022.

Stock Exchange Center:

On 6 July 2022, the Company signed the Contract for the Transfer of 1% Equity Interest in Central China Equity Exchange Co., Ltd. with Tianming Urban and Rural Construction Development Group Co., Ltd. (天明城鄉建設開發集團有限公司) and purchased 1% of the equity interest in the Stock Exchange Center held by Tianming Group. As of the end of the Reporting Period, the Company had completed the delivery of the equity interest with Tianming Group and held 36% equity interest in the Stock Exchange Center.

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2. Securities brokers

Securities brokers are natural persons other than employees of the Company and authorized by the Company to engage in brokerage-related activities such as customer solicitation and customer service as an agent within the scope of authorization of the Company, and the Company enters into an agency contract with securities brokers. The Company established a complete management system for securities brokers, covering qualification management of securities brokers, agency contract management, pre-job training and follow-up vocational training, certificate management and information inquiry, code of practice, risk control, performance evaluation and remuneration payment, and achieved the centralized and unified management of securities brokers. The securities branches were responsible for the daily management of securities brokers. During the Reporting Period, while maintaining effective operation of the basic management system of securities brokers, the Company kept on reinforcing the management of securities broker business of our branches, gained insight into the developing situation of securities broker team in each branch, and optimized relevant daily management procedure of securities brokers. As of the end of 2022, the number of securities brokers of the Company amounted to 218.

3. Specific explanation on standardization of the account

Taking standardized management of customers' accounts as an important foundation, the Company focused on the normalization, standardization and systematism of account management and kept perfecting the long effective mechanism of standardized management of customers' accounts. In 2022, according to the requirements of relevant regulations of China Securities Depository and Clearing Corporation Limited and the Company, the Company effectively implemented various measures for standardized management of accounts, conscientiously carried out work such as occupation classification, mobile phone number verification, institutional account information verification, 1Password account specification, and continued to carry out basic work such as standardization of existing customer account information, completion of customer information, dormant account activation and rectification of non-conforming accounts so as to ensure that the account information is true, accurate, complete and valid.

During the Reporting Period, the Company activated 1,179 dormant cash accounts and 2,110 dormant securities accounts, recording 413,218 dormant cash accounts and 654,444 dormant securities accounts as of the end of the Period; the Company standardized 7 unqualified cash accounts and 7 unqualified securities accounts, recording 1,101 unqualified cash accounts and 1,161 unqualified securities accounts as of the end of the Period; as of the end of the Period, the Company had 8 cash accounts and 15 securities accounts frozen by the court; and the Company had no risky disposal account. See the following table for details:

type of account: RMB account

Type of account		2022	2021	YoY Increase/ Decrease
Dormant accounts	Cash accounts	413,218	414,397	-1,179
	Securities accounts	654,444	656,554	-2,110
Unqualified accounts	Cash accounts	1,101	1,108	-7
	Securities accounts	1,161	1,168	-7
Judicially frozen accounts	Cash accounts	8	7	1
	Securities accounts	15	14	1
Risky disposal accounts	Cash accounts	0	0	0
	Securities accounts	0	0	0

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4. Business innovation

As clients' needs for wealth allocation are diversifying and the brokerage market is becoming increasingly competitive and fierce, accelerating digitalization and promoting the comprehensive upgrade of client service system have become essential conditions for the transformation and development of brokerage wealth management. During the Reporting Period, the Company entered the important stage of "enhancing capability" in the three levels of "laying foundation, enhancing capability and building ecology" in the digital transformation of wealth management. The Company is committed to using data-driven and AI-driven methods to enhance its automatic, accurate and intelligent digital operation service capability in digital customer operation, digital investment operation and digital product operation. For the first time, the Company has realized the full lifecycle operation for customers, promoted the development of the Central China Securities "Caishengbao (财升宝)" APP 5.0 digital intelligence version, increased the rate of successful response of intelligent robot services to 93.6%, integrated online and offline channels to increase online development, and further improved its digital operation capability in terms of customers, products and investment advisory/employees by applying digital means to improve the effectiveness of activities such as "Healthy Investment", "Gathering Vitality" and "Wealth Management Event".

During the Reporting Period, the Company was awarded the 2022 "Star River" Outstanding Case Award in China's big data industry (the "Star River" Award is the most authoritative award honor in China's big data industry, which is given by the China Academy of Information and Communications Technology (CAICT), a unit directly under the National Ministry of Industry and Information Technology, and the Big Data Technology Standards Promotion Committee of China Communications Standards Association (CCSA)). Central China Securities "Caishengbao (财升宝)" APP ranked 24th among domestic brokerages in terms of DAU and MAU, and both the number and quality of new customers in its Internet pipeline are increased. At the same time, the Company was awarded the Top Ten Enterprises of Henan Digital Economy Industry by Henan Digital Economy Industry Association, and won the sixth "Star Award" leading enterprise in the data-driven industry in 2022. [Source: Qianfan.analysis.cn]

5. Construction of the Company's risk management system

The Company's overall risk management was positioned as a prudent risk preference strategy. It always upholds the risk management concept of matching capital, risk and return in order to take moderate risks, achieve an optimal balance of business scale, profitability and risk tolerance, and bring sustainable and stable profit returns to shareholders. The Company reviews the soundness and effectiveness of the risk management and internal control systems at least once a year. The Board, through the Risk Control Committee, has reviewed the risk management and internal control systems of the Group during the Reporting Period and considered the systems are adequate and effective. The Company continued to optimize and improve the construction of a comprehensive risk management system, continuously improving the risk management system, improving the organizational structure of risk management, optimizing the risk control index system, strengthening the construction of risk management Wind technology system, and enhancing the risk response mechanism, etc., as follows:

Risk management framework

The comprehensive risk management framework of the Company is structured into four levels: Level 1, Board and Supervisory Committee; Level 2, Risk Control Committee, Audit Committee and Senior Management; Level 3, the risk control system consisting of the Risk Management Department, Compliance Management Department, Legal Service Department, and Internal Audit Department; and Level 4, the frontline risk control system consisting of all the departments, branch outlets, and subsidiaries of the Company. Through the hierarchical authorization of the four-level structure, comprehensive coverage of risk management is achieved.



SECTION 4 CORPORATE GOVERNANCE REPORT

The Board is responsible for the Group's risk management and internal control system and reviewing the effectiveness of the system. Such risk management and internal control system aims at managing instead of eliminating risk of failure in striking business and as far as avoiding major misstatement or loss is concerned, only reasonable instead of absolute guarantee can be made. The Board, with the assistance of the [Risk Control Committee, Audit Committee and the Company's managers], monitors the extent of such risks.

Risk management system

The Company has established a four-tier risk management system, the first-tier system is the overall risk management system; the second-tier system is the risk management system for various types of risks such as net capital risk, market risk, credit risk, reputation risk, operational risk, and the risk management system for various businesses, products and subsidiaries; the third-tier system is the risk management monitoring rules for each business and product and the rules for various risk management tools; the fourth-tier system is the front-end risk management system of each business and subsidiary.

During the Reporting Period, the Company continued to perfect its risk management system and enrich its risk control methods: Firstly, it revised and improved the overall risk management and reputation risk management systems in accordance with regulatory requirements; secondly, it revised and improved the risk control rules for proprietary investments and contracted repurchase securities transactions; thirdly, it improved the risk management process and strengthened frontline risk control by revising and improving the systems for the its risk managers and subsidiary risk management; fourthly, it revised and improved the internal operating rules for stock pledged repurchase transactions and bond management entrustment in accordance with its business development and risk control needs.

Risk execution information system

The Company has initially established a risk management information technology system covering various risk types, departments, branches and subsidiaries to measure, summarize, warn and monitor various types of risks to accumulate true, accurate and complete internal and external data for risk identification, measurement, evaluation, monitoring and reporting to meet the Company's overall risk management needs.

During the Reporting Period, the Company continued to upgrade and improve its risk management system: firstly, it completed the construction of the reputation risk management system, internal rating system and investment banking duration system; secondly, it built the management system for net capital consolidation and the "one-business-one-customer" system to promote the management of risk control indicators and the unified control of risk information; thirdly, it conducted requirements sorting and functional demonstration for the over-the-counter derivatives risk control system and pushed forward the development of the system.

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6. Inside information monitoring procedures

The Company knows its relevant obligations under the Securities and Futures Ordinance (SFO) and the Hong Kong Listing Rules in relation to the handling and disclosure of inside information. The Company discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the “safe harbors” as stated in the SFO.

In accordance with the Company’s Information Disclosure Matters Management System, all persons with the knowledge of the Company shall maintain confidentiality and the scope such person shall be kept to a minimum until the Company’s discloseable information is formally disclosed. All persons with knowledge of inside information and other undisclosed information may not disclose such information to any entity or individual in any way, shall not engage in securities or futures trading activities related to such information or express or imply others to engage in relevant trading activities, and shall not cooperate with others to manipulate the trading price of stocks and their derivatives. The Company and the relevant information disclosure obligor shall strictly implement the management measures for information isolation and prevention of interest conflicts, the internal reporting system for material information, the registration and filing system for those who have knowledge of inside information and other relevant regulations to strengthen the management of inside information and other undisclosed information.

7. Establishment of compliance management system of the Company

In accordance with the Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies and other regulatory requirements of the CSRC, the Company has established a comprehensive compliance management organization system with a clear division of labor. Among them, the Board decides the compliance management objectives of the Company and assumes responsibility for the effectiveness of compliance management of the Company. The Supervisory Committee performs supervisory duties in accordance with the provisions; senior management is responsible for implementing compliance management objectives and assuming responsibility for compliance operations; the head of each unit is responsible for implementing the compliance management objectives of the unit and assuming responsibility for compliance operations of the unit. The Company has set up a Chief Compliance Officer who is directly responsible to the Board; the Compliance Management Headquarters is responsible to the Chief Compliance Officer and carries out compliance management under the leadership of the Chief Compliance Officer; the Company has full-time and part-time compliance administrators in each relevant unit, who is under the guidance of the Compliance Management Headquarters and organises and implements compliance management in the unit or in the line under its management. At the same time, the coordination of compliance management, risk control, auditing and other internal control functional departments of the Company has played an effective control role in the compliance operation of the Company’s various units.



SECTION 4 CORPORATE GOVERNANCE REPORT

In 2022, the Company further promoted various compliance management tasks. Firstly, the Company paid close attention to industry regulatory trends, tracked and advocated laws and regulations, continued to promote “internalisation of external regulations”, formulated and revised compliance supervision and management measures, compliance inspection, integrity management, integrity practise, anti-money laundering and other compliance management and money laundering risk management and control systems according to the management needs of the Company, and effectively improved the compliance management system; we supervised all units of the Company to make efforts in system construction and improvement, embed compliance requirements into business processes, which ran through decision-making, execution, supervision, feedback and other links. Second, we continued to strengthen the audit and consulting support for the business, implemented a multi-level audit mechanism, strictly controlled the entry points and compliance risks, and organized the compliance review of the Company’s system, major decisions and new products and businesses and issued compliance review opinions. Thirdly, with the guideline of the compliance risk management, we strengthened the examination and supervision to effectively prevent compliance risk. In accordance with the actual operation and management, the Company organized compliance inspection and monitoring of key businesses, key areas, and key dimensions, effectively preventing and resolving compliance risks and strengthening the Company’s internal control management; we took daily supervision and examination data as a base to fulfill the reporting duty, so that the management team could keep abreast of the Company’s overall compliance status in a timely manner. Fourthly, deeply rooted the construction of a compliance culture, we carried out special activities for the construction of compliance culture, and enhanced the concept of employees’ awareness of culture by printing publicity materials, organizing learnings and tests, and evaluating cultural publicity materials. We continuously carried out regular publicity and trainings to further enhance the awareness of compliance of all staff. We prepared and issued publicity materials regarding new regulation interpretation, regulatory trends, and case warnings, and carried out a number of special trainings for compliance and anti-money laundering regarding business compliance and money laundering risks, and continuously conveyed the latest regulatory spirit to management staff and employees at all levels, so as to penetrate compliance awareness into their mind. Fifth, we took legal compliance operations as the standard, strengthened compliance supervision and assessment, and enhanced the effectiveness of compliance management. We combined the prevention and resolution of compliance risks with compliance education and improvement, and improved multi-level compliance supervision and management measures. We continuously optimized the system of compliance assessment indicators, further integrated compliance supervision and management, compliance accountability, and classified evaluation with compliance assessment, giving full play to the role of the compliance assessment. Sixth, we strengthened the management of incorruptibility in practice and effectively prevented the risk of corruption. We issued an initial proposal for incorruptibility, calling on all staff to strengthen the responsibility for incorruptibility in practice, prevent the risk of corruption and strictly adhered to the bottom line of incorruptibility in practice. The Company has teased out the risk points of investment banking, asset management, securities proprietary trading, stock pledge, research and publication, margin financing and securities lending, and incorruptibility in practice of branches. Combined compliance management responsibilities at different levels, we updated the Company’s letter of commitment for incorruptibility in practice and letter of commitment for compliance practice, and implemented a mechanism to promote incorruptibility monitoring letters in areas prone to corruption risks.

SECTION 4 CORPORATE GOVERNANCE REPORT

(1) Inspections completed by the Compliance Management Department

In 2022, the Compliance Management Department organized or participated more than 30 internal inspections and self-inspections, including: special inspections in key areas such as incorruptibility in practice, customer eligibility, anti-money laundering and compliance management of alternative subsidiaries; special inspections in key business areas such as investment banking, IB, margin trading & short selling, market-making, financial product sales and asset management system construction; self-inspections on management of client trading behaviors, management of member trading and underwriting and sponsorship-related business, management of trading system access service application and other self-inspections conducted in accordance with the requirements of regulatory authorities and self-regulatory organizations. Through compliance inspection and self-inspections, effectively identified and prevented compliance risks, screened potential compliance risks, and encouraged relevant units to strengthen their compliance risk defense line and standardize their business management.

(2) Work initiated by the Audit Department

The Company's internal audit work is problem-oriented and risk-oriented during the Reporting Period. Focusing on the principles and policies of the Party and the state to strengthen internal audit work, the Company served its overall development. The Company constantly optimized the working mechanism and mode, consolidated the foundation of audit quality, focused on key areas and key links, and continued to improve audit quality.

In 2022, the Audit Department of the Company organized 100+ audit projects, including routine audits on the Company's major business lines, headquarters departments, branches and holding subsidiaries, financial responsibility audits of some management personnel, and special work on some important issues. In addition, the Company took the lead in organizing the annual internal control evaluation of the Company, and carried out the evaluation of the overall risk management of the Company and the effectiveness of internal control of investment banking business.

Through the supervision and inspection of audit, the Company has played the role of the "third line of defense" of internal audit, objectively reflected certain problems in the operation and management process of the Company, strengthened the implementation of rectification, enhanced the application of audit results, prevented and resolved risks, and promoted the Company to continuously improve internal control so that all lines of defense of the internal control system can fully function.

(3) Monitoring of risk control indicators and building of replenishment mechanism

The Company set up a dynamic monitoring and management model of risk control index system centering on net capital and liquidity according to a series of relevant regulations including Measures for the Management of the Risk Control Indexes of Securities Companies of the CSRC, and continuously optimized the functions of the dynamic monitoring system of net capital and liquidity to realize dynamic monitoring and automatic warning of risk control indicators such as net capital and liquidity, and ensure that all risk control indicators such as net capital and liquidity of the Company meet regulatory requirements at any time. In compliance with the institutional requirements such as the Guidelines on Securities Companies Stress Test issued by Securities Association of China, the Company has established a comprehensive stress testing mechanism and conducts stress tests on a regular and irregular basis to assess the Company's risk tolerance under stress scenarios and take necessary countermeasures to ensure that the Company's risks under stress scenarios are measurable, controllable and affordable, and achieve sustainable operations.



SECTION 4 CORPORATE GOVERNANCE REPORT

The Company has established a dynamic replenishment mechanism for risk control indicators such as net capital. When the main risk control indicators such as net capital approached or met the early warning standards stipulated by the CSRC, the Company would replenish the net capital by controlling the business scale, adjusting the asset structure, issuing subordinated bonds, raising capital and so on, so as to ensure that the Company's net capital and other risk control indicators continue to meet regulatory requirements. The Company continued to enhance the capital management capability to further improve capital's role in guiding and restricting the development of various businesses, guaranteed sustainable, healthy, and rapid development of business lines with sufficient capital, thus maximizing value for the shareholders.

During the Reporting Period, based on the monitoring and measurement of various risk control indexes including net capital, the Company regularly analyzed and evaluated the support of net capital for the Company's business development, studied and tested rational and efficient allocation of net capital, and built the dynamic the level mechanism between business scale and net capital. The Company, based on the aforesaid risk management activities, regularly prepared Monthly Report on Risk Management to provide a comprehensive analysis and evaluation on the profile of the Company's financial and net capital risks, realizing effective control on various risk control indexes such as net capital. During the Reporting Period, net capital and other risk control indexes are in line with regulatory requirements.

8. Shareholders' rights

The Company called and convened general meetings strictly according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all shareholders, especially the minority shareholders. All of the Company's Directors, Supervisors, and senior management attended the general meetings and answered the shareholder's questions in accordance with the provisions of Articles of Association.

Procedures of shareholders' application for convening of general meetings and for making proposals at the general meeting:

SECTION 4 CORPORATE GOVERNANCE REPORT

Shareholders may convene extraordinary general meetings or class general meetings and put forward proposals at such meetings according to Article 82 of Articles of Association "Shareholder(s) severally holding 10% or more shares of the Company shall be entitled to request in writing the Board to convene an extraordinary general meeting or class general meeting of the Company. Two or more shareholders aggregately holding 10% or more shares with the voting right in the proposed meeting shall be entitled to sign a written requisition in one or more counterparts in the same form and content, requiring the Board to convene an extraordinary general meeting or class general meeting and state in such written requisition the matters to be discussed at the meeting. The aforesaid number of shares shall be calculated in accordance with the shares held on the day on which the written requisition is made by the shareholders. The Board shall, pursuant to relevant laws, administrative regulations and Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any change to the original proposal, marks consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding no less than 10% shares of the Company shall be entitled to propose in writing to the Supervisory Committee to convene an extraordinary general meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after receipt of the said request. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Supervisory Committee fails to issue the notice for the general meeting within the specified time, the Supervisory Committee shall be deemed as failing to convene or preside the general meeting. The shareholder(s) severally or jointly holding no less than 10% shares of the Company for no less than 90 consecutive days may convene and preside over such meeting on his or their own." Article 110 "Where the Company convenes a general meeting, the Board, Supervisory Committee, and shareholder(s) severally or jointly holding no less than 3% shares of the Company may make proposals to the Company." and Article 111 "Shareholder(s) severally or jointly holding no less than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other shareholders within two days after receipt of such proposal, and include the matters within the proposal on the agenda for the said meeting and submit for approval at the general meeting if the said matter falls within the functions and powers of general meetings. The contents of the provisional proposal shall fall within the functions and powers of general meetings and have specific discussion topic and specific matters to be resolved. Save as specified above, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice is served. The general meeting shall not vote or pass resolutions on proposals not listed in the notice of the general meeting or resolutions not in conformity with following article of the Articles of Association." Shareholders may convene an extraordinary general meeting or a class meeting based on the stated procedures and put forward proposals at the general meeting. The shareholders may attend general meetings and exercise voting rights either in person or by proxy. The minutes together with the attendance record of shareholders and the powers of attorney of the proxies shall be kept at the Company's premises. Shareholders may have access to copies of the minutes free of charge during the office hours of the Company. The Articles of Association have been disclosed on the website of the Company and the HKExnews website of the Hong Kong Stock Exchange.



SECTION 4 CORPORATE GOVERNANCE REPORT

9. Company Secretary

The Company appointed Ms. Kwong Yin Ping, Yvonne, president of SWCS Corporate Services Group (Hong Kong) Limited, as the Company Secretary of the Company. The main contact person of Ms. Kwong Yin Ping, Yvonne in the Company is Mr. Zhu Qiben, the secretary to the Board. During the Reporting Period, Ms. Kwong Yin Ping, Yvonne received no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Hong Kong Listing Rules.

10. Compliance with Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules concerning the securities transactions by directors and supervisors. The Company has made specific inquiries to all the Directors and Supervisors for the compliance with Model Code. It was confirmed that they fully complied with the Model Code during the Reporting Period.

The Company has adopted the Model Code for supervising the unpublished price-sensitive information of the Company or its securities that is likely to be possessed by its employees. During the Reporting Period, the Company was not aware of any violation of the Model Code by any of its employees.

11. Responsibilities of Directors concerning financial statements

The declarations of the responsibilities of Directors concerning financial statements set out hereinafter and the responsibilities of CPAs in the Independent Auditor's Report of this report shall be read jointly but understood independently.

All the Directors of the Company confirmed their responsibility of prepared the financial statements that can truly reflect the Company's operating results for each financial year. To the knowledge of the Directors, no event or circumstance that may cause material adverse impact on the Company's continuous operations needs to be reported.

12. Communications with shareholders

The general meeting shall be the supreme authority of the Company. All shareholders exercise their power through the general meeting. The Company called and convened general meetings in strict accordance with relevant requirements of the Articles of Association and Rules of Procedure for General Meetings and ensured all shareholders, especially minority shareholders, could enjoy equal status and fully exercise their rights as shareholders.

The Articles of Association was amended for twice during the Reporting Period. For details, please see the announcement of the Company dated 24 December 2021 and the Articles of Association published on 17 February 2022, as well as the announcement of the Company dated 28 November 2022 and the Articles of Association published on 14 December 2022.

There are persons specially designated for contacting and communicating with shareholders. The Company attaches great importance to the opinions and suggestions of shareholders and tries to meet the reasonable requests of the shareholders in time.

The Company set "Investor Relations" column in its website for publishing such Wind as announcements and financial information of the Company. Shareholders can also directly call the Company to inquire about relevant Wind, and the Company will deal with such inquiry in a timely and proper manner.

SECTION 4 CORPORATE GOVERNANCE REPORT

The Board would like to thank our shareholders and other stakeholders for their continued support and welcome their comments and enquiries regarding the Group's management and governance matters. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to the Office of the Board of Directors of the Company by mail to 9F, Pingmei Shenma Financial Capital Operation Centre, Intersection of Ruyi West Road and Ruyi River 4th West Street, Jinshui District, Zhengzhou City, Henan Province, China or by email to investor@ccnew.com.

13. Investor relation activities

Since its listing, the Company has been always attaching great importance to the investor relations. It maintains a good image in the capital market by establishing sound relationship between the Company and investors. The Company has formulated the information submission and disclosure measures in accordance with laws, rules, and department regulations such as the Company Law, the Securities Law, and the Administrative Measures for the Information Disclosure of the Listed Companies.

The Company has formulated the Investor Relations Management System and made revisions in 2022. According to the Investor Relations Management System, the Company communicates with investors through multiple channels, platforms and ways. The ways of communication include but are not limited to: (I) announcements, including regular reports and interim announcements; (II) General Meeting; (III) the Company shall actively use the website of the SSE, SSE E-interaction platform and other network facilities to carry out investor relations management activities; (IV) the Company's website; (V) telephone and fax; (VI) on-site visits and seminars; (VII) investor briefing sessions.

In terms of daily communication, the Company establishes the complete regular communication mechanism, reports the operation conditions of the Company to shareholders on a regular basis via mobile Internet and annual general meetings, and continuously recommends the investment value of the Company. In 2022, the Company browsed the E Interactive platform of the SSE and investors' emails and answered investors' hotline on a daily basis, and gave prompt replies to questions concerned by investors. In addition, the Company participated in the Investor Online Collective Reception Day organized by Henan Bureau of the CSRC and Henan Listed Companies Association, and took the initiative to organize three performance presentation meetings after the release of regular reports. Through the above methods, the Company strengthened communication and exchange with investors, especially medium and small investors, guaranteed their rights to know and participate, and enhanced investors' understanding and recognition of the Company. For details of the general meetings convened by the Company in 2022, please refer to "III. SUMMARY OF GENERAL MEETING" in this section. The Company has reviewed the implementation of the Shareholders' Communication Policy for 2022 and considered it to be effective.

The Company focuses on reports on the Company on the public media and the transaction of its shares, verifies the authenticity of reports with related parties, promptly analyzes and judges the possible enterprise expectations of investors according to public opinions on the capital, and provides guidance for the development of investor relations.

14. Appointment and remuneration of auditors

Please refer to II. "APPOINTMENT OR TERMINATION OF SERVICE OF ACCOUNTING FIRM" under Section 5 of this report.

15. Review by the Audit Committee

The Audit Committee has reviewed the Company's 2022 Audit Report and 2022 Annual Results.



SECTION 4 CORPORATE GOVERNANCE REPORT

16. Board diversity policy

(1) Board diversity policy

The Company has adopted the board diversity policy according to the Corporate Governance Code. The Company's board diversity policy can be summarized as follows: The Company knows and believes that the board diversity will be beneficial to the Company, and views it as an important element in maintaining its competitive edge. In designing the Board's composition, the Company considers board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service, etc. The election of the Directors will be based on the principle of combining morality and ability, and candidates will be considered with due regard for the capacity, skill, and experience required for the overall operation of the Board, so as to ensure the proper balance of the members of the Board. The Remuneration and Nomination Committee of the Company will review and assess the composition of the Board, and provide suggestions to the Board for the election of new directors. The Remuneration and Nomination Committee of the Company will discuss annually all the agreed measurable objectives for implementing the board diversity, and provide relevant suggestions on the objectives to the Board.

(2) Reasons for adopting the Board diversity policy

The Company believes that diversity underpins the effective and successful operation on Board and helps the Remuneration and Nomination Committee and the Board to ensure that the Board has balanced skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. With a view to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The appointment of the Directors will be based on the principle of combining morality and ability, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. When selecting candidates for Directors, the Company, as a financial enterprise, will take into consideration the education background and industry background related to economics, finance and management education for the sake of diversity.

(3) Measurable objectives

Selection of candidates will be based on range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. In selecting and making recommendations on suitable candidates for directorships, the Board will take the opportunity to increase the proportion of female members. The Company will ensure that the Board has at least one Director of different gender and that the Company has achieved the above objectives in 2022. The current diversity of the Board of the Company (including gender educational background and age, etc.) is set out in the paragraph (4) "Implementation and monitoring" below. The Company will continue to devote efforts to implement the board diversity policy.

SECTION 4 CORPORATE GOVERNANCE REPORT

(4) Implementation and monitoring

The Remuneration and Nomination Committee reviews the structure, size, and composition (including the skills, knowledge, and experience) of the Board annually, makes suggestions in respect of any changes to the Board arising from the changes in the Company's strategies, and monitors the implementation in line with the Board diversity policy.

As at the date of this report, the composition of the Board at a diversity level is summarized as follows:

- A. Gender: Among the existing 11 Directors, 2 are female and the remaining 9 are male;
- B. Educational background: Among the existing 11 Directors, 5 have doctor's degrees; 5 have master's degrees; and 1 have bachelor's degree;
- C. Age: Among the existing 11 Directors, 3 are aged 60 and over and 8 are under 60;
- D. Positions: Among the existing 11 Directors, 1 is executive Director, 6 are non-executive Directors, and 4 are independent non-executive Directors.



SECTION 4 CORPORATE GOVERNANCE REPORT

17. Mechanism for independent opinion of the Board

The Company ensures independent views and opinions available to the Board through the following mechanisms:

- (1) The Company currently has four independent non-executive Directors, accounting for more than one-third of the seats on the Board, which is conducive to maintaining the independent advice and judgment of the Board. In 2022, the Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Hong Kong Listing Rules that at least one-third (not less than three) of the Directors are independent non-executive Directors and at least one independent non-executive Director has appropriate professional qualifications or specializes in accounting or related financial management. The Company shall supervise the performance of independent non-executive Directors. If a Director fails to attend in person for two consecutive meetings of the Board and does not appoint other Directors to attend such meetings, as stipulated in Article 165 of the Articles of Association, he/she shall be deemed to be unable to perform his/her duties and the Board shall recommend to the General Meeting for removal.
- (2) The Company has received the written confirmation from each of the independent non-executive Directors regarding their independence from the Company pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.
- (3) The Chairman of the Board meets with the independent non-executive Directors at least once a year.
- (4) Members of the professional committees of the Board may engage intermediaries to provide professional advice for their decisions, and the related expenses shall be paid by the Company.

After review, the Company considers the above mechanism for ensuring independent advice of the Board and implementation effective.

By Order of the Board

Jian Mingjun

Chairman

29 March 2023

SECTION 5 SIGNIFICANT EVENTS

I. PERFORMANCE OF UNDERTAKINGS

(I) Undertakings by undertaking related parties including de facto controller, shareholders, related parties, acquirer and the Company made or subsisting during the Reporting Period

Background	Type of undertakings	Undertaking party	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed	In case of failure to perform in time, the specific reasons for the incomplete performance shall be stated	In case of failure to perform in time, future plans shall be described
Undertakings in relation to the initial public offering	Non-competition	Henan Investment Group	Undertaking in relation to non-competition	Regarded as long-term since entering into of the Non-competition Agreement with Central China Securities on 10 March 2014	Yes	Yes		
Undertakings in relation to the initial public offering	Non-competition	Company	Undertaking in relation to non-competition	Regarded as long-term since entering into of the Non-competition Agreement with Henan Investment Group on 10 March 2014	Yes	Yes		
Undertaking in relation to refinancing	Others	The Company	Undertaking in relation to increasing resource investment in compliance risk control and information technology	Note 1	Yes	Yes		
Undertaking in relation to refinancing	Others	The Company	Undertaking in relation to increasing resource investment in compliance risk control and information technology	Note 2	Yes	Yes		
Undertaking in relation to refinancing	Others	Directors and senior management	Note 3	During the period of being directors and senior management of the Company	Yes	Yes		
Note 1: (1)	For the three consecutive years from 2020 to 2022, the Company's investment in compliance risk control of each year shall not be less than 3% of the Company's operating income in the previous year;							
(2)	For the three consecutive years from 2020 to 2022, the Company's investment in information technology of each year shall not be less than 6% of the Company's operating income in the previous year;							
(3)	From 2020 to 2022, the Company shall disclose in its annual report the actual investment in compliance risk control and information technology.							
Note 2: (1)	For the three consecutive years from 2022 to 2024, the Company's investment in compliance risk control of each year shall not be less than 3% of the Company's operating income in the previous year;							
(2)	For the three consecutive years from 2022 to 2024, the Company's investment in information technology of each year shall not be less than 6% of the Company's operating income in the previous year;							
(3)	From 2022 to 2024, the Company shall disclose in its annual report the actual investment in compliance risk control and information technology.							
Note 3: (1)	Not transfer benefits to other entities or individuals without compensation or on unfair terms, and not harm the interests of the Company in other ways.							
(2)	To exercise restraint on my duty consumption behaviors.							
(3)	Not to use the Company's assets to engage in investment or consumption activities that are not related to the performance of duties.							
(4)	The compensation system established by the Board or the Remuneration and Nominating Committee shall be implemented in accordance with the mitigation and remediation measures of the Company.							
(5)	If the Company subsequently introduces an equity incentive policy, the exercise conditions of the Company's equity incentive to be announced shall be operated in line with the mitigation and remediation measures of the Company.							

SECTION 5 SIGNIFICANT EVENTS

II. APPOINTMENT OR TERMINATION OF SERVICE OF ACCOUNTING FIRM

Unit: Ten thousand Currency: RMB

Currently engaged

Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	125.00
Term of the audit services provided by domestic accounting firm	2 years
Name of certified public accountants of the domestic accounting firm	Aodu Jiya, Li Tiantian
Continued term of audit services by certified public accountants of the domestic accounting firm	2 years

	Name	Remuneration
Accounting firm engaged for internal control audit	Da Hua Certified Public Accountants (Special General Partnership)	37.00
Sponsor	Huatai United Securities Co., Ltd.	100

As considered and approved by the Company at the 2021 Annual General Meeting, the total audit and review fees (including internal control audit fee) of the Company (excluding its subsidiaries and structured entities included in the scope of consolidation) for 2022 amounted to RMB1,620,000. The "audit fees" of RMB3,124,870.49 disclosed in VI. "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS — 50. Business and administrative expenses" under Section 8 "FINANCIAL REPORT" of this report represents the audit service fees recognised in the books of the Company and its subsidiaries and structured entities included in the scope of consolidation in 2022, which mainly includes (i) audit fee of the Group for the year 2022 of RMB2,541,625.22 payable to Da Hua Certified Public Accountants (Special General Partnership) and MOORE STEPHENS CPA LIMITED, (ii) fees for audit of RMB4,000.00 payable to other auditors, and (iii) fees for special (non-audit) services (including audit fees for the Company and subsidiaries included in the scope of consolidation) of RMB579,245.27 payable to other auditors.

Description of appointment or termination of service of accounting firm

Since the period for providing auditing services to the Company by ShineWing Certified Public Accountants (Special General Partnership) has exceeded the prescribed time limit, the Company agreed to appoint Da Hua Certified Public Accountants (Special General Partnership) as the sole auditing firm of the Company for 2021 to provide domestic and overseas auditing services according to the China Accounting Standards for Business Enterprises.

In order to maintain the continuity of audit work, based on the professional level and service experience of Da Hua Certified Public Accountants (Special General Partnership), the Company re-appointed Da Hua Certified Public Accountants (Special General Partnership) as the auditing firm of the Company for the year 2022 for a term of one year, responsible for the provision of domestic and overseas audit services in accordance with the China Accounting Standards for Business Enterprises.

SECTION 5 SIGNIFICANT EVENTS

III. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period:

Unit: Ten thousand Currency: RMB

Prosecution (petitioner)	Defendant (respondent)	Party bearing joint liability	Type of litigation or arbitration	Background of litigation (arbitration)	Amount involved in litigation (arbitration)	Any estimated liabilities incurred in litigation (arbitration) and the amount	Development of litigation (arbitration)	Trial outcome of litigation (arbitration) and the influence	Enforcement of the judgment on litigation (arbitration)
Central China Securities	Shenwu Technology Group Corporation Limited* (神霧科技集團股份有限公司)	None	Contract dispute	Note 1	20,000.00	Note 1	Note 1	Note 1	Note 1
Central China Securities	Neoglorry Holdings Group Co. Ltd.* (新光控股集團有限公司)	None	Contract dispute	Note 2	20,000.00	Note 2	Note 2	Note 2	Note 2
Central China Securities	Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership)* (石河子市瑞農股權投資合夥企業(有限合夥)), Tan Songbin (譚頌斌), Zhou Juan (周娟)	None	Contract dispute	Note 3	18,799.98	Note 3	Note 3	Note 3	Note 3
Central China Securities	Great Wall Film & Culture Company Group Limited* (長城影視文化企業集團有限公司, currently known as Zhejiang Qingfeng Yuansheng Culture Limited)	None	Contract dispute	Note 4	20,000.00	Note 4	Note 4	Note 4	Note 4
Central China Securities	Kedi Food Group Co., Ltd.* (科迪食品集團股份有限公司)	None	Contract dispute	Note 5	43,165.83	Note 5	Note 5	Note 5	Note 5
Central China Blue Ocean Investment Management Co., Ltd.	Henan Zhongyi Real Estate Co., Ltd.* (河南中益置業有限公司), Ge Hongtao (葛洪濤), Xu Xianghong (徐香紅), Xu Zengcai (徐增才), Henan Zhongyi Heavy Industry Machinery and Technology Co., Ltd.* (河南中益重工機械科技股份有限公司), Henan Zhongyi Engineering Survey Co., Ltd.* (河南中益工程勘察有限公司), Henan Zhongyi Industrial Group Co., Ltd.* (河南中益實業集團有限公司), Henan Zhongyi Property Services Co., Ltd.* (河南中益物業服務有限公司), Zhengzhou Shengzhifeng Industrial Co., Ltd.* (鄭州盛之峰實業有限公司)	None	Contract dispute	Note 6	10,580.88	Note 6	Note 6	Note 6	Note 6

SECTION 5 SIGNIFICANT EVENTS

Note 1: The Company filed a lawsuit against Shenwu Technology Group Corporation Limited* (神霧科技集團股份有限公司) (hereinafter referred to as “Shenwu Group”), asserting the defendant’s breach of securities-backed lending contract. After the first instance judgment issued by Henan High People’s Court (hereinafter referred to as “Henan High People’s Court”) supported the lawsuit request of the Company, while Shenwu Group, the defendant, instituted an appeal. On 22 August 2019, the Company received the second trial judgment from the Supreme People’s Court of the People’s Republic of China (the “Supreme People’s Court”), rejecting the appeal and upholding the original judgment. Henan High People’s Court accepted the case for compulsory enforcement on 23 September 2019. On 10 September 2020, Zhengzhou Intermediate People’s Court (“Zhengzhou Intermediate Court”) ruled that “19,800,000 shares of *ST Energy Conservation held by Shenwu Group shall be delivered to Central China Securities Co., Ltd. for a consideration of RMB18,849,600 to indemnify its claim for the equivalent amount”. On 24 December 2020, Zhengzhou Intermediate Court issued an Enforcement Ruling, ruling to terminate the enforcement action. As at the end of the Reporting Period, there is no further progress in this case. Please refer to the Company’s 2020 Annual Report for relevant information.

Note 2: The Company filed a lawsuit against Neoglory Holdings Group Co. Ltd.* (新光控股集團有限公司) (hereinafter referred to as “Neoglory Holdings”) for default in the share pledge repurchase contract. After the case was accepted by the Henan High People’s Court, the case was transferred to the jurisdiction of Jinhua Intermediate People’s Court as Neoglory Holdings applied for bankruptcy reorganization. The Jinhua Intermediate People’s Court accepted the bankruptcy and reorganization application on 25 April 2019, for which the Company has declared its credits. On 30 December 2019, the Company received a civil judgment issued by Jinhua Intermediate People’s Court, supporting the Company’s claim. As at the end of the Reporting Period, Neoglory Holdings was under the procedure of bankruptcy reorganization, and there is no further progress in this case. Please refer to the Company’s 2020 Annual Report for relevant information.

Note 3: The Company filed a lawsuit against Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership) (hereinafter referred to as “Ruichen Investment”), Tan Songbin and Zhou Juan, asserting the defendants’ breach of contract in the securities-backed lending business. After the first instance judgment issued by Henan High People’s Court, the defendants, Ruichen Investment, Tan Songbin and Zhou Juan, filed an appeal. On 22 January 2020, the Company received the civil judgment issued by the Supreme People’s Court, supporting the Company’s claim. Henan High People’s Court accepted the case for compulsory enforcement on 30 March 2020. Zhengzhou Intermediate People’s Court conducted the auction of 24,529,900 shares of Silver Age Sci & Tech, and the Company has received the full amount of RMB188,884,151.85 for the auction. On 6 April 2021, the Company received the Enforcement Ruling issued by Zhengzhou Intermediate People’s Court, which ruled to terminate the execution of this case because the Company and Ruichen Investment reached a settlement agreement and performed it for a long period of time. The Company reached a new settlement agreement with Ruichen Investment on 31 August 2021. (Please refer to the Company’s 2021 Annual Report for information on relevant cases.) On 16 February 2022, the Company received the Enforcement Ruling issued by the First People’s Court of Dongguan City, Guangdong Province, changing the Company as the application executor of (2021) Yue 1971 Zhi Hui No. 856 case. By the end of the Reporting Period, the settlement agreement is still in the performance period.

Note 4: The Company filed a lawsuit against Great Wall Film & Culture Company Group Limited (currently known as Zhejiang Qingfeng Yuansheng Culture Limited, hereinafter referred to as “Great Wall Film” or “Zhejiang Qingfeng”), asserting the defendant’s breach of securities-backed lending contract. On 5 December 2019, Henan High People’s Court issued a civil judgment, which supported the Company’s claims. After the case entered into compulsory enforcement procedure, Zhengzhou Intermediate People’s Court ruled that 50,400,000 shares of Great Wall Movie and Television Co., Ltd. (長城影視股份有限公司) (Stock Abbreviation: *ST Great Wall) (Stock Code: 002071) held by Great Wall Film were valued at RMB71,542,800 and delivered to the Company to offset its equivalent creditor’s rights, and ruled to conclude this enforcement procedure.

In addition, the Company filed an enforcement objection lawsuit with Zhengzhou Intermediate People’s Court within the statutory period, requesting an order to add the defendants, Zhao Feifan (趙非凡) and Zhao Ruiyong (趙銳勇), as the persons to be executed in the execution case between the Company and the third party, Zhejiang Qingfeng; and to order the defendants, Zhao Feifan and Zhao Ruiyong, to assume joint and several liability for the debts owed to the Company by the third party, Zhejiang Qingfeng in the amount of RMB146.5671 million. On 26 May 2021, the Company received a civil judgment issued by Zhengzhou Intermediate People’s Court, supporting the Company’s claim. As at the end of the Reporting Period, the case was under execution and there is no further progress. Please refer to the Company’s 2021 Annual Report for relevant information.

SECTION 5 SIGNIFICANT EVENTS

Note 5: The Company filed a lawsuit against Kedi Food Group Co., Ltd. (hereinafter referred to as "Kedi Group"), asserting the defendant's breach of securities-backed lending contract. The first instance judgment issued by Zhengzhou Intermediate People's Court supported the lawsuit request of the Company, while both Kedi Group and the Company refused to obey the first instance judgment and instituted an appeal. On 3 August 2020, the Company received a civil judgment by Henan High People's Court, stating that Kedi Group was deemed to withdraw the appeal on its own account, and the Company's withdrawal of the appeal was allowed. Zhengzhou Intermediate People's Court accepted the case for compulsory enforcement on 24 August 2020. On 21 January 2021, Zhengzhou Intermediate People's Court made an enforcement ruling. Because Shangqiu Intermediate People's Court accepted the bankruptcy reorganization application of Kedi Group, it ruled to terminate the execution of Kedi Group, the subject. (Please refer to the Company's 2021 Annual Report for information on relevant cases.) On 22 April 2022, Shangqiu Intermediate People's Court approved the merger and reorganization plan of 10 companies including Kedi Group. In July 2022, according to the above restructuring plan, the Company received a total of RMB24,727,420.43 from the insolvency administrator of Kedi Group for partial cash settlement of privileged debts and cash settlement of ordinary debts. As of the end of the Reporting Period, Kedi Group was under the procedure of bankruptcy reorganization.

Note 6: Central China Blue Ocean Investment Management Co., Ltd. (Hereinafter referred to as "Central China Blue Ocean") filed a lawsuit against Henan Zhongyi Real Estate Co., Ltd. (hereinafter referred to as "Zhongyi Real Estate"), asserting the defendant's breach of financial entrusted wealth management contract. On 31 October 2019, Central China Blue Ocean received a civil judgment issued by Zhengzhou Intermediate People's Court, which supported Central China Blue Ocean's claims. Zhengzhou Intermediate People's Court accepted the case for compulsory enforcement on 13 January 2020. In accordance with the corresponding procedures, Zhengzhou Intermediate People's Court conducted an auction of two properties in the names of Xu Zengcai and Xu Xianghong, the persons being executed; and on 18 June 2021, Central China Blue Ocean received the amount of RMB2,443,099.88 for the execution of the distribution. As of the end of the Reporting Period, there is no further progress in this case. Please refer to the Company's 2021 Annual Report for relevant information.

In addition, during the Reporting Period, regarding the enforcement objection filed by Central China Blue Ocean against the seized property under the name of Zhongyi Real Estate in another case, the Zhengzhou High-tech Zone Court made the (2022) Yu 0191 Zhi Yi No. 32 Enforcement Ruling, ruling to reject the objection of Central China Blue Ocean, the dissenter.

IV. CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

None of the Group, its controlling shareholder or de facto controller had unperformed enforceable court judgments, unpaid debts with larger sum at maturity or bad credibility record.



SECTION 5 SIGNIFICANT EVENTS

V. CONNECTED TRANSACTIONS

Non-exempt continuing connected transactions conducted by the Group during the Reporting Period are listed below:

Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group

The Group has been, in the ordinary and usual course of its business, engaged in continuing transactions with Henan Investment Group and its associates including securities and financial product transactions and provision of securities and financial services. According to the Hong Kong Listing Rules, Henan Investment Group, a substantial shareholder of the Company, together with its associates, is connected persons of the Company. Transactions between the Group and Henan Investment Group and its associates constitute continuing connected transactions of the Group. The Group and Henan Investment Group renewed the Securities and Financial Products Transactions and Services Framework Agreement on 30 December 2021 (the “Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group”) for a term of three years from 1 January 2022 to 31 December 2024, and respectively set the annual caps (for the three financial years ending 31 December 2024, ① the annual caps of the total net cash outflow from the Group in respect of the securities and financial products transactions are RMB120.00 million, RMB120.00 million and RMB120.00 million, respectively, and the total net cash inflow to the Group are RMB10.50 million, RMB10.50 million and RMB10.50 million, respectively; and ② the annual caps for revenue from provision of securities and financial services to Henan Investment Group and its associates in respect of the securities and financial services are RMB36.50 million, RMB36.50 million and RMB36.50 million, respectively), in order to regulate such continuing connected transactions of the Company more effectively.

According to the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group, the Group enters into various securities and financial products transactions with Henan Investment Group and its associates in the ordinary and usual course of the Group’s business. Meanwhile, the Group also provides various securities and financial services to Henan Investment Group and its associates. The Company and Henan Investment Group agreed that:

- (1) Securities and financial products transactions: Securities and financial product transactions will be conducted at the prevailing market prices in the ordinary and usual course of the Group’ business.
- (2) Securities and financial services: The general pricing principles for service fee or commission or brokerage fee charged by the Group shall be based on negotiations between the parties with reference to the prevailing market rates and in accordance with the requirements of the applicable laws and regulations of the PRC.

SECTION 5 SIGNIFICANT EVENTS

In 2022, the annual caps and actual amounts of securities and financial products transactions between the Group and Henan Investment Group and its associates, and the annual caps and actual amounts of securities and financial services provided by the Group to Henan Investment Group and its associates are set out as follows:

	2022 Annual caps (in RMB million)	2022 Actual amounts (in RMB million)
Securities and financial products transactions		
Total net cash outflow from the Group	120.00	0
Total net cash inflow to the Group*	10.50	0
Securities and financial services		
Revenue from provision of securities and financial services to Henan Investment Group and its associates	36.50	2.9049

* The figure represents gains derived from subscriptions by the Group of securities and financial products set up by Henan Investment Group and its associates.

For details of the continuous connected transactions mentioned above, please refer to the announcements of the Company dated 30 December 2021, respectively published on the HKExnews website of the Hong Kong Stock Exchange.

Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.

The Group has been, in the ordinary and usual course of its business, engaged in continuing transactions with Equity Exchange Co. including, securities and financial products transactions and securities and financial services. According to the Hong Kong Listing Rules, Equity Exchange Co. is a connected subsidiary of the Company (Henan Investment Group, the substantial shareholder of the Company, holds 10% of its equity). Transactions between the Group and Equity Exchange Co. constitute continuing connected transactions of the Group. Therefore, the Company and Equity Exchange Co. renewed the securities and financial products transactions and services framework agreement on 30 December 2021 (the "Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.") for a term of three years from 1 January 2022 to 31 December 2024, and respectively set the annual caps (for the three financial years ending 31 December 2024, ① the annual caps of the total net cash inflow into the Group for transactions in respect of the securities and financial products transactions are RMB125.00 million, RMB125.00 million and RMB125.00 million, respectively, and the annual caps of the total net cash outflow from the Group are RMB1.50 million, RMB1.50 million and RMB1.50 million, respectively; and ② the annual caps for revenue from provision of securities and financial services to Equity Exchange Co. in respect of securities and financial services are RMB1.60 million, RMB1.60 million and RMB1.60 million, respectively, and the annual caps for expenses to be incurred by provision of securities and financial services to the Group are RMB5.75 million, RMB5.75 million and RMB5.75 million, respectively), in order to regulate such continuing connected transactions of the Company more effectively.

* For identification purpose only

SECTION 5 SIGNIFICANT EVENTS

According to the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co., the Group enters into various securities and financial products transactions with Equity Exchange Co. in the ordinary and usual course of its business, and mutually provides various securities and financial services to each other. The Company and Equity Exchange Co. agreed that:

- (1) Securities and financial products transactions: The securities and financial products transactions will be conducted at the prevailing market prices in the ordinary and usual course of the Group's business. In terms of subscriptions by Equity Exchange Co. set up by the Group, the subscription price is at the same subscription price as the subscriptions by other investors. Such subscription price is determined by the Group after considering the fundamentals of the assets/businesses to be invested.
- (2) Securities and financial services: In respect of the financial advisory and membership services to be provided by Equity Exchange Co. to the Group: the service fees shall be determined after arm's length negotiations between the parties taking into account factors such as the nature and size of the transactions, the prevailing market conditions, the average fee level applicable to independent third parties for similar transactions; in respect of the fund management services to be provided by the Group to Equity Exchange Co., the service fees shall be determined with reference to the service fee rate applicable to independent third parties based on the size of the fund contribution.

In 2022, the annual caps and actual amounts of securities and financial products transactions between the Group and Equity Exchange Co., and the annual caps and actual amounts of securities and financial services mutually provided between the Group and Equity Exchange Co. are set out as follows:

	2022 Annual caps <i>(in RMB million)</i>	2022 Actual amounts <i>(in RMB million)</i>
Securities and financial products transactions		
Total net cash inflow to the Group	125.00	0
Total net cash outflow from the Group*	1.50	0
Securities and financial services		
Revenue from provision of securities and financial services to Equity Exchange Co.	1.60	0.5405
Expenses incurred by provision of securities and financial services to the Group	5.75	0.10

* The figure represents net cash outflow arising from payment to Equity Exchange Co. of the gains derived from the subscriptions by Equity Exchange Co. of financial products set up by the Group.

For details of the continuous connected transactions mentioned above, please refer to the announcements of the Company dated 30 December 2021 published on the HKExnews website of the Hong Kong Stock Exchange.

SECTION 5 SIGNIFICANT EVENTS

During the Reporting Period, the above continuing connected transactions were executed in accordance with the relevant framework agreements signed by the Company with Henan Investment Group and Equity Exchange Co. respectively and the pricing principles of the relevant transactions were strictly observed.

The auditor engaged by the Company has reviewed the above-mentioned non-exempt continuing connected transactions and has sent a letter to the Board, stating that:

- Nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions have not been approved by the Board of the Company;
- If the transactions involve the provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions have not been conducted in accordance with the Group's pricing policy in all material respects;
- Nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions in all material respects were not carried out in accordance with the relevant agreements governing the transactions;
- Regarding the total amount of each continuing connected transaction listed in the appendix of the continuing connected transaction letter, nothing has come to the auditor's attention that causes them to believe the disclosed continuing connected transactions have exceeded the annual caps set by the Company.

The independent non-executive Directors of the Company have confirmed to the Board that they have reviewed the above non-exempt continuing connected transactions and considered that the transactions were:

- conducted in the ordinary course of business of the Group;
- on normal commercial terms or better;
- conducted in accordance with the terms set out in relevant transactions agreement, which were fair and reasonable and in the interests of the shareholders of the Company as a whole.



SECTION 5 SIGNIFICANT EVENTS

Save as disclosed above, there is no related party transaction or continuing related party transaction as set out in XI. "RELATED PARTIES AND RELATED TRANSACTIONS" under Section 8 "FINANCIAL REPORT" of this report that falls into the category of connected transaction or continuing connected transaction that need to be disclosed under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transaction and continuing connected transactions of the Company.

Related Transactions in relation to the Ordinary Operations

Description

The overseas regulatory announcement of Central China Securities Co., Ltd. in relation to Estimated Daily Related/Continuing Related Transactions in 2023 issued by the Company on 29 March 2023 disclosed the execution of the Company's daily related transactions in 2022.

Related Transactions from Acquisition and Disposal of Assets or Equity Interests

Description

The Company intends to exercise its shareholder's right of first refusal to participate in the public tender of Henan Railway Construction & Investment to dispose the 40.935% equity interest in Central China Futures held by it at a consideration of not more than RMB225,551,900. On 27 December 2022, the Company won the bid at a consideration of RMB225,551,850 and entered into the Equity Transfer Agreement with Henan Railway Construction & Investment. On 28 December 2022, The Company and Henan Railway Construction & Investment entered into the memorandum of understanding. As at the date of signing the agreement, Henan Railway Construction & Investment holds 40.935% equity interest in Central China Futures (a significant subsidiary of the Company), and is therefore a connected person of the Company at the subsidiary level. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 28 December 2022 published on the HKExnews website of the Hong Kong Stock Exchange.

SECTION 5 SIGNIFICANT EVENTS

VI. MATERIAL CONTRACTS AND CONTRACT PERFORMANCE

Unit: Yuan Currency: RMB

Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Amount of guarantee	Guarantees provided by the Company (excluding the guarantees to subsidiaries)					Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Amount overdue on guarantees	Counter-guarantees	Whether the guarantee is for a Association related party relationship		
				Date of guarantee (date of signing Agreement)	Commencement date of guarantee	Maturity date of guarantee	Type of guarantee	Collateral (if any)							
Total amount of guarantees incurred during the Reporting Period (excluding the guarantees provided to subsidiaries)															
Total balance of guarantees as at the end of the Reporting Period (A) (excluding the guarantees provided to subsidiaries)															
Guarantees provided by the Company and its subsidiaries to subsidiaries															
Total amount of guarantees provided to subsidiaries during the Reporting Period														741,123,500.00	
Total balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B)														741,123,500.00	
Total amount of guarantees provided by the Company (including the guarantees provided to subsidiaries)															
Total amount of guarantees (A+B)														741,123,500.00	
Percentage of total guarantees over the net assets of the Company (%)														5.39	
Including:															
Amount of guarantees provided to shareholders, de facto controller and their related parties (C)															
Amount of debt guarantees directly or indirectly provided to the parties guaranteed with the gearing ratio exceeding 70% (D)															
Total amount of guarantees exceeding 50% of net assets (E)															
Total amount of the above three types of guarantees (C+D+E)															
Explanations on outstanding guarantee which may assume joint and several liability for repayment															
Explanations on guarantees															
As at the end of the Reporting Period, the Company provided counter guarantee for Central China International's offshore loans, the balance of which amounted to RMB44,663,500.00 in total (equivalent to HK\$50,000,000.00). The Company also provided guarantee for Wending Zhongyuan Company Limited, a special purpose entity and wholly-owned subsidiary of Central China International, for the issuance of overseas bonds not exceeding US\$100 million in the amount of RMB696,460,000 (US\$100,000,000).															



SECTION 5 SIGNIFICANT EVENTS

VII. DESCRIPTION OF OTHER SIGNIFICANT EVENTS THAT HAVE A SIGNIFICANT IMPACT ON THE VALUE JUDGMENTS AND INVESTMENT DECISIONS MADE BY INVESTORS

Issuance of A shares to target subscribers

At the seventh meeting of the Seventh Session of the Board, the fifth meeting of the Seventh Session of the Supervisory Committee and the annual general meeting for the year 2021, the 2022 First Class Meeting for Holders of A Shares and the 2022 First Class Meeting for Holders of H Shares on 29 April 2022 and 24 June 2022, respectively, the Company considered and approved the proposals for issue A shares to target subscribers non-publicly. The number of A shares to be issued shall be not more than 1,392,865,410 (inclusive), with proceeds not exceeding RMB7 billion (inclusive).

On 4 August 2022, the Company received the “the CSRC Application and Acceptance Sheet for Administrative Licensing” (acceptance number: 221835) issued by the CSRC. The CSRC, according to law, examined the “Approval for Non-public Issuance of Shares by Listed Companies (A Shares on the Main Board of SSE and Main Board of SZSE and B Shares)” and relevant materials submitted by the Company, which were examined to be complete, with the result that the decision on acceptance of the administrative licensing was made.

On 18 August 2022, the Company received the “Notice of the First Feedback for Examination of Administrative Licensing Items of the CSRC” (No. 221835) issued by the CSRC. On 16 September 2022, the Company and the relevant intermediaries, under the principles of diligence, conscientiousness and good faith, checked and discussed the problems raised in the feedback one by one, made written descriptions and explanations, and made public disclosure of the feedback responses as required.

On 17 February 2023, the CSRC and the SSE issued rules for the Full Implementation of the Stock Issuance Registration System. In accordance with the requirements of the latest system and rules, the Company held its thirteenth meeting of the Seventh Session of the Board of Directors and the tenth meeting of the Seventh Session of the Supervisory Committee on 28 February 2023 to consider and approve the amended proposal for the issuance of new A Shares to target subscribers.

On 3 March 2023, the Company filed with the SSE the application materials for the issuance of A shares to target subscribers and received the Notice of Acceptance of Application for Issuance of Securities by Central China Securities Co., Ltd. as a Listed Company on the SSE Main Board (Shang Zheng Shang Shen (Refinancing) [2023] No. 85) (《關於受理中原證券股份有限公司滬市主板上市公司發行證券申請的通知》(上證上審(再融資)[2023]85號)) from the SSE on 4 March 2023. The SSE checked the prospectus and relevant application documents submitted by the Company for the issuance of securities listed on the main board of the SSE, and considered that the application documents were complete and in compliance with the statutory form, and decided to accept and review the application in accordance with the law.

For details of the above, please refer to the relevant announcements of the Company dated 29 April 2022, 24 June 2022, 8 August 2022, 15 September 2022, 28 February 2023 and 6 March 2023.

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. ISSUANCE AND LISTING OF SECURITIES

(I) Particulars about issuances of securities during the Reporting Period

Unit: 0'000 shares Currency: RMB

Type of shares and derivative securities	Date of issuance	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of trading
Bonds (including enterprise bonds, corporate bonds and debt financing instruments of non-financial enterprises)						
2022 Public Issuance of Corporate Bonds (Tranche 1) of Central China Securities Co., Ltd.	23 February 2022	3.2%	2,000.00	8 March 2022	2,000.00	24 February 2025
2022 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	8 July 2022	2.49%	1,000.00	19 July 2022	1,000.00	11 July 2023
2022 Public Issuance of Subordinated Bonds to Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	14 October 2022	3.3%	500.00	20 October 2022	500.00	17 October 2025

During the Reporting Period, the Company issued 3 tranches of bonds, including public offering of 1 tranche of corporate bonds namely "22 Central China 01" with the offering size of RMB2 billion, the interest rate of 3.2% and the term of 3 years; public offering of 1 tranche of short-term corporate bonds namely "22 Central China S1" with the offering size of RMB1 billion, the interest rate of 2.49% and the term of 1 year; and public offering of 1 tranche of subordinated bonds namely "22 Central China C1" with the offering size of RMB0.5 billion, the interest rate of 3.3% and the term of 3 years.

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS

(I) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period	134,087
	Among which: 134,049 A shares; 38 registered H shareholders
Total number of ordinary shareholders as at the end of the month prior to the disclosure date of this report	132,656
	Among which: 132,618 A shares; 38 registered H shareholders

(II) Shareholdings of the top ten shareholders, the top ten holders of tradable shares (or shareholders not subject to trading moratorium) as at the end of the Reporting Period

Shareholdings of the top ten shareholders

Name of shareholders (Full name)	Changes during the Reporting Period	Number of shares held as at the end of the Period	Percentage (%)	Number of shares held subject to trading moratorium	Shares pledged, marked or frozen Status of shares	Number	Nature of shareholders
HKSCC Nominees Limited	31,000	1,195,143,850	25.74	0	Nil		Overseas legal person
Henan Investment Group Co., Ltd.		822,983,847	17.73	0	Nil		State-owned legal person
Anyang Iron & Steel Group Co., Ltd.		177,514,015	3.82	0	Pledged	65,000,000	State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.	21,165,100	145,947,707	3.14	0	Nil		State-owned legal person
China Pingmei Shenma Holdings Group Co., Ltd. (中國平煤神馬控股集團有限公司)		63,694,267	1.37	0	Nil		State-owned legal person
Zheng Yu (鄭宇)		51,003,190	1.10	0	Nil		Domestic natural person
Anyang Economic Development Group Co., Ltd.		48,824,693	1.05	0	Pledged	24,412,346	State-owned legal person
China Construction Bank Corporation — Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 國泰中證全指證券公司交易型開放式指數證券投資基金)	3,382,726	48,177,534	1.04	0	Nil		Other
Henan Railway Construction & Investment Group Co., Ltd.		47,239,915	1.02	0	Nil		State-owned legal person
China Construction Bank Corporation — Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 華寶中證全指證券公司交易型開放式指數證券投資基金)	13,079,000	41,712,764	0.90	0	Nil		Other

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	1,195,143,850	Overseas-listed foreign shares	1,195,143,850
Henan Investment Group Co., Ltd.	822,983,847	RMB-denominated ordinary shares	822,983,847
Anyang Iron & Steel Group Co., Ltd.	177,514,015	RMB-denominated ordinary shares	177,514,015
Jiangsu SOHO Holdings Group Co., Ltd.	145,947,707	RMB-denominated ordinary shares	145,947,707
China Pingmei Shenma Holdings Group Co., Ltd. (中國平煤神馬控股集團有限公司)	63,694,267	RMB-denominated ordinary shares	63,694,267
Zheng Yu (鄭宇)	51,003,190	RMB-denominated ordinary shares	51,003,190
Anyang Economic Development Group Co., Ltd.	48,824,693	RMB-denominated ordinary shares	48,824,693
China Construction Bank Corporation — Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 國泰中證全指證券公司交易型開放式指數證券投資基金)	48,177,534	RMB-denominated ordinary shares	48,177,534
Henan Railway Construction & Investment Group Co., Ltd.	47,239,915	RMB-denominated ordinary shares	47,239,915
China Construction Bank Corporation — Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 華寶中證全指證券公司交易型開放式指數證券投資基金)	41,712,764	RMB-denominated ordinary shares	41,712,764

Explanation on related party or concert party relationship among the above shareholders The Company is not aware of any related party relationship among the above-mentioned shareholders or whether they are parties acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》).

Note 1: As known to the Company, as of the end of the Reporting Period, in addition to the 822,983,847 A shares of the Company directly held by it, Henan Investment Group Co., Ltd. also held 46,733,000 H shares of the Company through its wholly-owned subsidiary, Dahe Paper (Hong Kong) Co., Limited, and held 153,840,000 H shares of the Company through Stock Connect's Southbound trading, totaling 1,023,556,847 shares of the Company, accounting for 22.05% of the total issued shares of the Company.

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

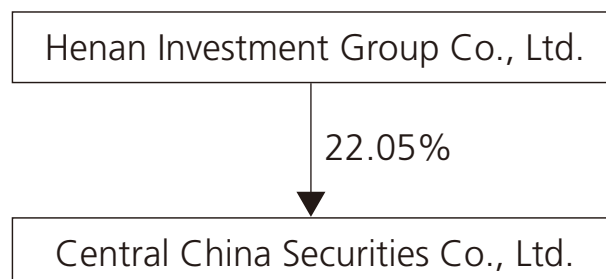
III. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

1 Legal person

Name	Henan Investment Group Co., Ltd.
Person in charge of the entity or legal representative	Liu Xinyong
Date of incorporation	18 December 1991
Principal business	Investment management, investment in construction projects, industrial production information and machinery and equipment required for construction projects, sale of raw materials of products for investment projects (other than those subject to national specific regulations); housing lease (For those subject to approval among the abovementioned, the company is not allowed to operate such business before obtaining approvals.)
Details of controlling interests and investments in other domestic and overseas-listed companies during the Reporting Period	The controlling interests in domestic listed companies are: 943,700,684 shares in YUNENG Holdings (001896) which accounts for 61.85% of its total share capital; 362,579,146 shares in City Development Environment (000885) which accounts for 56.47% of its total share capital; and 407,835,649 shares in Ancai Hi-Tech (600207) which accounts for 47.26% of its total share capital. The investments in domestic listed companies are: China Aviation Optical (002179), Zhengzhou Bank (002936), WINGTECH (600745) and Career International (300662). The investments in overseas listed companies are: Zhongyuan Bank (01216.HK) and Bank of Zhengzhou (06196.HK).

2 Chart of the ownership and controlling relationships between the Company and the controlling shareholder



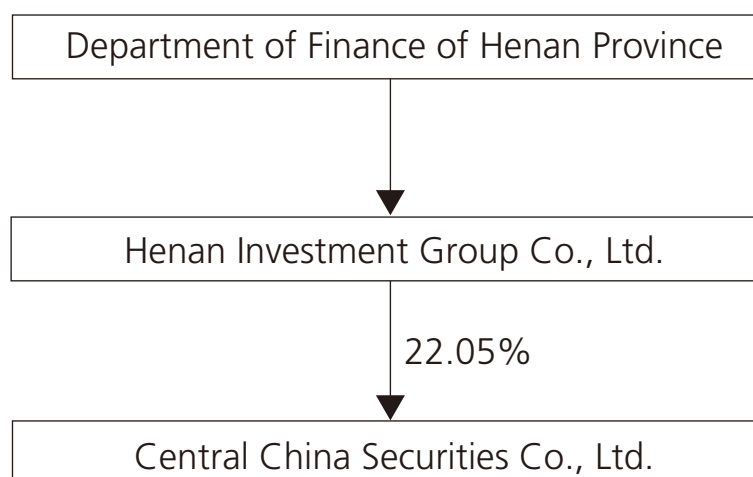
SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

(II) De facto controller

1 Legal person

Name	Department of Finance of Henan Province
Person in charge of the entity or legal representative	Zhao Qingye (趙慶業)
Other description	Henan Investment Group is under the Henan Provincial Government. Responsibilities of promoter are performed by the Department of Finance of Henan Province as authorized by Henan Provincial Government. Department of Finance of Henan Province is the de facto controller of the Company.

2 Chart of the ownership and controlling relationships between the Company and the de facto controller



(III) Other description on controlling shareholder and de facto controller

Henan Investment Group is under the Henan Provincial Government. Responsibilities of promoter are performed by the Department of Finance of Henan Province as authorized by Henan Provincial Government. Department of Finance of Henan Province is the de facto controller of the Company.

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

I. ENTERPRISE BONDS, CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

(I) Corporate bonds

1. Basic information of corporate bonds

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Value date	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risks of termination of listing and trading
2020 Non-publicly-issued Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	20 Central China C1	166631	22 April 2020	23 April 2020	23 April 2020	15	4.08	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By clicking, inquiry, bidding and agreement	No
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	21 Central China 01	175736	4 March 2021	5 March 2021	5 March 2024	10	4.03	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By matching, clicking, inquiry, bidding and agreement	No
2021 Non-publicly-issued Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	21 Central China C1	197241	21 October 2021	22 October 2021	22 October 2024	11	4.7	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By clicking, inquiry, bidding and agreement	No
2022 Publicly-issued Corporate Bonds (Tranche 1) of Central China Securities Co., Ltd.	22 Central China 01	185321	23 February 2022	24 February 2022	24 February 2025	20	3.2	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By matching, clicking, inquiry, bidding and agreement	No
2022 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	22 Central China S1	185754	8 July 2022	11 July 2022	11 July 2023	10	2.49	Simple interest on an annual basis and the principal re payable upon maturity in full	SSE	In compliance with relevant requirements	By matching, clicking, inquiry, bidding and agreement	No
2022 Subordinated Bonds Publicly Issued to Subordinated Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	22 Central China C1	137909	14 October 2022	17 October 2022	17 October 2025	5	3.3	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By matching, clicking, inquiry, bidding and agreement	No

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

Interests payment and due repayment of the bonds during the Reporting Period

Name of bonds	Explanations on interests payment and due repayment
2019 Corporate Bonds Publicly Issued to Qualified Investors (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, "19 Central China 01" matured on 26 March 2022, and the principal and interest were paid in full as scheduled.
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, "21 Central China S1" matured on 20 May 2022, and the principal and interest were paid in full as scheduled.
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, "21 Central China S1" matured on 18 June 2022, and the principal and interest were paid in full as scheduled.
2019 Non-publicly-issued Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, "19 Central China C1" matured on 30 October 2022, and the principal and interest were paid in full as scheduled.
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, the annual interest payment of "21 Central China 01" was made on 7 March 2022, and the interest was paid in full as scheduled.
2020 Non-publicly-issued Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, the annual interest payment of "20 Central China C1" was made on 25 April 2022, and the interest was paid in full as scheduled.
2021 Non-publicly-issued Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, the annual interest payment of "21 Central China C1" was made on 24 October 2022, and the interest was paid in full as scheduled.

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

Intermediaries providing services for the issuance and duration of the bonds

Name of intermediary	Office address	Names of signing accountants	Contact person	Contact number
Donghai Securities Co., Ltd.	6/F, Donghai Securities Building, 1928 Dongfang Road, Pudong New Area, Shanghai		Zhang Yisheng, Jiang Yan	021-20333333
Huaxi Securities Co., Ltd.	Room 1107, No. 198, Tianfu Second Street, High-tech Zone, Chengdu		Lv Songyang	028-86158285
CSC Financial Co., Ltd.	Block B, Kaiheng Center, 2 Chaonei Street, Dongcheng District, Beijing		Geng Hua, Liu Hongyu	010-86451086
China Galaxy Securities Co., Ltd.	Block C, International Enterprise Building, 35 Financial Street, Xicheng District, Beijing		Chen Qu, Deng Xiaoxia	010-83574504
Haitong Securities Company Limited	15/F, Tianyuan Xiangtai Building, 5 Anding Road, Chaoyang District, Beijing		Xiong Jieyu, Xie Jiazhuan	010-88027267
ShineWing Certified Public Accountants (Special General Partnership)	9/F, Block A, Fu Hua Mansion, No. 8 ChaoYang Men Beidajie, Dongcheng District, Beijing	Yan Fanqing, Chao Xiaoyan, Cui Weiwei	Yan Fanqing, Cui Weiwei	0531-86595111
Da Hua Certified Public Accountants (Special General Partnership)	8/F, Building 7, No. 16, West Fourth Ring Middle Road, Haidian District, Beijing	Aodu Jiya, Li Tiantian	Aodu Jiya	010-58350006
Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.	14F, Huasheng Building, 398 Hankou Road, Shanghai		Xu Xingcun	021-63500711
Henan Faben Law Firm	Floor 15A, Yizhong Building, No. 75, Qilihe South Road, Zhengdong New District, Zhengzhou City		Wang Anping	0371-60999150
Henan Luda Law Firm	6/F and 20/F, Building A, Meiqiao Century Plaza, 109 Jinshui East Road, Zhengzhou City, Henan Province		He Zhaojie, Ma Yali	0371-88927791

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

2. Use of proceeds as at the end of the Reporting Period

Unit: 100 million Currency: RMB

Name of bonds	Total amount of proceeds	Used amount	Unused amount	Operation of special account for proceeds (if any)	Rectification of irregular use of proceeds (if any)	Whether the use of proceeds was in line with that mentioned in the offering circular, the plan for use and other agreements
2020 Non-publicly-Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	15	15	0	None	None	Yes
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	10	10	0	None	None	Yes
2021 Non-publicly-Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	11	11	0	None	None	Yes
2022 publicly-issued Corporate Bonds (Tranche 1) of Central China Securities Co., Ltd.	20	20	0	None	None	Yes
2022 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	10	10	0	None	None	Yes
2022 Subordinated Bonds Publicly Issued to Subordinated Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	5	5	0	None	None	Yes

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

Adjustment of credit rating results

Shanghai Brilliance Credit Rating & Investors Service Co, Ltd. issued the bonds and tracking rating report on "21 Central China 01" on 24 May 2022, maintaining the AAA rating for the Company's entity credit and AAA rating for its bonds credit, with a stable rating outlook and consistent bonds and tracking rating results. Shanghai Brilliance Credit Rating & Investors Service Co, Ltd. issued the bonds and tracking rating report on "19 Central China C1", "20 Central China C1" and "21 Central China C1" on 24 May 2022, assigning an AAA rating for the Company's entity credit and AA+ rating for its bonds credit, with a stable rating outlook and consistent bonds and tracking rating results. Dagong Global Credit Rating Co, Ltd. issued the credit report on the Company on 10 August 2022, assigning an AAA rating for the long-term credit of the Company, with a stable rating outlook. Shanghai Brilliance Credit Rating & Investors Service Co, Ltd. issued the bonds and tracking rating report on "22 Central China C1" on 16 September 2022, maintaining the AAA rating for the Company's entity credit and AA+ rating for its bonds credit, with a stable rating outlook, consistent with the previous subordinated bonds rating result.

The implementation and changes of guarantees, debt repayment plans and other debt repayment protection measures during the reporting period and their impact

Current status	Implementation	Is there any change	Situation after the change	Reason for the change	Whether the change has been approved by competent authorities	Impact of the change on rights and interests of bonds investors
There were no guarantees related to the corporate bonds during the reporting period	None	No				
The debt repayment plan was normal during the reporting period	Note 1	No				
Other debt repayment protection measures were normal during the reporting period	Note 2, Note 3	No				

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

Note 1: Debt repayment plan: The debt repayment plans of “20 Central China C1”, “21 Central China 01”, “21 Central China C1”, “22 Central China 01”, “22 Central China S1” and “22 Central China C1” are the same: To pay interest once a year in the duration of the bonds, with the last installment of interest being paid together with the redemption of the principal.

Note 2: Debt repayment protection measures.

- (1) Corporate bonds: During the reporting period, the Company continued to strengthen the development of wealth management business, investment banking business, securities proprietary business, capital intermediary and other businesses, boasting strong solvency and cash acquisition ability. The Company carried out fund management in strict accordance with the financial system, continuously optimized the asset and liability management according to the debt structure, strengthened the liquidity management, formulated annual and stage fund use plans, prepared the debt service funds in full and timely and made payments on time. In addition, the Company protected the interests of bondholders by giving full play to the role of trustee, strictly implementing the Rules of the Bondholders’ Meeting, maintaining good liquidity, and establishing the solvency task force. During the reporting period “19 Central China 01” matured on 26 March 2022, and the principal and interest were paid in full as scheduled; the annual interest payment of “21 Central China 01” was made on 7 March 2022, and the interest was paid in full as scheduled; “21 Central China S1” matured on 20 May 2022, and the principal and interest were paid in full as scheduled; “21 Central China S2” matured on 18 June 2022, and the principal and interest were paid in full as scheduled. The Company was not expected to be unable to pay the principal and interest of the bonds on schedule and did not fail to pay the principal and interest of the bonds on schedule at maturity. Therefore, it did not increase the proportion of arbitrary surplus reserves and the proportion of general risk reserves, nor did it take such debt repayment protection measures as not distributing profits to shareholders, suspending the implementation of capital expenditure projects such as major overseas investment, acquisition and merger, reducing or suspending the salary and bonus of directors and senior management, and not transferring the main responsible personnel.
- (2) Subordinated bonds: During the reporting period, the Company protected the interests of bondholders by continuously improving the corporate governance structure and risk control system, giving full play to the role of bond trustee, strictly implementing the Rules of Bond Holders’ Meeting, designating special personnel take charge of the repayment of principal and interest and making strict information disclosure. During the reporting period, the annual interest payment of “20 Central China C1” was made on 23 April 2022, and the interest was paid in full as scheduled; “19 Central China C1” matured on 30 October 2022, and the principal and interest were paid in full as scheduled. During the Reporting Period, the Company was not expected to be unable to pay the principal and interest of the bonds on schedule and did not fail to pay the principal and interest of the bonds on schedule at maturity. Therefore, it did not take such debt repayment protection measures as not distributing profits to shareholders, suspending the implementation of capital expenditure projects such as major overseas investment, acquisition and merger, reducing or suspending the salary and bonus of directors and senior management, and not transferring the main responsible personnel.

Note 3: Other relevant situations: With regard to the implementation of other debt repayment protection measures, the Company strictly complied with the laws and regulations, engaged Huaxi Securities Co., Ltd, Donghai Securities Co., Ltd, CSC Financial Co., Ltd, China Galaxy Securities Co., Ltd and Haitong Securities Company Limited as the bond trustees, protected the interests of bond holders in accordance with the signed “Bond Management Agreement”, and strictly implemented the fund management plan and information disclosure requirements. The above measures are consistent with the prospectus.

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

3. Other information on corporate bonds

Unit: Yuan Currency: USD

Name of bonds	Abbreviation	Code	Date of issuance	Value date	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risks of termination of listing and trading
CCNIFH 4 03/22/25	Wending Zhongyuan	XS2420031523	16 March 2022	22 March 2022	22 March 2025	95,000,000	4%	interest payment on a semi-annual basis and the principal repayable upon maturity in full	OTC	None	OTC	No

On 15 October 2021, the Company held the 35th meeting of the Sixth Session of the Board, at which the Proposal on the Provision of a Joint and Several Guarantee for the Issuance of US Dollar Bonds by a Wholly-owned Overseas Subsidiary was considered and approved, according to which, the Company was allowed to provide guarantee for the overseas bonds of no more than USD100 million issued by Wending Zhongyuan, a wholly-owned special purpose subsidiary entity of Central China International, with the guarantee amount including the principal, interest and other related expenses of the bonds, the guarantee methods including surety bond, mortgage guarantee, pledge guarantee and other guarantee methods permitted by relevant laws and regulations, and the guarantee period no more than 3 years.

(II) Accounting data and financial indicators of the Company for the past 2 years as of the end of the Reporting Period

Unit: Yuan Currency: RMB

Principal indicators	2022	2021	Changes compared with the corresponding period of the last year (%)	Reason for change
Net profit attributable to shareholders of the listed company after non-recurring profit or loss	90,234,423.35	490,355,011.21	-81.60	Mainly due to the decrease in total profit of the Company
Current ratio	1.73	1.58	9.49	
Quick ratio	1.73	1.58	9.49	
Gearing ratio (%)	62.94	65.65	-4.13	
Debt-to-EBITDA ratio	3.96	6.45	-38.60	Mainly due to the decrease in EBITDA and the decrease in total debt
Interest coverage ratio	1.17	1.86	-37.10	Mainly due to the decrease in total profit
Cash interest coverage ratio	5.99	-0.53	N/A	Mainly due to the increase in inflow as a result of cash collected from financial instruments measured at fair value through profit or loss
EBITDA interest coverage ratio	1.31	1.95	-32.82	Mainly due to the decrease in total profit
Loan repayment ratio (%)	100	100	0.00	
Interest payment ratio (%)	100	100	0.00	

SECTION 8 FINANCIAL REPORT

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Independent Audit Report



To the Shareholders of Central China Securities Co., Ltd.:

I. Opinion

We have audited the 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 31 December, 2022, the consolidated and parent company's income statement, the consolidated and parent company's cash flow statement, the consolidated and parent company's statement of changes in shareholders' equity and notes to the financial statements for the year 2022.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company's financial position of the Company as at 31 December 2022, and the consolidated and parent company's operating results and the consolidated and parent company's cash flow statement for the year 2022, in conformity with the Chinese Accounting Standards (CAS).

II. 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 Company 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.

III. 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. **Determination of provision for impairment of Margin accounts receivable, Financial assets held under resale agreements, Financial assets measured at amortized cost and Financial assets at fair value through other comprehensive income**
2. **Assessment of the fair value of financial instruments**
 - A. **Determination of provision for impairment of Margin accounts receivable, Financial assets held under resale agreements, Financial assets measured at amortized cost and Financial assets at fair value through other comprehensive income**

Independent Audit Report

(1) *Matter description*

As stated in Note VI 3, 7, 9 and 10 to the financial statements, as of 31 December, 2022, the book values of the Company's Margin accounts receivable, Financial assets held under resale agreements, Financial assets measured at amortized cost and Financial assets at fair value through other comprehensive income were respectively RMB7.017 billion, RMB1.141 billion, RMB196 million and RMB2.288 billion, the aforementioned financial assets recognized impairment provision amount was RMB958 million and together accounted for 21.21% of the total assets.

As at 31 December, 2022, the management applied the Expected Credit Loss Model to measure the expected credit losses ("ECL"). For the above-mentioned financial assets in Stages 1 and 2, the 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 these financial assets that have suffered credit impairment in stage 3, the management measures the impairment provision by estimating the future cash flows of the financial assets.

For each type of product, the measurement model for ECL involves significant judgements and assumptions of the management, primarily including the following: Determination of the criteria for significant increase in credit risk ("SICR"); Selection of the appropriate models and assumptions for measuring expected credit losses; Establishment of the forward-looking information and relative weightings of forward-looking information.

Since the management needed to make significant judgments on the selection of assumptions and parameters involved in the expected credit loss model, and the results have a significant impact on the financial statements, we consider this matter to be a key audit matter for the audit of the consolidated and parent company's financial statements.



Independent Audit Report

(2) *Audit response*

Our main audit procedures for the determination of the provision for impairment of Margin accounts receivable, Financial assets held under resale agreements, Financial assets measured at amortized cost and Financial assets at fair value through other comprehensive income are as follows:

- 1) Understand the internal control related to the provision for expected credit impairment, and test the implementation effectiveness of the relevant internal control;
- 2) Select samples to perform review procedures, check the overdue information of relevant financial assets, the value of mortgaged and pledged assets, the credit status of financiers or issuers, and negative information, etc., and evaluate the rationality of the judgment made by the management whether the above financial asset credit risk has increased significantly since the initial confirmation and whether the credit impairment has occurred;
- 3) 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;
- 4) 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;
- 5) Evaluate whether the disclosure of financial statements related to the impairment of financial assets meets the disclosure requirements of Accounting Standards for Business Enterprises.

According to the audit procedures and the evidence we have obtained, we believe that the relevant judgments and assumptions made by the management in the determination of the aforementioned provision for impairment of Margin accounts receivable, Financial assets held under resale agreements, Financial assets measured at amortized cost and Financial assets at fair value through other comprehensive income are reasonable.

B. *Assessment of the fair value of financial instruments*

(1) *Matter description*

As stated in Note VI 8, 10 and 25 and also Note X to the Financial Statements, as of 31 December, 2022, the book values of the Company's Financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income, and Financial liabilities at fair value through profit or loss were RMB21.614 billion, RMB2.288 billion and RMB1.526 billion respectively, and the total amount of changes in fair value confirmed in the current period was RMB-442 million.

Independent Audit Report

The valuation of the Company's financial instruments measured at fair value is based on a combination of market data and valuation models, which usually require a large number of input values. Most of the input values come from data that can be obtained reliably. When the observable input value cannot be obtained reliably, that is, in the case of financial instruments measured at the third level of fair value, the determination of unobservable input values requires appropriate estimation by the management, which will involve significant management judgments.

Since the assessment of the fair value of financial instruments measured at fair value is complex and involves a significant degree of management judgment in determining the input values used in the valuation model, we identified the assessment of the fair value of financial instruments as a key audit matter.

(2) Audit response

Our main audit procedures for the evaluation of the fair value of financial instruments are as follows:

- 1) Understand and evaluate the design and operational effectiveness of key financial reporting internal controls related to valuation, independent price verification, and approval of financial instrument valuation models;
- 2) For the financial instruments measured at the first level of fair value, evaluate the valuation of the financial instruments measured at the first level of fair value by comparing the fair value adopted by the Company with the publicly available market data;
- 3) For the financial instruments measured at the fair value of the second and third levels, select the financial instruments sample, consult the investment agreements, understand the relevant investment terms, identify the conditions related to the valuation of the financial instruments, evaluate the valuation model adopted by the management, and the rationality and appropriateness of the observable and unobservable input values used;
- 4) Evaluate whether the disclosure of financial statements related to the fair value of financial instruments meets the disclosure requirements of Accounting Standards for Business Enterprises.

According to the audit procedures and the evidence we have obtained, we believe that the management's relevant judgments and assumptions in the assessment of the fair value of Financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income, and Financial liabilities at fair value through profit or loss are reasonable.



Independent Audit Report

IV. Other information

The management is responsible for the other information. The other information comprises the information included in the Company's 2022 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.

V. 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. 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.

Independent Audit Report

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 selected by the management and the rationality of accounting, estimates and related disclosures;
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 Company'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 Company 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit, and 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.



Independent Audit Report

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.

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing, China

CICPA:
(Project partner)

Ao Dujiya

CICPA:

Li Tiantian

29 March 2023

CONSOLIDATED BALANCE SHEET

31 December, 2022 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	10,211,630,004.39	12,332,030,422.75
Including: Client's capital deposit		8,649,580,319.71	9,990,048,353.53
Clearing settlement funds	VI. 2	3,115,104,687.58	2,558,219,120.46
Including: Client's reserve funds		3,044,014,034.04	2,446,921,329.46
Margin accounts receivable	VI. 3	7,016,885,351.83	8,148,017,143.05
Derivative financial assets	VI. 4	2,246.26	54,610.00
Refundable deposits	VI. 5	939,945,921.04	802,256,089.47
Accounts receivable	VI. 6	87,679,998.85	98,055,900.27
Financial assets held under resale agreements	VI. 7	1,141,428,012.55	972,870,075.44
Financial investment:			
Financial assets at fair value through profit or loss	VI. 8	21,614,103,009.80	24,507,919,178.87
Financial assets measured at amortised costs	VI. 9	195,991,199.27	263,452,484.68
Financial assets at fair value through other comprehensive income	VI. 10	2,288,258,640.42	970,426,547.78
Long-term equity investments	VI. 11	1,577,559,888.94	1,659,879,203.08
Investment properties	VI. 12	27,121,164.72	15,666,107.28
Fixed assets	VI. 13	190,751,282.28	188,201,266.95
Construction in progress	VI. 14	118,898,335.11	58,641,526.64
Right-of-use assets	VI. 15	195,647,216.10	160,408,039.28
Intangible assets	VI. 16	256,964,174.85	223,016,230.62
Deferred income tax assets	VI. 17	582,436,188.07	486,461,663.34
Goodwill	VI. 18	18,602,742.39	19,522,493.37
Other assets	VI. 19	603,629,483.01	283,225,421.38
Total assets		50,182,639,547.46	53,748,323,524.71

Legal representative:

Jian Mingjun

Officer in charge of accounting
and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

CONSOLIDATED BALANCE SHEET

31 December, 2022 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	66,075,016.67	256,191,822.27
Short-term financing instruments payable	VI. 23	4,132,771,764.91	7,032,271,969.93
Due to banks and other financial institutions	VI. 24	1,502,279,361.14	2,900,742,263.92
Financial liabilities at fair value through profit or loss	VI. 25	1,525,542,658.61	971,171,013.72
Derivative financial liabilities	VI. 4	793,800.00	465,376.83
Financial assets sold under repurchase agreements	VI. 26	9,887,887,932.32	10,548,472,328.09
Accounts payable to brokerage clients	VI. 27	11,849,666,807.82	12,571,797,812.48
Employee benefits payable	VI. 28	654,516,584.99	768,133,013.64
Taxes payable	VI. 29	111,898,833.01	121,620,959.74
Accounts payable	VI. 30	237,527,662.62	143,594,220.52
Contract liabilities	VI. 31	5,866,855.62	6,872,133.68
Bonds payable	VI. 32	5,364,791,008.73	3,685,225,541.41
Lease liabilities	VI. 33	192,051,033.00	157,162,685.95
Deferred income tax liabilities	VI. 17	35,947,914.23	38,563,107.66
Provisions	VI. 34	1,186,481.49	
Other liabilities	VI. 35	406,462,258.85	401,959,351.47
Total Liabilities		35,975,265,974.01	39,604,243,601.31
Equity:			
Share capital	VI. 36	4,642,884,700.00	4,642,884,700.00
Capital reserve	VI. 37	6,304,933,461.30	6,301,860,583.46
Other comprehensive income	VI. 38	62,923,244.73	-872,349.97
Surplus reserve	VI. 39	942,510,767.79	908,512,430.25
General risk reserve	VI. 40	1,593,318,760.87	1,534,245,856.08
Retained earnings	VI. 41	211,258,110.35	295,251,945.46
Total equity attributable to owners of the parent company		13,757,829,045.04	13,681,883,165.28
Non-controlling interests		449,544,528.41	462,196,758.12
Total equity		14,207,373,573.45	14,144,079,923.40
Total liabilities and equity		50,182,639,547.46	53,748,323,524.71

Legal representative:

Jian Mingjun

Officer in charge of accounting
and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

CONSOLIDATED INCOME STATEMENT

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2022	Year 2021
I. Total operating income		1,881,047,259.12	4,420,848,497.96
Net interest income	VI. 42	131,533,603.21	138,347,509.79
Including: Interest income		854,861,787.59	1,017,022,199.16
Interest expenses		723,328,184.38	878,674,689.37
Net fee and commission income	VI. 43	1,033,289,934.02	1,636,808,462.51
Including: Brokerages business		631,771,764.65	845,736,024.69
Investment banking		267,706,018.37	635,907,867.58
Assets management		46,818,596.15	37,289,783.89
Investment income (loss stated with "-")	VI. 44	1,033,678,430.53	588,394,946.32
Including: Investment income from associates and joint ventures		54,930,970.97	52,636,085.81
Gains on changes in fair value (loss stated with "-")	VI. 45	-441,224,579.14	489,485,981.10
Gains on foreign exchange (loss stated with "-")		1,717,698.80	1,578,376.60
Other operating income	VI. 46	96,212,588.29	1,557,032,891.52
Gains from assets disposal (loss stated with "-")	VI. 47	-125,883.14	69,744.36
Other income	VI. 48	25,965,466.55	9,130,585.76
II. Total operating cost		1,765,497,934.13	3,710,316,417.23
Taxes and surcharges	VI. 49	13,600,551.95	22,031,146.36
Business and administrative expenses	VI. 50	1,507,631,699.71	1,803,962,502.07
Expected credit losses	VI. 51	145,845,397.69	373,913,233.39
Other assets impairment losses	VI. 52	11,105,025.21	2,752,382.99
Other operating costs	VI. 53	87,315,259.57	1,507,657,152.42
III. Operating profit (loss stated with "-")		115,549,324.99	710,532,080.73
Add: Non-operating income	VI. 54	1,107,195.31	18,736,381.72
Less: Non-operating expenses	VI. 55	3,456,856.74	11,053,100.46
IV. Profit before tax (gross loss stated with "-")		113,199,663.56	718,215,361.99
Less: Income tax expenses	VI. 56	5,555,175.42	167,195,492.71
V. Net profit (net loss stated with "-")		107,644,488.14	551,019,869.28
(I) Classified by continuity of operations			
1. Net profit from continuing operations (net loss stated with "-")		107,644,488.14	551,019,869.28
2. Net profit from discontinued operations (net loss stated with "-")			
(II) Classified by ownership			
1. Net profit attributable to owners of the parent company (net loss stated with "-")		106,577,985.92	513,210,337.25
2. Net profit attributable to non-controlling interests (net loss stated with "-")		1,066,502.22	37,809,532.03

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

CONSOLIDATED INCOME STATEMENT

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2022	Year 2021
VI. Other comprehensive income after tax		63,795,594.70	-13,421,475.85
Items attributable to owners of the parent company		63,795,594.70	-13,421,475.85
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		63,795,594.70	-13,421,475.85
1. Items attributable to investees under equity method that will be reclassified to profit or loss		5,660,343.77	-2,405,906.43
2. Changes in the fair value of financial assets at fair value through other comprehensive income		11,116,480.30	2,509,789.28
3. Credit impairment reserves of financial assets at fair value through other comprehensive income		-7,426,066.00	-666,965.37
4. Translation differences of foreign currency financial statements		54,444,836.63	-12,858,393.33
Items attributable to non-controlling interests			
VII. Total comprehensive income		171,440,082.84	537,598,393.43
Items attributable to owners of the parent company		170,373,580.62	499,788,861.40
Items attributable to non-controlling interests		1,066,502.22	37,809,532.03
VIII. Earnings per share (EPS):			
(I) Basic EPS (RMB/share)	VI. 57	0.02	0.11
(II) Diluted EPS (RMB/share)		0.02	0.11

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

CONSOLIDATED CASH FLOW STATEMENT

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2022	Year 2021
I. Cash flows from operating activities:			
Net decrease of financial instruments at fair value through profit or loss		3,878,197,341.11	
Cash receipt from interests, fee and commissions		2,337,658,484.71	2,984,204,762.72
Net decrease of resale business			908,351,491.46
Net decrease in margin accounts receivable		1,125,451,253.11	
Cash received from brokerage clients			2,016,567,261.23
Other cash received related to operating activities	VI. 58	248,795,664.86	2,016,609,365.55
Subtotal of cash inflows from operating activities		7,590,102,743.79	7,925,732,880.96
Net increase of financial instruments at fair value through profit or loss			1,336,048,752.31
Net decrease in due to banks and other financial institutions		1,400,000,000.00	790,000,000.00
Net decrease in repurchase business funds		663,253,853.34	1,652,086,917.38
Net increase of resale business		259,893,743.53	
Net increase in margin accounts receivable			738,220,210.20
Net cash paid for brokerage clients		722,131,004.66	
Cash payment to interests, fee charges and commissions		623,527,365.83	768,512,368.10
Cash payments to and on behalf of employees		1,175,349,877.56	1,139,438,589.33
Cash payments of taxes		201,040,338.91	471,594,792.58
Other cash payments related to operating activities	VI. 58	542,407,706.86	1,986,245,160.35
Subtotal of cash outflows from operating activities		5,587,603,890.69	8,882,146,790.25
Net cash flows from operating activities	VI. 59	2,002,498,853.10	-956,413,909.29
II. Cash flows from investing activities:			
Cash received from investment recovery			1,326,111,871.62
Cash received from investment income		53,263,371.70	127,650,667.04
Cash received from disposal of fixed assets, intangible assets and other long-term assets		302,477.73	1,284,228.66
Cash received from disposal of subsidiaries and other business units			162,261,400.00
Subtotal of cash inflows from investing activities		53,565,849.43	1,617,308,167.32
Cash payments to acquire fixed assets, intangible assets and other long-term assets		226,953,368.77	220,635,769.29
Cash payments to acquire investments		1,278,489,633.84	
Subtotal of cash outflows from investing activities		1,505,443,002.61	220,635,769.29
Net cash flows from investing activities		-1,451,877,153.18	1,396,672,398.03

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

CONSOLIDATED CASH FLOW STATEMENT

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2022	Year 2021
III. Cash flows from financing activities:			
Cash received from loans		94,697,469.77	10,000,000.00
Cash received from issuance of bonds		12,215,056,807.12	11,941,017,000.00
Subtotal of cash inflows from financing activities		12,309,754,276.89	11,951,017,000.00
Cash repayments of borrowings		13,704,749,743.00	9,983,292,940.64
Cash payments for distribution of dividends or profit or interest expenses		527,631,435.78	678,187,191.34
Including: Cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit		9,090,400.00	22,110,119.80
Other cash payments related to financing activities	VI. 58	202,455,664.17	173,628,888.72
Subtotal of cash outflows from financing activities		14,434,836,842.95	10,835,109,020.70
Net cash flows from financing activities		-2,125,082,566.06	1,115,907,979.30
IV. Effect of foreign exchange rate changes on cash and cash equivalents		1,717,698.80	1,578,376.60
V. Net increase in cash and cash equivalents	VI. 59	-1,572,743,167.34	1,557,744,844.64
Add: opening balance of cash and cash equivalents		14,870,067,135.88	13,312,322,291.24
VI. Closing balance of cash and cash equivalents		13,297,323,968.54	14,870,067,135.88

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2022							
	Equity attributable to owners of the parent company							Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Non-controlling interest	
I. Balance at the end of prior year	4,642,884,700.00	6,301,860,583.46	-872,349.97	908,512,430.25	1,534,245,856.08	295,251,945.46	462,196,758.12	14,144,079,923.40
Add: Changes of accounting policies								
Error correction of early stage								
Others								
II. Balance at the beginning of current year	4,642,884,700.00	6,301,860,583.46	-872,349.97	908,512,430.25	1,534,245,856.08	295,251,945.46	462,196,758.12	14,144,079,923.40
III. Current period increase (or less: decrease)		3,072,877.84	63,795,594.70	33,998,337.54	59,072,904.79	-83,993,835.11	-12,652,229.71	63,293,650.05
(I) Total comprehensive income			63,795,594.70			106,577,985.92	1,066,502.22	171,440,082.84
(II) Capital contributed or withdrawn by owners		253,331.93					-4,628,331.93	-4,628,331.93
1. Capital contributed by owners							-3,500,000.00	-3,500,000.00
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others		253,331.93					-1,128,331.93	-875,000.00
(III) Profit distribution				33,998,337.54	59,072,904.79	-190,571,821.03	-9,090,400.00	-106,590,978.70
1. Appropriation to surplus reserve				33,998,337.54		-33,998,337.54		
2. Appropriation to general risk reserve					59,072,904.79	-59,072,904.79		
3. Cash dividend recognized as distribution						-97,500,578.70	-9,090,400.00	-106,590,978.70
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		2,819,545.91						2,819,545.91
IV. Balance at the end of current period	4,642,884,700.00	6,304,933,461.30	62,923,244.73	942,510,767.79	1,593,318,760.87	211,258,110.35	449,544,528.41	14,207,373,573.45

Legal representative:

Jian Mingjun

Officer in charge of accounting and
the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2021							
	Equity attributable to owners of the parent company							Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Non-controlling interest	
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)		-28,762,234.22	-13,421,475.85	70,154,182.46	92,727,042.68	192,471,032.31	-355,564,714.49	-42,396,167.11
(I) Total comprehensive income			-13,421,475.85			513,210,337.25	37,809,532.03	537,598,393.43
(II) Capital contributed or withdrawn by owners							-371,264,126.72	-371,264,126.72
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							-371,264,126.72	-371,264,126.72
(III) Profit distribution				70,154,182.46	111,601,092.06	-339,613,354.32	-22,110,119.80	-179,968,199.60
1. Appropriation to surplus reserve				70,154,182.46		-70,154,182.46		
2. Appropriation to general risk reserve					111,601,092.06	-111,601,092.06		
3. Cash dividend recognized as distribution						-157,858,079.80	-22,110,119.80	-179,968,199.60
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		-28,762,234.22			-18,874,049.38	18,874,049.38		-28,762,234.22
IV. Balance at the end of current period	4,642,884,700.00	6,301,860,583.46	-872,349.97	908,512,430.25	1,534,245,856.08	295,251,945.46	462,196,758.12	14,144,079,923.40

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

COMPANY BALANCE SHEET

31 December, 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Assets	Note XV	Closing balance	Opening balance
Assets:			
Cash and bank balances		8,810,109,545.75	10,787,186,204.27
Including: Client's capital deposit		8,079,546,861.50	9,475,290,338.74
Clearing settlement funds		2,707,664,533.93	2,274,149,998.54
Including: Client's reserve funds		2,504,595,025.88	2,066,846,823.76
Margin accounts receivable		6,857,705,302.17	8,081,803,812.77
Derivative financial assets		2,246.26	54,610.00
Refundable deposits		282,171,757.50	259,267,830.02
Accounts receivable		33,289,305.78	29,485,887.66
Financial assets held under resale agreements		1,113,425,407.61	972,870,075.44
Financial investment:			
Financial assets at fair value through profit or loss		17,594,540,290.20	20,891,935,865.83
Financial assets at fair value through other comprehensive income		2,288,258,640.42	970,426,547.78
Long-term equity investments	XV. 1	5,300,655,233.94	5,296,280,233.94
Investment properties		23,721,809.70	24,748,699.56
Fixed assets		175,738,847.21	173,173,353.77
Construction in progress		118,898,335.11	58,641,526.64
Right-of-use assets		167,013,682.30	142,506,224.38
Intangible assets		252,694,438.86	218,187,343.75
Deferred income tax assets		407,078,485.89	324,344,489.89
Other assets		445,684,977.56	232,547,711.06
Total assets		46,578,652,840.19	50,737,610,415.30

Legal representative:

Jian Mingjun

Officer in charge of accounting and
the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

COMPANY BALANCE SHEET

31 December, 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Closing balance	Opening balance
Liabilities:			
Short-term financing instruments payable		4,132,771,764.91	7,032,271,969.93
Due to banks and other financial institutions		1,502,279,361.14	2,900,742,263.92
Financial liabilities at fair value through profit or loss		806,961,469.87	
Derivative financial liabilities			465,376.83
Financial assets sold under repurchase agreements		9,649,762,175.12	10,448,272,328.09
Accounts payable to brokerage clients		10,291,667,620.82	11,400,036,597.27
Employee benefits payable		618,694,234.43	719,713,530.83
Taxes payable		100,155,562.06	111,000,397.96
Accounts payable		234,716,609.05	116,166,224.28
Contract liabilities		2,378,962.21	5,113,846.11
Bonds payable		4,700,379,928.41	3,685,225,541.41
Lease liabilities		164,286,849.37	140,244,474.29
Deferred income tax liabilities		1,753,022.22	
Provisions		1,186,481.49	
Other liabilities		183,216,162.92	122,760,647.36
Total Liabilities		32,390,210,204.02	36,682,013,198.28
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		4,145,228.54	454,814.24
Surplus reserve		942,510,767.79	908,512,430.25
General risk reserve		1,524,335,145.01	1,471,249,831.25
Retained earnings		468,406,423.99	426,335,070.44
Total equity		14,188,442,636.17	14,055,597,217.02
Total liabilities and equity		46,578,652,840.19	50,737,610,415.30

Legal representative:

Jian Mingjun

Officer in charge of accounting and
the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

COMPANY INCOME STATEMENT

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2022	Year 2021
I. Total operating income		1,642,672,879.81	2,593,098,163.83
Net interest income	XV. 2	131,958,616.04	89,238,835.37
Including: Interest income		822,628,821.39	916,567,743.30
Interest expenses		690,670,205.35	827,328,907.93
Net fee and commission income	XV. 3	879,429,931.22	1,472,777,921.89
Including: Brokerages business		517,770,804.94	716,344,816.88
Investment banking		264,629,336.50	631,244,447.05
Assets management		21,888,689.14	25,029,916.17
Investment income (loss stated with "-")	XV. 4	859,253,743.75	932,957,257.98
Including: Investment income from associates and joint ventures			
Gains on changes in fair value (loss stated with "-")		-255,995,147.76	76,803,683.45
Gains on foreign exchange (loss stated with "-")		720,082.14	-189,029.17
Other operating income		7,111,537.24	12,637,023.36
Gains from assets disposal (loss stated with "-")		-124,871.33	61,132.30
Other income		20,318,988.51	8,811,338.65
II. Total operating cost		1,412,762,993.87	1,977,521,958.93
Taxes and surcharges		12,388,699.03	17,872,297.15
Business and administrative expenses	XV. 5	1,305,415,623.15	1,576,873,987.71
Expected credit losses		93,885,781.83	168,069,536.77
Other assets impairment losses			213,448,720.01
Other operating costs		1,072,889.86	1,257,417.29
III. Operating profit (loss stated with "-")		229,909,885.94	615,576,204.90
Add: Non-operating income		1,107,194.39	3,658,099.45
Less: Non-operating expenses		3,200,773.53	9,320,144.10
IV. Profit before tax (gross loss stated with "-")		227,816,306.80	609,914,160.25
Less: Income tax expenses		1,160,723.25	142,219,610.57
V. Net profit (net loss stated with "-")		226,655,583.55	467,694,549.68
Net profit from continuing operations (net loss stated with "-")		226,655,583.55	467,694,549.68
Net profit from discontinued operations (net loss stated with "-")			

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

COMPANY INCOME STATEMENT

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2022	Year 2021
VI. Other comprehensive income after tax		3,690,414.30	1,842,823.91
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		3,690,414.30	1,842,823.91
1. Items attributable to investees under equity method that will be reclassified to profit or loss			
2. Changes in the fair value of financial assets at fair value through other comprehensive income		11,116,480.30	2,509,789.28
3. Credit impairment reserves of financial assets at fair value through other comprehensive income		-7,426,066.00	-666,965.37
4. Translation differences of foreign currency financial statements			
VII. Total comprehensive income		230,345,997.85	469,537,373.59

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

COMPANY CASH FLOW STATEMENT

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2022	Year 2021
I. Cash flows from operating activities:			
Net decrease of financial instruments at fair value through profit or loss		4,584,417,642.86	
Cash receipt from interests, fee and commissions		2,066,473,317.75	2,684,051,065.52
Net decrease of resale business			907,551,491.46
Net decrease in margin accounts receivable		1,218,681,148.05	
Cash received from brokerage clients			1,733,284,564.99
Other cash received related to operating activities		149,477,142.51	496,123,169.74
Subtotal of cash inflows from operating activities		8,019,049,251.17	5,821,010,291.71
Net increase of financial instruments at fair value through profit or loss			693,081,454.84
Net decrease in due to banks and other financial institutions		1,400,000,000.00	790,000,000.00
Net decrease in repurchase business funds		798,371,429.19	1,554,186,917.38
Net increase of resale business		231,891,138.59	
Net increase in margin accounts receivable			824,817,236.63
Net cash paid for brokerage clients		1,108,368,976.45	
Cash payment to interests, fee charges and commissions		519,832,193.66	708,392,317.36
Cash payments to and on behalf of employees		1,040,602,460.52	1,009,315,086.14
Cash payments of taxes		167,117,641.64	376,327,235.26
Other cash payments related to operating activities		251,202,013.55	85,303,833.01
Subtotal of cash outflows from operating activities		5,517,385,853.60	6,041,424,080.62
Net cash flows from operating activities	XV.6	2,501,663,397.57	-220,413,788.91
II. Cash flows from investing activities:			
Cash received from investment income		26,432,895.93	105,906,962.38
Cash received from disposal of fixed assets, intangible assets and other long-term assets		1,095,697.24	620,291.60
Subtotal of cash inflows from investing activities		27,528,593.17	106,527,253.98
Cash payments to acquire fixed assets, intangible assets and other long-term assets		337,767,170.54	139,913,380.44
Cash payments to acquire investments		1,318,149,738.77	273,158,156.90
Subtotal of cash outflows from investing activities		1,655,916,909.31	413,071,537.34
Net cash flows from investing activities		-1,628,388,316.14	-306,544,283.36

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

COMPANY CASH FLOW STATEMENT

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2022	Year 2021
III. Cash flows from financing activities:			
Cash received from issuance of bonds		11,513,724,000.00	11,941,017,000.00
Subtotal of cash inflows from financing activities		11,513,724,000.00	11,941,017,000.00
Cash repayments of borrowings		13,357,813,000.00	9,286,065,000.00
Cash payments for distribution of dividends or profit or interest expenses		522,182,289.01	528,184,846.94
Other cash payments related to financing activities		61,147,079.12	59,131,911.23
Subtotal of cash outflows from financing activities		13,941,142,368.13	9,873,381,758.17
Net cash flows from financing activities		-2,427,418,368.13	2,067,635,241.83
IV. Effect of foreign exchange rate changes on cash and cash equivalents		720,082.14	-189,029.17
V. Net increase in cash and cash equivalents	XV.6	-1,553,423,204.56	1,540,488,140.39
Add: opening balance of cash and cash equivalents		13,041,401,477.73	11,500,913,337.34
VI. Closing balance of cash and cash equivalents		11,487,978,273.17	13,041,401,477.73

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

COMPANY STATEMENT OF CHANGES IN EQUITY

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2022						
	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	454,814.24	908,512,430.25	1,471,249,831.25	426,335,070.44	14,055,597,217.02
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	454,814.24	908,512,430.25	1,471,249,831.25	426,335,070.44	14,055,597,217.02
III. Current period increase (or less: decrease)							
(I) Total comprehensive income			3,690,414.30	33,998,337.54	53,085,313.76	42,071,353.55	132,845,419.15
(II) Capital contributed or withdrawn by owners			3,690,414.30			226,655,583.55	230,345,997.85
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				33,998,337.54	53,085,313.76	-184,584,230.00	-97,500,578.70
1. Appropriation to surplus reserve				33,998,337.54		-33,998,337.54	
2. Appropriation to general risk reserve					53,085,313.76	-53,085,313.76	
3. Cash dividend recognized as distribution							
4. Others						-97,500,578.70	-97,500,578.70
(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	4,145,228.54	942,510,767.79	1,524,335,145.01	468,406,423.99	14,188,442,636.17

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

COMPANY STATEMENT OF CHANGES IN EQUITY

Year 2022 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 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)							
(I) Total comprehensive income			1,842,823.91	70,154,182.46	100,137,274.49	139,545,012.93	311,679,293.79
(II) Capital contributed or withdrawn by owners			1,842,823.91			467,694,549.68	469,537,373.59
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				70,154,182.46	100,137,274.49	-328,149,536.75	-157,858,079.80
1. Appropriation to surplus reserve				70,154,182.46		-70,154,182.46	
2. Appropriation to general risk reserve					100,137,274.49	-100,137,274.49	
3. Cash dividend recognized as distribution						-157,858,079.80	-157,858,079.80
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	454,814.24	908,512,430.25	1,471,249,831.25	426,335,070.44	14,055,597,217.02

Legal representative:

Jian Mingjun

Officer in charge of accounting and the chief accountant:

Li Zhaoxin

Head of accounting department:

Yang Bo

Notes to the Financial Statements

for the Year of 2022

I. BASIC INFORMATION

1. History, form of organization and the headquarter address of the Company

Central China Securities Co., Ltd. (hereinafter referred to as the company, the Company or the Group) was established on 25 October, 2002, with the approval of the reply on Approving the opening of Central China Securities Co., Ltd. (Zheng Jian Ji Gou Zi [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 RMB1,033.79 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 RMB1,033.79 million to RMB2,033.5157 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 received 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. (Guo Zi Chan Quan [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, Shenhua 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 RMB2,631,615,700.00.

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 RMB3,223,734,700.00.



Notes to the Financial Statements

for the Year of 2022

I. BASIC INFORMATION (CONTINUED)

1. History, form of organization and the headquarter address of the Company (continued)

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” (Cai Qi [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 Sunho 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 RMB3,869,070,700.00.

On 30 July, 2020, the Company completed the non-public issuance of 773,814,000 A shares, with a par value of RMB1 per share and an issue price of RMB4.71 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 RMB4,642,884,700.00.

The Company now holds a business license with a unified social credit code of 91410000744078476K.

As of 31 December, 2022, the Company has issued a total of 4,642.8847 million shares with a registered capital of RMB4,642.8847 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.

Notes to the Financial Statements

for the Year of 2022

I. BASIC INFORMATION (CONTINUED)

1. History, form of organization and the headquarter address of the Company (continued)

As of 31 December, 2022, the Company has established 30 branch offices and 79 securities branches, all of which are approved.

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, 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 29 March, 2023.

Notes to the Financial Statements

for the Year of 2022

II. THE RANGE OF CONSOLIDATED FINANCIAL STATEMENTS

There are 14 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 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
Central China Equity Exchange Co., Ltd.	Holding subsidiary	2	36.00	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	3	100.00	100.00
Central China International Financing Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Securities, Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Investment Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
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 VIII. Equity in other entities 1. Equity in subsidiaries".

For the structured entities included in the consolidation scope, are detailed in "Note VIII. Equity in other entities (1) Equity in subsidiaries".

The entities included in the consolidated financial statements for the current period decreased by 1 compared with the previous period. For the specific information on the subject of changes in the scope of consolidation, are detailed in "Note VII. Changes in the scope of consolidation".

Notes to the Financial Statements

for the Year of 2022

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

1. Notice on the specific accounting policies and estimates

The Company 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

As a financial enterprise, the Company does not have a clearly identifiable business cycle.

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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Accounting treatment methods for business combinations under the same control and not under the same control (continued)

(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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Accounting treatment methods for business combinations under the same control and not under the same control (continued)

(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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Preparation method of consolidated financial statements (continued)

(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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Preparation method of consolidated financial statements (continued)

(2) Consolidation procedures (continued)

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Preparation method of consolidated financial statements (continued)

(2) Consolidation procedures (continued)

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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Preparation method of consolidated financial statements (continued)

(2) Consolidation procedures (continued)

b) Disposal of subsidiaries or businesses (continued)

ii Step by step disposal of subsidiaries (continued)

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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) **Financial assets measured at amortized cost :**
- 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 financial 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 financial assets, or both. 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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(1) Classification and measurement of financial assets (continued)

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. The Group classified it 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 (including impairment losses or gains), 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 financial assets and the characteristics of the contractual cash flows of the financial 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(1) Classification and measurement of financial assets (continued)

i Debt Instruments (continued)

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 to settle the financial instruments.

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(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 amount on the maturity date 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. 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(3) Subsequent measurement of financial instruments (continued)

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 derecognized 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: (i) the right of the enterprise to receive dividends has been established; (ii) the economic benefits related to dividends are likely to flow into the enterprise; (iii) 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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(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 investments 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(4) Impairment of financial assets (continued)

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(4) 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 financial assets at amortized costs 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(4) Impairment of financial assets (continued)

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 IX/1 of this report.

(5) Recognition Basis and Measurement Method of Financial Asset Transfer

A financial asset is derecognized, when one of the following criteria is satisfied: (i) termination of the contractual right to receive cash flows from the financial asset; (ii) the financial asset has been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the financial asset; and (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 number 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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(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 or 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. The provision for impairment of funds lent by the Company is confirmed with reference to the financial assets measured at amortized cost in the impairment of financial assets. For details, please refer to Note IV/10(4). Impairment of financial assets.

As for securities lending activity, the securities lent is 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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 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. Purchase for resale is recorded according to the amount actually paid when buying and resale related assets and listed in "purchase of 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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Accounting method for SRA (Sale and Repurchase Agreement) and PRA (Purchase and Resale Agreement) (continued)

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 Notes IV/10 (4). Impairment of financial assets.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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 methods for business combinations 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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

(2) Subsequent measurement and profit or loss recognition (continued)

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, offsetting 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

(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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

(3) Conversion of long-term equity investments accounting methods (continued)

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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

(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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

(4) Disposal of long-term equity investments (continued)

- 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 remeasured 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

(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: a) send representatives to the board of directors or similar authorities of the invested entity; b) participate in the formulation of financial and operating policies of the invested entity; c) important transactions with the investee; d) dispatch management personnel to the invested equity; e) provide key technical data to the invested equity.

16. Investment properties

Investment properties include 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. The average life method is used for depreciation or amortization according to the expected service life and net salvage.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Investment properties (continued)

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) (%)
Business Buildings	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 property 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 RMB2,000.00.

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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Fixed assets (continued)

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
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.

The fixed assets 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 fixed assets net of their carrying amounts and related taxes and expenses is recognized in the current profits or losses.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Borrowing costs (continued)

(1) Recognition principle of capitalization of borrowing costs (continued)

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Borrowing costs (continued)

(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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Intangible assets

Intangible assets of the Group, 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 its carrying amount, an allowance for impairment and an impairment loss are recognized 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 expenses and the present value of the expected future cash flow of the asset.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Impairment of long-term non-financial assets (continued)

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Employee benefits (continued)

(1) Short-term benefits

Short-term benefits refer 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. The Group classifies post-employment benefit plans as defined contribution plans. 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.

(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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Employee benefits (continued)

(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 profits and losses.

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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Estimated liabilities (continued)

(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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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 expenses 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Revenue (continued)

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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Revenue (continued)

a) Handling fee and commission income (continued)

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 holding the dividends and cash dividends of financial assets and other equity instruments obtained during the period as investment income.

If the transfer of financial assets requires the conditions for termination of recognition, the difference between the following two amounts shall be included into the investment income:

- i) The book value of the derecognized portion;
- ii) The sum of the consideration for the derecognized portion and the amount corresponding to the derecognized portion of the cumulative amount of changes in fair value originally recorded directly in shareholders' equity.

For long-term equity investments accounted for using the cost method, the investment income is recognized based on the portion of the cash dividends or profits declared to be paid by the invested entity that belongs to the Group; For long-term equity investments accounted for using equity method, the investment income is recognized based on the attributable share of the net profit realized or adjusted net profit of the invested entity.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Revenue (continued)

d) Spot market trading revenue and service revenue

Yuxin Investment Management Co., Ltd, a subsidiary of the Company, is involved with spot market trading revenue and service revenue. For spot market trading revenue, the contacts between Yuxin and its customers usually stipulate only the performance obligation of transferring goods. After comprehensively considering various issues, revenue was recognized at the time when every single performance obligation is performed. These issues include: obtaining the present right to receive payment of the goods, the transfer of the major risk and reward of the goods' ownership, the transfer of the legal ownership of goods, the physical transfer of goods, the reception of goods by customer; For service revenue, we recognize revenue when the service is transferred and the amount of payment could be measured reliably.

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 (RMB1.00).

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Government grants (continued)

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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. 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:

- 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: a) the transaction is not a business combination; b) 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Deferred income tax assets and deferred income tax liabilities (continued)

(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 expenses 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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

33. Leases (continued)

(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 expenses 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. Hedging Accounting

On the basis of hedging relationship, the Company classifies hedging into fair value hedge, cash flow hedge and hedges of a net investment in a foreign operation.

(1) For hedging instruments satisfy all following conditions, hedge accounting is applied for accounting treatment

- a) The hedging relationship is comprised of only qualifying hedging instruments and hedged items.
- b) Prior to hedging, the Company has formally designated the hedging instruments and the hedged items, and prepared the documentation regarding hedging relationships and risk management strategy and objectives for undertaking the hedging.
- c) The hedging relationship meets the hedge effectiveness requirements.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Hedging Accounting (continued)

(1) For hedging instruments satisfy all following conditions, hedge accounting is applied for accounting treatment (continued)

A hedge that meets all the following conditions, are regarded as in accordance with hedge effectiveness requirements.

- i. There is an economic relationship between the hedged item and the hedging instrument, which makes the values of the hedging instruments and the hedged items generally move in the opposite direction because of the same hedged risk.
- ii. The effect of credit risk does not dominate the value changes that result from that economic relationship between the hedged item and the hedging instruments.
- iii. The hedge ratio of hedging relationship is the ratio of the quantity of the hedged item that the Company hedges to the quantity of the hedging instrument that the Company uses. However, that ratio shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument, which would cause hedge ineffectiveness and may result in an accounting result that is inconsistent with the purpose of hedge accounting.

(2) Accounting treatment for fair value hedges

- a) Gains or losses arising from hedging instruments shall be included in profit or loss of the current period. If the hedging instrument hedges the non-tradable equity instrument investment (or its components) that is selected to be measured at fair value and its change included in other comprehensive income, the gains or losses generated by the hedging instrument are included in other comprehensive income.
- b) Gains or losses of the hedged item arising from the hedged risk exposure are included in profit or loss of the current period, and the book value of the hedged item that is not measured at fair value should be adjusted. If the hedged item is a financial asset (or its component) measured at fair value and its change is included in other comprehensive income, the profit or loss generated from the hedged risk exposure is included in profit or loss of the current period, and its book value has been measured at fair value, no adjustment is needed; If the hedged item is non-tradable equity instrument investment (or its components) that is measured at fair value and its change is included in other comprehensive income, as the gains or losses arising from the hedged risk exposure are included in other comprehensive income, its book value has been measured at fair value and no adjustment is needed.

If the hedged item is an unrecognized definite commitment (or its component), the accumulated change in fair value caused by the hedged risk after the designation of the hedging relationship shall be recognized as an asset or liability, and the relevant gains or losses shall be included in the profits and losses of each relevant period. When the commitment is delivered and assets or liability recognized, the initial recognized amount of the asset or liability should be adjusted to include the fair value cumulative change of the recognized hedged item



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Hedging Accounting (continued)

(2) Accounting treatment for fair value hedges (continued)

- c) If the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment to the book value of the hedged item shall be based on the actual interest rate recalculated on the amortization date, and included in profit or loss. The amortization can start from the adjustment date, but not later than the time point when the adjustment to hedging gains and losses of the hedged item is terminated. If the hedged item is a financial asset (or its component) measured at fair value and its change is included in other comprehensive income, the accumulatively recognized hedging gains or losses shall be amortized in the same way and included in the current profit and loss, but the book value of the financial asset (or its component) shall not be adjusted.

(3) Accounting for cash flow hedges

- a) The effective part of the gain or loss generated by the hedging instrument shall be recognized in other comprehensive income as cash flow hedge reserve. The amount of cash flow hedge reserve should be measured as the lower of the following two:
 - i. the cumulative gain or loss on the hedging instrument from inception of the hedge;
 - ii. the present value of the cumulative change in the expected future cash flows of the hedged item from inception of the hedge. The amount of the cash flow hedge reserve recognized in the other comprehensive income during each accounting period is the change in the cash flow hedge reserve for the accounting period.
- b) Any remaining gain or loss on the hedging instrument (other than the gain or loss included in other comprehensive income) is regarded as ineffective, and shall be recognized in profit or loss.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Hedging Accounting (continued)

(3) Accounting for cash flow hedges (continued)

- c) The amount that has been accumulated in the cash flow hedge reserve shall be accounted for as follows:
 - i. If the hedged item is an expected transaction that will subsequently results in the recognition of a non-financial asset or non-financial liability, or the expected transaction of a non-financial asset or a non-financial liability becomes a definite commitment for which fair value hedge accounting is applied, the Company shall remove that amount from the cash flow hedge reserve in other comprehensive income, and reallocate it to the initial recognized value of the asset or the liability.
 - ii. For cash flow hedges other than those covered by a), that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the periods during which the hedged expected future cash flows affect profit or loss.
 - iii. If cash flow hedge reserve in other comprehensive income is a loss and the Company expects that all or part of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(4) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges:

- a) The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income.

The gain or loss of the hedging instrument in other comprehensive income shall be reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

- b) The ineffective portion shall be recognized in profit or loss.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Hedging Accounting (continued)

(5) Termination of hedge accounting

In case of any of the following circumstances, the application of hedge accounting shall be terminated:

- a) the management objective has changed, and the hedging relationship no longer meets the risk management objective;
- b) the hedging instrument or instruments have expired, sold or terminated or executed;
- c) there is no longer an economic relationship between the hedged item and the hedging instrument, or the effect of credit risk starts to dominate the value changes that result from that economic relationship.
- d) The hedging relationship does not satisfy other conditions of undertaking hedge accounting. If rebalancing of the hedging relationship applies, the Company shall consider the rebalancing the hedging relationship first and subsequently assess whether the hedging relationship satisfies the conditions of undertaking hedge accounting.

The termination of hedge accounting may affect the hedging relationship or part of it, if only part of it is affected, hedge accounting still applies to the remaining.

(6) Option to designate a credit exposure as measured at fair value

When the credit risk exposure of a financial instrument (or its components) is managed by using a credit derivative instrument measured at fair value through current profit and loss, the financial instrument (or its components) can be designated as a financial instrument measured at fair value with its changes included in the current profit and loss at, before or after the time of initial recognition, and written records shall be kept at the same time while the following conditions shall be met simultaneously:

- a) the subject of the financial instrument's credit exposure (for example, the borrower, or the holder of a loan commitment) matches the subject of the credit derivative ('name matching');
- b) The repayment level of financial instruments is consistent with the repayment level of the instruments to be delivered according to the terms of credit derivatives.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

36. 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.

37. 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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

37. Held for sale and terminate operations (continued)

(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.

38. 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

38. Significant accounting judgments and estimates (continued)

(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 IX/1 Credit risk 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.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

38. Significant accounting judgments and estimates (continued)

(2) Impairment provision of goodwill (continued)

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 least, 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.

Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

38. Significant accounting judgments and estimates (continued)

(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.

39. Changes in important accounting policies and accounting estimates

(1) Changes in accounting policies

- a) Since January 1, 2022, the Company has implemented the provisions of Accounting Standards for Business Enterprises Interpretation No. 15 issued by the Ministry of Finance on "Accounting treatment of products or by-products produced before fixed assets reach the predetermined usable state or in the process of research and development". This change in accounting policy has no impact on the financial statements of the company.
- b) Since January 1, 2022, the Company has implemented the provisions of Accounting Standards for Business Enterprises Interpretation No. 15 issued by the Ministry of Finance on "Judgment on onerous contracts". This change in accounting policy has no impact on the financial statements of the company.



Notes to the Financial Statements

for the Year of 2022

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

39. Changes in important accounting policies and accounting estimates (continued)

(1) Changes in accounting policies (continued)

- c) Since December 13, 2022, the Company has implemented the provisions of Accounting Standards for Business Enterprises Interpretation No. 16 issued by the Ministry of Finance on “Deferred income tax related to assets and liabilities generated by single transactions does not apply to the accounting treatment of initial recognition exemption”. This change of accounting policy has no impact on the financial statements of the company.
- d) Since December 13, 2022, the Company has implemented the provisions of Accounting Standards for Business Enterprises Interpretation No. 16 issued by the Ministry of Finance on “Accounting treatment of the income tax impact of dividends related to financial instruments classified as equity instruments by the issuer”. This change of accounting policy has no impact on the financial statements of the company.
- e) Since December 13, 2022, the Company has implemented the provisions of Accounting Standards for Business Enterprises Interpretation No. 16 issued by the Ministry of Finance on “Accounting treatment for enterprises to modify cash settled share-based payments to equity settled share-based payments”. This change of accounting policy has no impact on the financial statements of the company.

(2) Changes in accounting estimates

There is no change in major accounting estimates during the reporting period.

Notes to the Financial Statements

for the Year of 2022

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	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.

According to the preferential tax policy for small and micro-profit enterprises, urban maintenance and construction taxes of Central China Futures Shandong Branch will be levied at half of 7%.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

(1) Details

Item	31 December 2022			31 December 2021		
	Amount of original currency	Exchange rate ¹	RMB amount	Amount of original currency	Exchange rate	RMB amount
Cash on hand			179,929.41			98,430.36
RMB	78,567.53	1.0000	78,567.53	72,965.39	1.0000	72,965.39
HKD	109,100.97	0.8933	97,456.62	26,493.97	0.8176	21,661.47
CAD	760.00	5.1385	3,905.26	760.00	5.0046	3,803.50
Deposits in bank			10,202,115,473.84			12,243,329,985.55
Deposit account			1,552,535,154.13			2,253,281,632.02
RMB	1,458,938,998.61	1.0000	1,458,938,998.61	2,076,811,748.81	1.0000	2,076,811,748.81
USD	4,781,724.30	6.9646	33,302,807.67	4,422,196.09	6.3757	28,194,595.60
HKD	66,237,769.17	0.8933	59,168,212.07	180,121,566.96	0.8176	147,267,393.15
AUD	47,232.49	4.7138	222,644.68	47,229.56	4.6220	218,295.03
EUR	120,909.37	7.4229	897,498.65	109,367.31	7.2197	789,599.20
CAD	0.04	5.1385	0.21	0.04	5.0046	0.20
THB	0.15	0.2014	0.03	0.16	0.1912	0.03
JPY	90,100.00	0.0524	4,717.14			
GBP	32.77	8.3941	275.07			
Client fund deposit			8,649,580,319.71			9,990,048,353.53
RMB	8,525,573,125.77	1.0000	8,525,573,125.77	9,915,271,951.08	1.0000	9,915,271,951.08
USD	7,875,226.63	6.9646	54,847,824.77	3,502,779.41	6.3757	22,332,670.71
HKD	77,418,871.68	0.8933	69,155,955.54	63,067,824.23	0.8176	51,564,253.09
EUR	0.05	7.4229	0.37	120,799.16	7.2197	872,133.69
JPY	65,195.00	0.0524	3,413.26	132,544.62	0.0554	7,344.96
Other cash and bank balances			9,334,601.14			88,602,006.84
RMB	9,334,601.14	1.0000	9,334,601.14	88,602,006.84	1.0000	88,602,006.84
Total			10,211,630,004.39			12,332,030,422.75

¹ The disclosed conversion exchange rate is four decimal places, and the actual conversion exchange rate is six decimal places. Thus, there may be tail differences in the calculation. Other similar disclosures in this report are the same.

Notes to the Financial Statements

for the Year of 2022

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 2022			31 December 2021		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate credit capital			35,720,268.49			128,976,290.40
RMB	870,756.85	1.0000	870,756.85	34,356,321.36	1.0000	34,356,321.36
HKD	39,013,413.24	0.8933	34,849,511.64	115,728,924.95	0.8176	94,619,969.04
Client credit capital			685,713,219.28			642,557,735.00
RMB	567,868,839.66	1.0000	567,868,839.66	606,831,951.55	1.0000	606,831,951.55
USD	7,377,690.01	6.9646	51,382,659.84	271,849.13	6.3757	1,733,229.05
HKD	74,402,722.34	0.8933	66,461,719.78	41,576,020.55	0.8176	33,992,554.40
Total			721,433,487.77			771,534,025.40

(2) As of 31 December, 2022, the Company's cash which deposited overseas were RMB214,562,940.50, and mainly due to deposits made by Hong Kong subsidiaries.

(3) As of 31 December, 2022, the Group has a restricted bank deposits totaling RMB24,302,406.26, mainly due to the Company to carry out asset management business and risk reserves deposited in banks. Details are as follows:

Item	Closing balance	Opening balance
Risk reserve for asset management business	21,055,406.26	15,174,127.73
Frozen	3,247,000.00	
Total	24,302,406.26	15,174,127.73

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Clearing settlement funds

Item	31 December 2022			31 December 2021		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate reserve funds			71,090,653.54			111,297,791.00
RMB	64,730,574.45	1.0000	64,730,574.45	102,105,269.63	1.0000	102,105,269.63
HKD	4,508,530.01	0.8933	4,027,334.59	9,222,807.57	0.8176	7,540,567.47
USD	279,829.44	6.9646	1,948,900.91	235,994.84	6.3757	1,504,632.27
EUR	51,059.02	7.4229	379,006.20	19,482.27	7.2197	140,656.12
JPY				94,697.30	0.0554	5,247.65
MYR	3,067.14	1.5772	4,837.39	651.00	1.5266	993.82
GBP				49.27	8.6064	424.04
Client's ordinary reserve funds			2,721,340,860.21			2,164,814,240.23
RMB	2,714,073,509.07	1.0000	2,714,073,509.07	2,156,650,747.55	1.0000	2,156,650,747.55
USD	867,228.69	6.9646	6,039,900.93	1,129,908.11	6.3757	7,203,955.14
HKD	1,374,108.85	0.8933	1,227,450.21	1,173,602.67	0.8176	959,537.54
Client's credit reserve funds			322,673,173.83			282,107,089.23
RMB	322,673,173.83	1.0000	322,673,173.83	282,107,089.23	1.0000	282,107,089.23
Total			3,115,104,687.58			2,558,219,120.46

3. Margin accounts receivable

(1) By categories

Item	31 December 2022	31 December 2021
Domestic		
Individual client	6,799,689,054.15	7,987,959,787.39
Institutional client	78,120,029.71	118,055,893.89
Less: provision for impairment	20,103,781.69	24,211,868.51
Subtotal	6,857,705,302.17	8,081,803,812.77
Overseas		
Individual client	63,722,957.70	73,778,914.10
Institutional client	148,850,808.41	45,205,207.56
Less: provision for impairment	53,393,716.45	52,770,791.38
Subtotal	159,180,049.66	66,213,330.28
Total	7,016,885,351.83	8,148,017,143.05

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Margin accounts receivable (continued)

(2) Details of collateral

Collateral type	31 December 2022	31 December 2021
Cash	820,939,372.05	846,581,309.11
Stocks	21,031,867,862.41	22,948,357,125.90
Funds	300,626,362.48	1,974,185,701.01
Bonds	89,409,559.20	83,947,128.68
Total	22,242,843,156.14	25,853,071,264.70

4. Derivative financial instruments

(1) 31 December, 2022

Item	Hedging instruments			Non-hedging instruments		
	Contractual value	Fair value Asset	Liability	Contractual value	Fair value Asset	Liability
Commodity futures				22,080,600.00	2,616,950.00	
Less: Offsetting with temporary receipts and payments					2,616,950.00	
Interest rate swaps				84,380,000,000.00		9,044,409.34
Less: Offsetting with temporary receipts and payments						9,044,409.34
National debt futures				4,486,247,506.08	2,006,397.70	
Less: Offsetting with temporary receipts and payments					2,006,397.70	
Forward contract				60,000,000.00		793,800.00
Stock options				2,246.26	2,246.26	
Total				88,948,330,352.34	2,246.26	793,800.00

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Derivative financial instruments (continued)

(2) 31 December, 2021

Item	Contractual value	Hedging instruments		Contractual value	Non-hedging instruments	
		Fair value			Fair value	
		Asset	Liability		Asset	Liability
Commodity futures				9,354,020.00		980,295.00
Less: Offsetting with temporary receipts and payments						980,295.00
Interest rate swaps				50,160,000,000.00		5,638,828.98
Less: Offsetting with temporary receipts and payments						5,638,828.98
National debt futures				5,740,761,800.00	11,684,085.47	
Less: Offsetting with temporary receipts and payments					11,684,085.47	
Stock options				12,600,115.39	54,610.00	465,376.83
Total				55,922,715,935.39	54,610.00	465,376.83

Under the non-debt settlement system on the current day, the share price Index Future, commodity futures, interest rate swaps and national debt futures under derivative financial assets/liability are listed as the net amount of RMB after offsetting with temporary receipts and payments.

5. Refundable deposits

Item	31 December 2022			31 December 2021		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Trading margin			919,751,353.11			784,726,026.98
RMB	918,817,196.11	1.0000	918,817,196.11	783,870,927.98	1.0000	783,870,927.98
HKD	500,000.00	0.8933	446,635.00	500,000.00	0.8176	408,800.00
USD	70,000.00	6.9646	487,522.00	70,000.00	6.3757	446,299.00
Credit margin			8,314,504.15			11,900,318.58
RMB	8,314,504.15	1.0000	8,314,504.15	11,900,318.58	1.0000	11,900,318.58
Performance bonds			11,880,063.78			5,629,743.91
RMB	11,880,063.78	1.0000	11,880,063.78	5,629,743.91	1.0000	5,629,743.91
Total			939,945,921.04			802,256,089.47

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Accounts receivable

(1) By categories

Item	31 December 2022	31 December 2021
Stock-pledged repurchase receivable	367,802,927.68	309,607,600.00
Settlement receivable	13,339,786.67	35,330,595.98
Asset management fee receivable	55,369,965.64	42,993,026.05
Fees and commission receivable	16,423,318.58	21,474,920.01
Margin financing client's receivable	7,261,781.35	7,957,005.97
Others	30,364,253.52	17,074,028.66
Less: Provision for bad debts (According to the simplified model)	402,882,034.59	336,381,276.40
Book value of accounts receivable	87,679,998.85	98,055,900.27

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 31 December, 2022, the balance of the stock-pledged repurchase receivable is RMB367,802,927.68, and the amount of bad debt provision is RMB362,946,427.68, accounting for 98.68% of the balance of stock-pledged repurchase receivable.

(2) By evaluation methods

Item	31 December 2022			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	420,252,233.69	85.67	399,358,855.77	95.03
Subtotal	420,252,233.69	85.67	399,358,855.77	
Combination provision for bad debts				
Within 1 year	46,263,765.19	9.43	231,318.83	0.50
1-2 years	10,938,081.99	2.23	546,904.10	5.00
2-3 years	5,872,767.43	1.20	587,276.75	10.00
3-4 years	3,345,709.12	0.68	669,141.82	20.00
4-5 years	2,281,003.45	0.46	684,301.03	30.00
More than 5 years	1,608,472.57	0.33	804,236.29	50.00
Subtotal	70,309,799.75	14.33	3,523,178.82	
Total	490,562,033.44	100.00	402,882,034.59	

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Accounts receivable (continued)

(2) By evaluation methods (continued)

Item	31 December 2021			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	370,295,794.98	85.24	333,553,975.91	90.08
Subtotal	370,295,794.98	85.24	333,553,975.91	
Combination provision for bad debts				
Within 1 year	41,374,285.70	9.53	206,871.43	0.50
1-2 years	10,010,833.22	2.30	500,541.66	5.00
2-3 years	7,768,827.60	1.79	776,882.76	10.00
3-4 years	3,278,962.60	0.75	655,792.52	20.00
4-5 years	835,120.86	0.19	250,536.26	30.00
More than 5 years	873,351.71	0.20	436,675.86	50.00
Subtotal	64,141,381.69	14.76	2,827,300.49	
Total	434,437,176.67	100.00	336,381,276.40	

(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 RMB2,639,923.94, mainly for the accrued receivable of asset management fee income.

(4) During the reporting period, the company conducts aging analysis and disclosure of accounts receivable based on the transaction date.

7. Financial assets held under resale agreements

(1) By business

Item	31 December 2022	31 December 2021
Agreed repurchase securities	10,777,668.02	5,977,183.52
Stock-pledged repurchase	1,463,318,281.97	1,383,442,367.59
Bond-pledged repurchase	127,975,180.28	24,991,123.29
Less: Provision for asset impairment	460,643,117.72	441,540,598.96
Total	1,141,428,012.55	972,870,075.44

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held under resale agreements (continued)

(2) By subjects

Item	31 December 2022	31 December 2021
Stocks	1,474,095,949.99	1,389,419,551.11
Bonds	127,975,180.28	24,991,123.29
Less: Provision for asset impairment	460,643,117.72	441,540,598.96
Book Value	1,141,428,012.55	972,870,075.44

(3) Details of collateral

Collateral type	Fair value on 31 December 2022	Fair value on 31 December 2021
Stocks	2,633,161,013.78	2,717,820,013.50
Bonds (Note)		
Total	2,633,161,013.78	2,717,820,013.50
Including: Collateral that can be sold or re-collateralized		
Collateral that has been sold or has been pledged again		

Note: On 31 December, 2021, the Company conducted a one-day reverse repurchase of government bonds (GC001) on the Shanghai Stock Exchange, with amount of RMB25 million, and obtained sufficient collateral. On 31 December, 2022, the Company conducted a one-day reverse repurchase of government bonds (GC001) on the Shanghai Stock Exchange, with amount of RMB100 million, and obtained sufficient collateral. On 29 December, 2022, A subsidiary of the Company conducted a seven-day reverse repurchase of government bonds (GC007) on the Shanghai Stock Exchange, with amount of RMB14 million, and obtained sufficient collateral. On 29 December, 2022, A subsidiary of the Company conducted a 14-day reverse repurchase of government bonds (GC014) on the Shanghai Stock Exchange, with amount of RMB13.997 million, and obtained sufficient collateral.

(4) Stock-pledged repurchase by residual maturity

Remaining period	31 December 2022	31 December 2021
Within 1 month	135,044,383.56	
1–3 months	65,023,397.30	
3 months-1 year	732,950,481.48	728,821,679.20
More than 1 year	50,019,178.06	7,506,700.04
Over due	480,280,841.57	647,113,988.35
Total	1,463,318,281.97	1,383,442,367.59

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held under resale agreements (continued)

(5) Stock-pledged repurchase by stage of impairment

Item	31 December 2022			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Book balance	983,037,440.40		480,280,841.57	1,463,318,281.97
Impairment allowance	2,965,846.52		457,639,501.44	460,605,347.96
Book value	980,071,593.88		22,641,340.13	1,002,712,934.01
The value of Collateral	2,580,046,673.65		22,641,340.13	2,602,688,013.78

Item	31 December 2021			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Book balance	736,328,379.24		647,113,988.35	1,383,442,367.59
Impairment allowance	904,172.16		440,630,717.43	441,534,889.59
Book value	735,424,207.08		206,483,270.92	941,907,478.00
The value of Collateral	2,383,911,677.58		313,148,920.92	2,697,060,598.50

Notes to the Financial Statements

for the Year of 2022

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 2022					
	Classified into FVTPL	Fair value Designated as FVTPL	Total	Classified into FVTPL	Initial cost Designated as FVTPL	Total
Bonds	15,857,131,630.10		15,857,131,630.10	16,104,086,716.02		16,104,086,716.02
Public Offering of Fund	2,395,786,782.33		2,395,786,782.33	2,411,160,985.18		2,411,160,985.18
Stocks/Equity	1,299,896,443.05		1,299,896,443.05	1,272,311,924.29		1,272,311,924.29
Bank financing products	204,094,980.97		204,094,980.97	204,249,762.49		204,249,762.49
Brokerage asset						
management products	1,196,100.00		1,196,100.00	8,476,207.50		8,476,207.50
Private funds and partnerships	1,495,775,922.86		1,495,775,922.86	1,445,742,523.63		1,445,742,523.63
Others	360,221,150.49		360,221,150.49	367,018,703.17		367,018,703.17
Total	21,614,103,009.80		21,614,103,009.80	21,813,046,822.28		21,813,046,822.28

Item	31 December 2021					
	Classified into FVTPL	Fair value Designated as FVTPL	Total	Classified into FVTPL	Initial cost Designated as FVTPL	Total
Bonds	18,844,573,886.51		18,844,573,886.51	18,870,227,489.31		18,870,227,489.31
Public Offering of Fund	1,911,893,103.19		1,911,893,103.19	1,905,112,156.53		1,905,112,156.53
Stocks/Equity	1,428,050,380.33		1,428,050,380.33	1,241,294,059.75		1,241,294,059.75
Bank financing products	66,496,091.19		66,496,091.19	66,400,000.00		66,400,000.00
Brokerage asset						
management products	3,997,146.36		3,997,146.36	10,727,749.71		10,727,749.71
Private funds and partnerships	1,457,379,602.83		1,457,379,602.83	1,370,427,308.10		1,370,427,308.10
Others	795,528,968.46		795,528,968.46	668,357,605.01		668,357,605.01
Total	24,507,919,178.87		24,507,919,178.87	24,132,546,368.41		24,132,546,368.41

Notes to the Financial Statements

for the Year of 2022

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, 2022, and 31 December, 2021, the balance of the Group's financial assets at fair value through profit or loss included RMB15,997,699.65 and RMB14,531,200.47 in securities lending, respectively.

(3) Financial assets at fair value through profit or loss with restricted realization

Item	Reasons for restriction	Book value on 31 December 2022	Book value on 31 December 2021
Bonds	Pledged for repurchase financing, pledged for bond lending	10,173,896,637.48	12,216,894,246.31
Bonds	Bond default	80,255,898.32	108,767,673.61
Brokerage asset management products	Undue underlying trust assets	1,196,100.00	1,196,100.00
Public offered funds	Securities lending	15,997,699.65	14,531,200.47
Stocks	Restricted by share reduction		208,110,954.86
Stocks	Restrictions on bulk trading	18,849,600.00	18,849,600.00

9. Financial assets measured at amortized costs

(1) Details

Item	31 December 2022			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	190,725,846.42		50,252,319.71	140,473,526.71
Private placement bonds	154,747,979.43		154,747,979.43	
Assets management plans	214,464,369.58		158,946,697.02	55,517,672.56
Total	559,938,195.43		363,946,996.16	195,991,199.27

Item	31 December 2021			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	200,825,846.42	1,182,000.00	28,736,867.83	173,270,978.59
Private placement bonds	144,180,424.71		127,010,824.71	17,169,600.00
Assets management plans	231,958,603.11		158,946,697.02	73,011,906.09
Total	576,964,874.24	1,182,000.00	314,694,389.56	263,452,484.68

Notes to the Financial Statements

for the Year of 2022

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 (No credit impairment)	Stage 3 Expected credit losses in lifetime (Credit impairment)	Total
1 January 2022			314,694,389.56	314,694,389.56
Book value				
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Increase			39,552,477.88	39,552,477.88
Transfer back				
Write off				
Difference from foreign currency translation			9,700,128.72	9,700,128.72
31 December 2022			363,946,996.16	363,946,996.16

10. Financial assets at fair value through other comprehensive income

(1) By categories

Item	31 December 2022				Accumulative impairment of allowance
	Initial cost	Interest	Changes in fair value	Book value	
National bonds	181,404,796.04	1,923,712.33	813,108.40	184,141,616.77	
Local government bonds	794,393,359.04	11,917,452.03	-5,010,578.98	801,300,232.09	2,324,860.21
Corporate bonds	904,050,318.21	14,544,156.17	-49,047,653.63	869,546,820.75	56,508,250.06
Others	429,220,345.74	5,461,780.81	-1,412,155.74	433,269,970.81	1,351,141.07
Total	2,309,068,819.03	33,847,101.34	-54,657,279.95	2,288,258,640.42	60,184,251.34

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Financial assets at fair value through other comprehensive income (continued)

(1) By categories (continued)

Item	31 December 2021				Accumulated impairment of allowance
	Initial cost	Interest	Changes in fair value	Book value	
National bonds	310,416,597.22	4,059,843.83	1,009,012.78	315,485,453.83	
Local government bonds					
Corporate bonds	315,614,662.15	8,332,421.91	-68,764,802.15	255,182,281.91	69,802,808.57
Others	389,839,317.44	11,642,958.91	-1,723,464.31	399,758,812.04	282,864.10
Total	1,015,870,576.81	24,035,224.65	-69,479,253.68	970,426,547.78	70,085,672.67

(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)	Stage 3 Expected credit losses in lifetime (Credit impairment)	Total
1 January 2022	377,272.67		69,708,400.00	70,085,672.67
Book value				
— transfer to stage 2				
— transfer to stage 3	-37,259.00		37,259.00	
— transfer back to stage 2				
— transfer back to stage 1				
Increase	5,881,949.68		8,998,741.00	14,880,690.68
Transfer back				
Write off				
Others	-151,562.01		-24,630,550.00	-24,782,112.01
31 December 2022	6,070,401.34		54,113,850.00	60,184,251.34

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Financial assets at fair value through other comprehensive income (continued)

(3) Financial assets at fair value through other comprehensive income with restricted realization

Item	Reasons for restriction	Book value on 31 December 2022	Book value on 31 December 2021
Corporate bonds	Pledged for repurchase financing	544,516,862.96	
Local government bonds	Pledged for repurchase financing	749,439,789.03	
Others	Pledged for repurchase financing	343,312,689.99	
National bonds	Pledged for refinancing operations	59,950,235.37	

11. Long-term equity investments

(1) By categories

Item	31 December 2022	31 December 2021
Long-term equity investments based on equity method	1,613,305,804.32	1,686,379,521.68
Total	1,613,305,804.32	1,686,379,521.68
Less: Impairment losses	35,745,915.38	26,500,318.60
Net long-term equity investments	1,577,559,888.94	1,659,879,203.08

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (continued)

(2) Investment in associates

Investee	Increase/decrease						Impairment provision period-end balance
	Opening balance	Additional Investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	
Henan Asset Management Co., Ltd.	612,879,327.53			55,568,733.71	5,660,343.77		659,700,007.87
Henan Central China Micro-Lending Co., Ltd.	573,067,750.00		127,308,199.64	8,812,581.85		-14,408,397.14	441,932,053.58
Henan Shengrong Juyuan Venture Capital Fund (Limited Partnership)	71,994,023.91			-956,214.79		4,908,301.28	75,946,110.40
Henan Zhongxing Financing Guarantee Co., Ltd.	55,098,132.55			575,671.10			55,673,803.65
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)	49,498,202.76			-1,528,401.85		3,824,583.67	51,794,384.58
Minquan County Innovation Industry Investment Fund (Limited Partnership)	58,530,987.06			-9,377,081.57			49,153,905.49
Luoyang Kaiyuan Technology Innovation Venture Capital Fund (Limited Partnership)	20,783,886.29	15,200,000.00		-152,246.63			35,831,639.66
Henan Dahecai Cube Media Holdings Co., Ltd.	32,090,532.49			1,597,831.78		-1,500,000.00	32,188,384.27
Henan Luying Environmental Protection Technology Co., Ltd.	26,998,021.65			5,306,293.92		-2,000,000.00	30,304,315.57
Xinxiang Zhongxing Technology Achievement Transformation Fund (Limited Partnership)	20,377,902.12			1,430,321.51			21,808,223.63
CSI Jiaotong Fund Management Co., Ltd.	19,979,105.63			-421,940.25			19,557,165.38
Henan Zhongjian Equipment Manufacturing Technology Research Center Co., Ltd.	19,031,343.27			-9,707.56			19,021,635.71
Zhongyuan Environmental Capital Technology Co., Ltd.	16,073,955.06			-27,004.88			16,046,950.18
Luoyang Desheng Biotechnology Co., Ltd.	11,300,930.57			1,514,353.60			12,815,284.17
Zhengzhou Dahle Zhixin Technology Co., Ltd.	12,052,038.89			106,128.99			12,158,167.88
Luoyang Guohong Industry Development Investment Fund (Limited Partnership)	11,535,914.28			-276,995.17			11,258,919.11
Hebi Magnesium Trading Center Co., Ltd.	9,438,797.86			-251,091.81			9,187,706.05
Henan Ruiteng Diamond Products Co., Ltd.	7,538,648.78						7,538,648.78
Henan Jiaoguang Rongmei Information Technology Co., Ltd.	3,989,571.05			-3,999.51			3,985,571.54
Henan Zhongyuan Big Data Trading Center Co., Ltd.	2,063,598.17			-48,259.69			2,015,338.48
Hebi Jingkai Electronic Industry Development Fund Partnership (Limited Partnership)		2,000,000.00		-6,732.97			1,993,267.03

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (continued)

(2) Investment in associates (continued)

Investee	Opening balance	Additional Investment	Reducing investment	Increase/decrease				Provision for impairment	Closing balance	Impairment provision period-end balance
				Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits			
Puyang Chuangying Industrial Investment Fund Co., Ltd.	1,695,791.57			-93,818.27		129,209.98			1,731,183.28	
Luoke Huatui Permanent Magnetic Material Co., Ltd.	1,500,000.00								1,500,000.00	3,389,755.50
Zhengzhou Majia Agricultural Technology Co., Ltd.	1,410,266.40			-34,241.98					1,376,024.42	
Zhengzhou Nongtao E-commerce Co., Ltd.	1,005,916.36								1,005,916.36	12,473,406.77
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	975,811.10			8,798.43					984,609.53	
Henan Investment Realistic Communication Co., Ltd.	864,000.98			-53,328.64					810,672.34	
Henan Dudu Computer Technology Co., Ltd.	240,000.00								240,000.00	492,987.23
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	10,099,586.43			-6,745,473.87				-3,354,112.56	3,354,112.56	
Shangcai Zhongding Industrial Development Investment Fund (Limited Partnership)	2,380,387.30		2,380,387.30							5,059,488.46
Henan Ruida Pharmaceutical Technology Co., Ltd.										
Shangcai Fengguo Agriculture and Forestry Technology Co., Ltd.	4,950,028.37			-3,204.48				-4,946,823.89	4,946,823.89	
2242257 Ontario Inc.	434,724.65							-455,828.89	21,104.24	6,029,340.97
Total	1,659,879,203.08	17,200,000.00	129,688,586.94	54,930,970.97	5,660,343.77	8,862,094.93	-30,548,475.77	-8,756,765.34	21,104.24	35,745,915.38

Notes to the Financial Statements

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VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (continued)

(2) Investment in associates (continued)

The Group inspected the book long-term equity investment on 31 December, 2022, 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, as of 31 December, 2022, the Group has accumulated a long-term equity investment impairment provision of RMB35,745,915.38.

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	12,310,874.86	12,310,874.86
3. Decrease		
4. Closing balance	46,193,273.31	46,193,273.31
Accumulated depreciation and amortization		
1. Opening balance	18,216,291.17	18,216,291.17
2. Increase	855,817.42	855,817.42
(1) Accrual or amortization	855,817.42	855,817.42
3. Decrease		
4. Closing balance	19,072,108.59	19,072,108.59
Provision for impairment		
1. Opening balance		
2. Increase		
3. Decrease		
4. Closing balance		
Book value		
1. Closing book value	27,121,164.72	27,121,164.72
2. Opening book value	15,666,107.28	15,666,107.28

On 31 December, 2022 and 31 December, 2021, there is no provision for impairment of the Group's investment properties.

On 31 December, 2022 and 31 December, 2021, the Group has no investment properties that have not completed the property right certificate yet.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets

(1) Book Value

Item	31 December 2022	31 December 2021
Original book value of fixed assets	524,545,204.96	519,653,139.17
Less: Accumulative depreciation	333,793,922.68	331,451,872.22
Less: Provision for impairment		
Total	190,751,282.28	188,201,266.95

(2) Changes in the increase or decrease of fixed assets

Item	Buildings and structures	Electronic equipments	Transport facilities	Others	Total
Original book value					
1. Opening balance	158,278,328.85	319,554,349.00	21,045,844.17	20,774,617.15	519,653,139.17
2. Increase		32,552,854.69	597,557.53	2,211,673.81	35,362,086.03
(1) Acquisition		32,552,854.69	597,557.53	2,211,673.81	35,362,086.03
(2) Transferred in from investment properties					
3. Decrease		29,279,338.48	482,155.00	981,181.79	30,742,675.27
(1) Disposal or scrap		29,279,338.48	482,155.00	981,181.79	30,742,675.27
(2) Others					
4. Difference by foreign currency translation		145,891.73	119,067.28	7,696.02	272,655.03
5. Closing balance	158,278,328.85	322,973,756.94	21,280,313.98	22,012,805.19	524,545,204.96
Accumulative depreciation					
1. Opening balance	61,847,186.04	236,268,037.96	18,341,490.87	14,995,157.35	331,451,872.22
2. Increase	4,250,291.54	24,870,766.45	896,567.56	1,230,692.06	31,248,317.61
(1) Accrual	4,250,291.54	24,870,766.45	896,567.56	1,230,692.06	31,248,317.61
(2) Transferred in from investment properties					
3. Decrease		27,767,636.87	458,047.25	915,115.87	29,140,799.99
(1) Disposal or scrap		27,767,636.87	458,047.25	915,115.87	29,140,799.99
(2) Others					
4. Difference by foreign currency translation		128,377.78	99,556.44	6,598.62	234,532.84
5. Closing balance	66,097,477.58	233,499,545.32	18,879,567.62	15,317,332.16	333,793,922.68
Provision for impairment					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing book value	92,180,851.27	89,474,211.62	2,400,746.36	6,695,473.03	190,751,282.28
2. Opening book value	96,431,142.81	83,286,311.04	2,704,353.30	5,779,459.80	188,201,266.95

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets (continued)

- (3) The depreciation of the fixed asset recognized in the period is RMB31,248,317.61.
- (4) On 31 December, 2022, the Group has no fixed assets temporarily idle.
- (5) On 31 December, 2022, the Group has no fixed assets that have not completed the title certificate.

14. Construction in progress

(1) Details

Item	31 December 2022			31 December 2021		
	Book balance	Impairment losses	Book value	Book balance	Impairment losses	Book value
Office building construction	118,898,335.11		118,898,335.11	58,641,526.64		58,641,526.64
Total	118,898,335.11		118,898,335.11	58,641,526.64		58,641,526.64

- (2) There was no provision for impairment of construction in progress during the reporting period.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Right-of-use assets

Item	Buildings and structures	Total
Original book value		
1. Opening balance	325,659,850.40	325,659,850.40
2. Increase	109,923,296.01	109,923,296.01
(1) Rent in	109,923,296.01	109,923,296.01
3. Decrease	91,021,567.53	91,021,567.53
(1) Lease expired	91,021,567.53	91,021,567.53
(2) Others		
4. Difference by foreign currency translation	2,911,616.04	2,911,616.04
5. Closing balance	347,473,194.92	347,473,194.92
Accumulative depreciation		
1. Opening balance	165,251,811.12	165,251,811.12
2. Increase	74,811,823.29	74,811,823.29
(1) Accrual	74,811,823.29	74,811,823.29
3. Decrease	89,762,766.70	89,762,766.70
(1) Lease expired	89,762,766.70	89,762,766.70
(2) Others		
4. Difference by foreign currency translation	1,525,111.11	1,525,111.11
5. Closing balance	151,825,978.82	151,825,978.82
Book value		
1. Closing balance	195,647,216.10	195,647,216.10
2. Opening balance	160,408,039.28	160,408,039.28

On 31 December, 2022 and 31 December, 2021, there is no provision for impairment of the Group's right-of-use assets.

Notes to the Financial Statements

for the Year of 2022

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	354,376,403.41	32,592,550.00	105,480,246.53	2,014,000.00	494,463,199.94
2. Increase	81,899,317.26			207,547.16	82,106,864.42
(1) Purchase	81,899,317.26			207,547.16	82,106,864.42
3. Decrease	8,211,867.92				8,211,867.92
(1) Disposal or scrap	8,211,867.92				8,211,867.92
(2) Others					
4. Difference by foreign currency translation	22,701.00	75,670.00			98,371.00
5. Closing balance	428,086,553.75	32,668,220.00	105,480,246.53	2,221,547.16	568,456,567.44
Accumulative depreciation					
1. Opening balance	217,337,888.46	31,658,283.40	20,436,797.46	2,014,000.00	271,446,969.32
2. Increase	45,516,452.07	49,999.92	2,637,006.12	31,132.08	48,234,590.19
(1) Accrual	45,516,452.07	49,999.92	2,637,006.12	31,132.08	48,234,590.19
3. Decrease	8,211,867.92				8,211,867.92
(1) Disposal or scrap	8,211,867.92				8,211,867.92
(2) Others					
4. Difference by foreign currency translation	22,701.00				22,701.00
5. Closing balance	254,665,173.61	31,708,283.32	23,073,803.58	2,045,132.08	311,492,392.59
Impairment allowance					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing balance	173,421,380.14	959,936.68	82,406,442.95	176,415.08	256,964,174.85
2. Opening balance	137,038,514.95	934,266.60	85,043,449.07		223,016,230.62

(2) The amortization amount of intangible assets was RMB48,234,590.19 in the current period.

(3) On 31 December, 2022 and 31 December, 2021, the Group has no significant intangible assets used as collateral or guarantee.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets (continued)

(4) Details of seat fees

Item	Original balance	31 December 2021	Amortized or transferred	Accumulated amortization or roll-out	Difference by foreign currency	31 December 2022
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	116,666.60	49,999.92	433,333.32		66,666.68
Hong Kong Stock Exchange	876,200.00	817,600.00			75,670.00	893,270.00
Total	32,651,150.00	934,266.60	49,999.92	31,708,283.32	75,670.00	959,936.68

17. Deferred income tax assets and deferred income tax liabilities

(1) Confirmed deferred income tax assets and deferred income tax liabilities

Item	31 December 2022	31 December 2021
Deferred income tax assets		
Provision for impairment of assets	321,094,239.14	290,552,437.32
Employee benefits payable	76,638,039.92	80,266,162.78
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	121,683,405.77	56,104,067.46
To be carried forward underwriting income and expenditure	891,298.48	1,529,211.22
Accrued expenses	5,479,566.98	2,549,011.50
Change in fair value of financial assets at fair value through other comprehensive income	13,664,319.99	17,369,813.42
Changes in fair value of financial liabilities at fair value through profit or loss	491,152.13	
Futures risk reserve	105,574.86	105,574.86
Others	42,388,590.80	37,985,384.78
Total	582,436,188.07	486,461,663.34
Deferred income tax liabilities		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	2,283,409.72	331,009.63
Others	33,664,504.51	38,232,098.03
Total	35,947,914.23	38,563,107.66

Notes to the Financial Statements

for the Year of 2022

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 2022	31 December 2021
Deductible temporary differences		
Provision for impairment of assets	1,322,988,296.28	1,197,550,274.94
Employee benefits payable	306,552,159.68	321,064,651.12
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	543,709,381.12	276,565,541.35
To be carried forward underwriting income and expenditure	3,565,193.92	6,116,844.88
Accrued expenses	21,918,267.92	10,196,046.00
Changes in fair value of financial assets at fair value through other comprehensive income	54,657,279.96	69,479,253.68
Changes in fair value of financial liabilities at fair value through profit or loss	1,964,608.52	
Futures risk reserve	422,299.44	422,299.44
Others	196,934,704.62	177,002,458.23
Total	2,452,712,191.46	2,058,397,369.64
Taxable temporary difference		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	9,133,638.88	1,324,038.51
Others	134,658,018.04	152,928,392.11
Total	143,791,656.92	154,252,430.62

- (3) It is possible for the Group to acquire taxable income offsetting deductible temporary differences. Thus, the Group recognized the deferred income tax assets.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill

(1) Original book value

Investee	31 December 2021	Increase		Decrease		31 December 2022
		Business combination	Others	Disposal	Others	
Central China Futures Co., Ltd.	7,268,756.37					7,268,756.37
Central China Financing International Co., Ltd.	13,784,925.20		1,275,813.71			15,060,738.91
Total	21,053,681.57		1,275,813.71			22,329,495.28

(2) Provision for impairment

Investee	31 December 2021	Increase		Decrease		31 December 2022
		Provision	Others	Disposal	Others	
Central China Financing International Co., Ltd.	1,531,188.20	1,974,839.70	220,724.99			3,726,752.89
Total	1,531,188.20	1,974,839.70	220,724.99			3,726,752.89

- (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) Central China International, a subsidiary of the Company, acquired 100% equity interests in Central China International Financial Holdings Co., Ltd. (Original name: Pan Asia Corporate Finance Limited) under non-common control in 2016 with a merger consideration of HKD24,416,272.00. The fair value of the identifiable net assets of Central China International Financial Holdings Co., Ltd. on the date of acquisition was HKD7,556,040.59, and the difference of HKD16,860,231.41 was recorded as goodwill after being translated into RMB at the exchange rate on 31 December 2022.
- (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 is allocated to the corresponding subsidiaries for 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, 2022, according to impairment test of the goodwill, the difference between the original carrying amount of goodwill and the estimated recoverable amount was RMB3,726,752.89, and the provision for goodwill impairment for the period was RMB1,974,839.70.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other assets

(1) Details

Item	31 December 2022	31 December 2021
Other receivables	472,684,886.33	151,334,689.18
Prepaid expenses	19,700,317.19	26,860,381.26
Long-term deferred expenses	48,723,419.51	34,238,212.32
Pending underwriting expenses	315,904.08	627,901.97
Entrusted Loan		
Bulk	43,259,156.92	18,632,753.49
Clearing margin receivable	10,049,607.23	10,049,607.08
Futures membership	1,400,000.00	1,400,000.00
Others	7,496,191.75	40,081,876.08
Total	603,629,483.01	283,225,421.38

(2) Other receivables

1) By nature

Item	31 December 2022	31 December 2021
Prepayments	226,954,318.59	65,039,968.23
Cash pledge	18,097,740.66	20,333,604.96
Equity transfer fund	26,474,975.10	28,000,000.00
Margins	225,815,100.82	54,204,892.68
Others	26,680,511.50	25,953,335.68
Less: Provision for bad debts	51,337,760.34	42,197,112.37
Book value	472,684,886.33	151,334,689.18

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other assets (continued)

(2) Other receivables (continued)

2) By evaluation methods

Item	31 December 2022			31 December 2021		
	Book balance	Provision for bad debts	Proportion (%)	Book balance	Provision for bad debts	Proportion (%)
Separate provision for bad debts	275,578,092.01	41,996,404.18	15.24	106,993,990.36	35,581,660.44	33.26
Subtotal	275,578,092.01	41,996,404.18		106,993,990.36	35,581,660.44	
Combination provision for bad debts						
Within 1 year	206,775,992.99	1,033,879.95	0.50	51,131,838.12	255,661.24	0.50
1-2 years	17,302,129.25	865,106.46	5.00	12,398,855.20	619,942.76	5.00
2-3 years	4,491,905.09	449,190.51	10.00	6,371,639.49	637,163.95	10.00
3-4 years	2,795,892.94	559,178.60	20.00	9,313,471.55	1,862,694.31	20.00
4-5 years	10,526,582.78	3,157,974.83	30.00	2,105,068.77	631,520.63	30.00
More than 5 years	6,552,051.61	3,276,025.81	50.00	5,216,938.06	2,608,469.04	50.00
Subtotal	248,444,554.66	9,341,356.16		86,537,811.19	6,615,451.93	
Total	524,022,646.67	51,337,760.34		193,531,801.55	42,197,112.37	

3) As for the receivables from related parties in the balance of other receivables at the end of the period, refer to "Note XI. Related Parties and Related Transactions 4. Related Party Transactions" for details.

(3) Long-term deferred expenses

Item	31 December 2021	Increase	Deferred	Difference from foreign currency translation	31 December 2022
Decoration expenses, etc.	34,238,212.32	29,783,493.36	15,322,983.11	24,696.94	48,723,419.51
Total	34,238,212.32	29,783,493.36	15,322,983.11	24,696.94	48,723,419.51

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other assets (continued)

(4) Entrusted loans

Item	31 December 2022	31 December 2021
Entrusted loans	22,135,377.29	22,563,560.95
Less: Provision for impairment	22,135,377.29	22,563,560.95
Book value		

20. Securities lending business

Item	31 December 2022	31 December 2021
Securities lending	17,674,884.65	15,288,471.47
— Financial assets at fair value through profit or loss	15,997,699.65	14,531,200.47
— Securities received through refinancing	1,677,185.00	757,271.00
Total amount of securities received through refinancing	1,988,900.00	4,454,060.00

As of 31 December, 2022, and 31 December, 2021, the Company has no significant margin trading business contracts overdue.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Detailed statement of provision for impairment of assets

(1) By changing details

Item	31 December 2021	Increase	Decrease Turn back	Transfer out	Others	Difference from foreign currency translation	31 December 2022
Provision for impairment of margin accounts receivable	76,982,659.89	263,175.56	4,108,086.82			359,749.51	73,497,498.14
Provision for bad debts of accounts receivable	336,381,276.40	469,062.67		177,824.23	66,120,108.37	89,411.38	402,882,034.59
Provision for bad debts of other receivables	42,197,112.37	9,993,634.25		927,618.48		74,632.20	51,337,760.34
Provision for impairment of financial assets held under resale agreements	441,540,598.96	95,294,768.60	10,072,141.47		-66,120,108.37		460,643,117.72
Provision for impairment of financial assets at amortized costs	314,694,389.56	39,552,477.88				9,700,128.72	363,946,996.16
Provision for impairment of financial assets at fair value through other comprehensive income	70,085,672.67	14,880,690.68		24,782,112.01			60,184,251.34
Provision for impairment of other assets	9,967,776.77						9,967,776.77
Provision for impairment of entrusted loan	22,563,560.95		428,183.66				22,135,377.29
Subtotal of provision for credit impairment of financial instruments and other items	1,314,413,047.57	160,453,809.64	14,608,411.95	25,887,554.72		10,223,921.81	1,444,594,812.35
Provision for impairment of long-term equity investments	26,500,318.60	8,756,765.34				488,831.44	35,745,915.38
Provision for impairment of inventory	12,949.99	875,948.20	502,528.03	385,042.76			1,327.40
Provision for impairment of goodwill	1,531,188.20	1,974,839.70				220,724.99	3,726,752.89
Subtotal of provision for impairment of other assets	28,044,456.79	11,607,553.24	502,528.03	385,042.76		709,556.43	39,473,995.67
Total	1,342,457,504.36	172,061,362.88	15,110,939.98	26,272,597.48		10,933,478.24	1,484,068,808.02

Notes to the Financial Statements

for the Year of 2022

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 2022			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Provision for impairment of margin accounts receivable	20,104,214.85	460.05	53,392,823.24	73,497,498.14
Provision for bad debts of accounts receivable		3,523,178.82	399,358,855.77	402,882,034.59
Provision for bad debts of other receivables		9,341,356.16	41,996,404.18	51,337,760.34
Provision for impairment of financial assets held under resale agreements	3,003,616.28		457,639,501.44	460,643,117.72
Provision for impairment of financial assets at amortized costs			363,946,996.16	363,946,996.16
Provision for impairment of financial assets at fair value through other comprehensive income	6,070,401.34		54,113,850.00	60,184,251.34
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of entrusted loan			22,135,377.29	22,135,377.29
Total	29,178,232.47	12,864,995.03	1,402,551,584.85	1,444,594,812.35

Item	31 December 2021			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Provision for impairment of margin accounts receivable	24,604,850.05	151,315.07	52,226,494.77	76,982,659.89
Provision for bad debts of accounts receivable		2,827,300.49	333,553,975.91	336,381,276.40
Provision for bad debts of other receivables		6,615,451.93	35,581,660.44	42,197,112.37
Provision for impairment of financial assets held under resale agreements	909,881.53		440,630,717.43	441,540,598.96
Provision for impairment of financial assets at amortized costs			314,694,389.56	314,694,389.56
Provision for impairment of financial assets at fair value through other comprehensive income	377,272.67		69,708,400.00	70,085,672.67
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of entrusted loan			22,563,560.95	22,563,560.95
Total	25,892,004.25	9,594,067.49	1,278,926,975.83	1,314,413,047.57

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Short-term loans

Item	31 December 2022	31 December 2021
Pledge loans (Note 1)	40,197,150.00	
Credit loans (Note 2)	17,865,400.00	
Guaranteed loans (Note 3)	8,012,466.67	256,191,822.27
Total	66,075,016.67	256,191,822.27

Note 1: Pledge loans details:

As of 31 December, 2022, pledge loans are the loan of HKD45,000,000.00 borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from CMB Wing Lung Bank Limited. The term of loan does not exceed one year, and the annual interest rate of the loan is not more than Hibor +1.20%, the pledge is stock.

Note 2: Credit loans details:

As of 31 December, 2022, credit loans are the loan of HKD20,000,000.00 borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from CMB Wing Lung Bank Limited. The term of loan does not exceed one year, and the annual interest rate of the loan is Hibor +2.40%.

Note 3: Guaranteed loans details:

As of 31 December, 2022, guaranteed loans are loans of RMB8,000,000.00 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 5.10%.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Short-term financing instruments payable

Item	Par value (10K)	Start Date	Maturity	Issuing amount (10K)	Coupon rate	Book balance of 31 Dec. 2021	Increase	Decrease	Book balance of 31 Dec. 2022
19 Central China 01 (Note 1)	200,000	26 March 2019	3 years	200,000	3.90%	2,059,902,946.46	18,097,053.54	2,078,000,000.00	
19 Central China C1 (Note 2)	100,000	30 October 2019	3 years	100,000	4.90%	1,008,591,780.85	40,408,219.15	1,049,000,000.00	
20 Central China C1 (Note 3)	150,000	23 April 2020	3 years	150,000	4.08%		1,542,420,821.97		1,542,420,821.97
21 Central China S1 (Note 4)	100,000	20 May 2021	1 year	100,000	3.21%	1,019,875,616.43	12,224,383.57	1,032,100,000.00	
21 Central China S2 (Note 5)	120,000	18 June 2021	1 year	120,000	3.35%	1,221,696,986.32	18,503,013.68	1,240,200,000.00	
22 Central China S1 (Note 6)	100,000	11 July 2022	1 year	100,000	2.49%		1,011,870,136.98		1,011,870,136.98
Income securities issued certificate (Note 7)	156,812.10	From 8 July 2022 to 30 December 2022	14-182 days	156,812.10	2.50%-6.00%	1,722,204,639.87	8,084,044,887.42	8,227,768,721.33	1,578,480,805.96
Total	926,812.10			926,812.10		7,032,271,969.93	10,727,568,516.31	13,627,068,721.33	4,132,771,764.91

Note 1: According to the resolution of the Company's 2015 third extraordinary general 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" (Zheng Jian Xu Ke [2019] No. 326), the Company was allowed to publicly issue corporate bonds with total par value of no more than 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 2: According to the "Proposal of Central China Securities Co., Ltd. on the Company's Issuance of Domestic and Overseas Debt Financing Instruments and Related Authorizations" passed by the Company's third extraordinary general meeting in 2015, on October 29, 2019, the Company issued the first tranche of subordinated bonds in 2019 with a par value of RMB1 billion, a maturity of 3 year and a coupon rate of 4.90%.

Note 3: According to the resolution of the company's first extraordinary general meeting in 2019, and the "Letter of No Objection to the Listing and Transfer of Non-publicly Issued Subordinated Corporate Bonds of Central China Securities Co., Ltd." (Shang Zheng Han [2020] No. 544) issued by the Shanghai Stock Exchange, the company was approved to non-publicly issue subordinated bonds with a total amount of no more than RMB3 billion to qualified investors. On April 22, 2020, the company issued bonds of RMB1.5 billion with a maturity of 3 years and a coupon rate of 4.08%.

Note 4: According to the resolution of the Company's 2019 first extraordinary general 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" (Zheng Jian Xu Ke [2021] No. 377), the Company was allowed to publicly issue short-term corporate bonds with a total par value of no more than RMB5 billion. On 19 May, 2021, the Company issued RMB1 billion of bonds with a maturity of 1 year and a coupon rate of 3.21%.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Short-term financing instruments payable (continued)

Note 5: According to the resolution of the Company's 2019 first extraordinary general 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" (Zheng Jian Xu Ke [2021] No. 377), the Company was allowed to publicly issue short-term corporate bonds with a total par value of no more than RMB5 billion. On 17 June, 2021, the Company issued RMB1.2 billion of bonds with a maturity of 1 year and a coupon rate of 3.35%.

Note 6: According to the resolution of the Company's 2019 first extraordinary general 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" (Zheng Jian Xu Ke [2021] No. 377), the Company was allowed to publicly issue short-term corporate bonds with a total par value of no more than RMB5 billion. On 8 July, 2022, the Company issued RMB1 billion of bonds with a maturity of 1 year and a coupon rate of 2.49%.

Note 7: As of 31 December, 2022, the Company's existing income securities issued certificate include Xinyi series income securities issued certificate of RMB19,071,000.00, Jinyi series income securities issued certificate of RMB994,972,000.00, Zunyi series income securities issued certificate of RMB554,078,000.00, with a period of 14~182 days, the interest rate range is 2.50%~6.00%.

24. Due to banks and other financial institutions

(1) Categories

Item	31 December 2022	31 December 2021
Due to banks	1,200,279,361.15	2,900,742,263.92
Capital from refinancing	301,999,999.99	
Total	1,502,279,361.14	2,900,742,263.92

(2) Residual maturity of capital from refinancing

Item	31 December 2022 Balance	Rate	31 December 2021 Balance	Rate
Within 1 month				
1-3 months	301,999,999.99	2.50%		
3 months — 1 year				
Total	301,999,999.99	2.50%		

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Financial liabilities at fair value through profit or loss

Item	31 December 2022		Total
	Classified into FVTPL	Fair value Designated as FVTPL	
Bonds (Note 1)	806,961,469.87		806,961,469.87
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (Note 2)	718,581,188.74		718,581,188.74
Total	1,525,542,658.61		1,525,542,658.61

Item	31 December 2021		Total
	Classified into FVTPL	Fair value Designated as FVTPL	
Bonds (Note 1)			
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (Note 2)	971,171,013.72		971,171,013.72
Total	971,171,013.72		971,171,013.72

Note 1: As of 31 December, 2022, the Group sold 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.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Financial assets sold under repurchase agreements

(1) By categories

Item	31 December 2022	31 December 2021
Outright repurchase	238,125,757.20	559,050,286.48
Pledge-style repurchase	9,649,762,175.12	9,989,422,041.61
Total	9,887,887,932.32	10,548,472,328.09

(2) By subject categories

Item	31 December 2022	31 December 2021
Bonds	9,887,887,932.32	10,548,472,328.09
Total	9,887,887,932.32	10,548,472,328.09

(3) Collateral information of financial assets sold under repurchase agreements

Item	Fair value on 31 December 2022	Fair value on 31 December 2021
Bonds	10,635,282,535.62	12,261,286,301.56
Total	10,635,282,535.62	12,261,286,301.56

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Accounts payable to brokerage clients

(1) Details

Item	31 December 2022	31 December 2021
General brokerage business		
Individual	9,923,945,568.29	10,147,554,339.10
Institution	1,064,790,501.50	1,541,998,240.91
Subtotal	10,988,736,069.79	11,689,552,580.01
Credit business		
Individual	841,013,361.36	829,911,582.98
Institution	19,917,376.67	52,333,649.49
Subtotal	860,930,738.03	882,245,232.47
Total	11,849,666,807.82	12,571,797,812.48

28. Employee benefits payable

(1) Categories

Item	31 December 2021	Increase	Decrease	31 December 2022
Short-term benefits	712,899,531.56	907,242,592.81	1,042,404,139.33	577,737,985.04
Post-employment benefit — defined contribution plans	54,820,831.09	154,173,540.20	132,409,665.93	76,584,705.36
Dismissal benefit	412,650.99	317,315.90	536,072.30	193,894.59
Total	768,133,013.64	1,061,733,448.91	1,175,349,877.56	654,516,584.99

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable (continued)

(2) Short-term benefits

Item	31 December 2021	Increase	Decrease	31 December 2022
Wages, bonuses, allowances and subsidies	586,133,675.36	727,330,540.90	874,120,221.00	439,343,995.26
Welfare	50,037.11	43,303,231.27	43,290,382.17	62,886.21
Social insurance contribution	116,046.48	49,766,611.70	49,880,570.46	2,087.72
Including: Medical insurance	114,600.72	36,163,793.30	36,276,540.40	1,853.62
Work-related injury insurance	481.24	789,228.63	789,670.87	39.00
Maternity insurance	635.16	2,014,988.22	2,015,428.28	195.10
Supplementary medical insurance		10,782,167.07	10,782,167.07	
Others	329.36	16,434.48	16,763.84	
Housing funds		55,698,507.45	55,698,507.45	
Labor union and employee education costs	126,599,772.61	31,143,701.49	19,414,458.25	138,329,015.85
Total	712,899,531.56	907,242,592.81	1,042,404,139.33	577,737,985.04

(3) Post-employment benefit — defined contribution plans

Item	31 December 2021	Increase	Decrease	31 December 2022
Basic pension	57,048.64	70,592,072.84	70,645,219.08	3,902.40
Unemployment insurance	3,116.64	2,820,354.02	2,823,373.16	97.50
Enterprise annuity insurance	54,760,665.81	80,761,113.34	58,941,073.69	76,580,705.46
Total	54,820,831.09	154,173,540.20	132,409,665.93	76,584,705.36

Note: The Company and the domestic subsidiaries make contributions to basic pension insurance (the “Pension Insurance Plan”) in accordance with the relevant regulations of the local government. The subsidiaries of the Company in Hong Kong such as Central China International Financial Holdings Company Limited make contributions to the Mandatory Provident Fund (the “MPF Plan”) in accordance with the Mandatory Provident Fund Schemes Ordinance of Hong Kong. The Company and the domestic subsidiaries have established the enterprise annuity plans (the “Enterprise Annuity Plans”) in accordance with the relevant policies of the domestic enterprise annuity system.

As of 31 December, 2022, under the pension insurance plan and MPF plan, the Group has not had any relevant forfeiture of contributions. Under the enterprise annuity plan, the Group retains the confiscated contributions in the enterprise annuity public account in accordance with the domestic enterprise annuity policy and the Group’s enterprise annuity management system, which will be enjoyed by employees who are still in the enterprise annuity plan, forfeited contributions will not be used to offset future contributions and will not reduce current and future contribution levels.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Taxes payable

Item	31 December 2022	31 December 2021
Enterprise income tax	81,116,239.86	54,615,252.06
Individual income tax	29,335,285.74	53,853,381.05
Value added tax	610,157.53	10,754,713.60
Urban maintenance and construction tax	179,072.05	988,889.28
Educational surcharge	225,803.55	730,725.07
Property tax	351,513.35	378,945.02
Land holding tax	59,963.70	59,419.92
Others	20,797.23	239,633.74
Total	111,898,833.01	121,620,959.74

30. Accounts payable

Item	31 December 2022	31 December 2021
Open-end fund liquidation	225,940,819.53	107,259,863.08
Securities liquidation	1,472,375.60	1,618,809.53
Bank custody fee	5,745,021.73	5,298,606.20
Others	4,369,445.76	29,416,941.71
Total	237,527,662.62	143,594,220.52

Note: Accounts payable mainly include open-ended fund clearing accounts payable and securities clearing accounts payable, which are normally settled as required. Considering the nature of related businesses, the Group believes that aging analysis is not of further significance, and therefore does not disclose aging analysis.

31. Contract liabilities

Item	31 December 2022	31 December 2021
Fee and commission advances	2,688,727.83	6,321,674.96
Trade advances	3,178,127.79	550,458.72
Total	5,866,855.62	6,872,133.68

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable

Item	Face value (10K)	Start Date	Maturity	Issuing amount	Coupon rate	31 December 2021	Increase	Decrease	31 December 2022
						book balance			book balance
20 Central China C1 (Note 1)	150,000	23 April 2020	3 years	150,000	4.08%	1,542,420,821.95	18,779,178.05	1,561,200,000.00	
21 Central China 01 (Note 2)	100,000	5 March 2021	3 years	100,000	4.03%	1,032,608,330.62	40,625,885.55	40,300,000.00	1,032,934,216.17
21 Central China C1 (Note 3)	110,000	22 October 2021	3 years	110,000	4.70%	1,110,196,388.84	51,699,999.98	51,700,000.00	1,110,196,388.82
22 Central China 01 (Note 4)	200,000	24 February 2022	3 years	200,000	3.20%		2,053,813,706.99		2,053,813,706.99
22 Central China C1 (Note 5)	50,000	17 October 2022	3 years	50,000	3.30%		503,435,616.43		503,435,616.43
WENDING ZHONGYUAN (Note 6)	10,000 (US dollar)	22 March 2022	3 years	10,000 (US dollar)	4.00%		711,316,200.32	46,905,120.00	664,411,080.32
Total						3,685,225,541.41	3,379,670,587.32	1,700,105,120.00	5,364,791,008.73

Note 1: According to the resolution of the company's the first extraordinary general 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 no more than RMB3 billion to qualified investors. On 22 April, 2020, the company issued RMB1.5 billion of bonds with a maturity of 3 years and a coupon rate of 4.08%.

Note 2: According to the resolution of the company's 2015 third extraordinary general 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" (Zheng Jian Xu Ke [2019] No. 326). The company is allowed to publicly issue corporate bonds with a total par value of no more than RMB3 billion to qualified investors. On 4 March, 2021, the company issued RMB1 billion of bonds with a maturity of 3 years and a coupon rate of 4.03%.

Note 3: According to the resolution of the company's the first extraordinary general 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. According to the requirements of the notice of the Shanghai Stock Exchange, the effective date of the Shanghai Stock Exchange letter was extended from March 2021 to December 2021. On 21 October, 2021, the company issued the first subordinated bonds of RMB1.1 billion with a term of 3 years and a coupon rate of 4.70%.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (continued)

Note 4: According to the resolution of the first Interim General Meeting of shareholders of the company in 2019, the China Securities Regulatory Commission "Reply on The Approving the Registration of Central China securities Co., Ltd.'s Public Issuance of Corporate Bonds to professional Investors" (Zheng Jian Xu Ke [2022] No. 39). The company is allowed to publicly issue corporate bonds with a total par value of no more than RMB3 billion to professional investors. On 23 February, 2022, the company issued RMB2 billion of bonds with a maturity of 3 years and a coupon rate of 3.20%.

Note 5: According to the resolution of the first Interim General Meeting of shareholders of the company in 2019, the China Securities Regulatory Commission "Reply on The Approving the Registration of Central China securities Co., Ltd.'s Public Issuance of Corporate Subordinated Bonds to professional Investors" (Zheng Jian Xu Ke [2022] No. 2213), the company can public issue subordinated bonds with a total amount of no more than RMB4 billion to qualified investors. On 14 October, 2022, the company issued RMB0.5 billion of bonds with a maturity of 3 years and a coupon rate of 3.30%.

Note 6: After the Tenth Meeting of the Sixth Board of Directors and the first extraordinary general meeting in 2019 deliberated and approved the "Proposal on the General Authorization of the company to Issue Domestic and Foreign Debt Financing Instruments", Wending Zhongyuan Company Limited, a subsidiary of the company, issued USD100 million bonds with a coupon rate of 4% on March 22, 2022. The company provides joint and several liability guarantees.

33. Lease liabilities

Item	31 December 2022	31 December 2021
Lease liabilities	192,051,033.00	157,162,685.95
Including: less than 1 year	71,635,265.19	62,127,455.74
Total	192,051,033.00	157,162,685.95

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.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Provisions

Item	31 December 2022	31 December 2021
Pending litigation	1,186,481.49	
Total	1,186,481.49	

35. Other liabilities

(1) Details

Item	31 December 2022	31 December 2021
Other payables	345,541,387.79	208,850,990.00
Receipts in advance	20,957,634.77	139,877,623.23
Futures risk reserve	31,682,059.19	28,591,019.48
Investor protection fund	6,691,035.38	22,289,893.73
Others	1,590,141.72	2,349,825.03
Total	406,462,258.85	401,959,351.47

(2) Other payables

Item	31 December 2022	31 December 2021
Equity transfer payables	111,658,750.00	102,200,000.00
Warranty deposit (note 1)	26,335,040.00	1,782,900.00
Withholding supervision fees, rent, utilities, etc.	36,469,012.45	23,622,382.40
Temporary receipts	47,565,295.31	40,075,920.00
Others	123,513,290.03	41,169,787.60
Total	345,541,387.79	208,850,990.00

Note 1: The book value of the pledged bulk commodity inventory set by the Company's subsidiaries for warehouse receipt pledge financing business is RMB32,918,800.00, and the book value of the pledged bulk commodity inventory set for after-sales repurchase financing business is RMB0.00.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Other 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	31 December 2021	Issued	Bonus shares	Increase/decrease Shares transferred from reserves	Other	Subtotal	31 December 2022
Total share capital	4,642,884,700.00						4,642,884,700.00

37. Capital reserve

Item	31 December 2021	Increase	Decrease	31 December 2022
Premium on share capital	6,575,163,079.07	253,331.93		6,575,416,411.00
Other capital reserves	-273,302,495.61	8,862,094.93	6,042,549.02	-270,482,949.70
Total	6,301,860,583.46	9,115,426.86	6,042,549.02	6,304,933,461.30

Note: The change in capital reserve — equity premium in the current period was formed by the acquisition of minority shareholders' equity in subsidiaries; Capital reserves — Changes in other capital reserves are formed by the passive dilution of shareholding ratios under the equity method and the transfer of associated enterprises in the current year.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Other comprehensive income

Item	31 December 2021	Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Current Amount		Attributable to the parent company after tax	Attributable to minority shareholder after tax	31 December 2022
				Less: Income tax	Total			
OCI to be reclassified subsequently to profit or loss	-872,349.97	56,016,375.16	-9,009,357.64	1,230,138.10	63,795,594.70	63,795,594.70		62,923,244.73
Including: the change of the fair value of FVTOCI	-52,109,440.25	-9,970,754.92	-24,792,728.65	3,705,493.43	11,116,480.30	11,116,480.30		-40,992,959.95
Credit impairment allowance of FVTOCI	52,564,254.49	5,881,949.68	15,783,371.01	-2,475,355.33	-7,426,066.00	-7,426,066.00		45,138,188.49
Other comprehensive income convertible to profit or loss under the equity method	27,268.98	5,660,343.77			5,660,343.77	5,660,343.77		5,687,612.75
Difference by foreign currency	-1,354,433.19	54,444,836.63			54,444,836.63	54,444,836.63		53,090,403.44
Total	-872,349.97	56,016,375.16	-9,009,357.64	1,230,138.10	63,795,594.70	63,795,594.70		62,923,244.73

39. Surplus reserve

Item	31 December 2021	Increase	Decrease	31 December 2022
Statutory reserve	710,623,037.43	22,665,558.36		733,288,595.79
Discretionary reserve	197,889,392.82	11,332,779.18		209,222,172.00
Total	908,512,430.25	33,998,337.54		942,510,767.79

40. General risk reserve

Item	31 December 2021	Increase	Decrease	31 December 2022
The funds for general risk provision	828,376,620.75	36,407,346.43		864,783,967.18
The funds for transactional risk provision	705,869,235.33	22,665,558.36		728,534,793.69
Total	1,534,245,856.08	59,072,904.79		1,593,318,760.87

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.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Retained earnings

Item	FY 2022	FY 2021
Retained earnings at the closing of prior year	295,251,945.46	102,780,913.15
Adjusted		
Retained earnings at the beginning of the period	295,251,945.46	102,780,913.15
Add: Net profit attributable to owners of the parent company	106,577,985.92	513,210,337.25
Less: Statutory reserve	22,665,558.36	46,769,454.97
Discretionary reserve	11,332,779.18	23,384,727.49
General risk reserve	36,407,346.43	64,831,637.09
Transaction risk reserve	22,665,558.36	46,769,454.97
Distribution of common stock dividends	97,500,578.70	157,858,079.80
Others		18,874,049.38
Balance at the end of current period	211,258,110.35	295,251,945.46

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Net interest income

Item	FY 2022	FY 2021
Interest income	854,861,787.59	1,017,022,199.16
Including: Interest income from bank balances and clearing settlement funds	247,758,004.50	244,851,893.64
Interest income on margin accounts receivable	496,076,642.91	540,699,231.26
Interest income from financial assets held under resale agreements	79,682,367.56	80,633,423.43
Including: Interest income from agreed repurchase	621,221.55	923,065.44
Interest income from stock-pledged repurchase	76,369,233.23	71,017,634.31
Interest income from financial assets measured at amortized cost		4,700,029.38
Interest income from financial assets at fair value through other comprehensive income	31,344,772.62	71,303,021.58
Interest income from loan		74,834,346.84
Others		253.03
Interest expenses	723,328,184.38	878,674,689.37
Including: Interest expenses of loans	4,338,969.73	16,824,922.61
Interest expenses of short-term financing instruments payable	70,320,887.42	124,439,414.26
Interest expenses of due to banks and other financial institutions	12,314,160.72	60,198,833.27
Including: Interest expenses of refinancing interest	5,644,777.42	29,744,335.78
Interest expenses of financial assets sold under repurchase agreements	235,233,617.43	314,223,872.18
Interest expenses of accounts payable to brokerage clients	41,661,052.99	40,063,204.19
Interest expenses of bonds payable	335,902,240.81	301,919,366.87
Including: Interest expenses of subordinated bonds	157,254,212.94	147,031,829.42
Interest expenses of bond lending	8,498,252.03	10,271,094.68
Others	15,059,003.25	10,733,981.31
Net interest income	131,533,603.21	138,347,509.79

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Net fee and commission income

(1) Details

Item	FY 2022	FY 2021
Securities brokerage services net income	522,901,739.60	722,184,615.47
— Securities brokerage services income	701,836,561.84	938,102,542.89
— Funds received as agent of stock exchange	678,748,228.99	873,331,959.37
Leasing of trading unit seats	167,918.24	185,702.18
Sales agent of financial products	22,661,090.31	64,487,543.89
— Securities brokerage services expenses	178,934,822.24	215,917,927.42
— Funds received as agent of stock exchange	178,877,235.76	215,830,631.47
Sales agent of financial products	17,943.10	55,091.74
Futures brokerage business net income	108,870,025.05	123,551,409.22
— Futures brokerage business income	172,672,045.91	186,802,331.83
— Futures brokerage business expenses	63,802,020.86	63,250,922.61
Investment bank business net income	267,706,018.37	635,907,867.58
— Investment bank business income	270,726,080.40	644,656,912.82
— Securities underwriting business	219,903,702.77	577,416,845.10
Sponsor business of securities	13,561,958.99	21,642,673.67
Financial advisory business	37,260,418.64	45,597,394.05
— Investment bank business expenses	3,020,062.03	8,749,045.24
— Securities underwriting business	811,320.75	4,414,185.24
Sponsor business of securities		751,014.78
Financial advisory business	2,208,741.28	3,583,845.22
Asset management business net income	46,818,596.15	37,289,783.89
— Asset management business income	46,893,718.99	37,397,073.12
— Asset management business expenses	75,122.84	107,289.23
Fund management business net income	11,891,278.20	11,940,569.81
— Fund management business income	18,371,220.93	18,940,480.98
— Fund management business expenses	6,479,942.73	6,999,911.17
Investment consulting business net income	54,108,288.84	73,962,961.66
— Investment consulting business income	54,108,288.84	73,962,961.66
— Investment consulting business expenses		
Other fee and commission net income	20,993,987.81	31,971,254.88
— Other fee and commission income	20,993,987.81	31,971,254.88
— Other fee and commission expenses		
Total	1,033,289,934.02	1,636,808,462.51
Including: Total fee and commission income	1,285,601,904.72	1,931,833,558.18
Total fee and commission expenses	252,311,970.70	295,025,095.67

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Net fee and commission income (continued)

(2) Net income from financial advisory business

Item	FY 2022	FY 2021
Net income from mergers and acquisitions financial advisory business — domestic listed company		4,943,396.23
Net income from mergers and acquisitions financial advisory business — others	216,981.13	866,037.73
Others	34,834,696.23	36,204,114.87
Total	35,051,677.36	42,013,548.83

44. Investment income

(1) By categories

Item	FY 2022	FY 2021
Long-term equity investments income calculated by equity method	54,930,970.97	52,636,085.81
Disposal income of long-term equity investment	10,870,645.48	31,527,095.80
Financial instruments investment income	967,876,814.08	504,231,764.71
Including: Income generated during holding period	775,503,941.36	386,332,380.21
Including: Financial assets at fair value through profit or loss	720,142,348.31	833,364,501.56
Financial liabilities at fair value through profit or loss	55,361,593.05	-447,032,121.35
Disposal income of financial instruments	192,372,872.72	117,899,384.50
Including: Financial assets at fair value through profit or loss	112,182,234.06	216,856,716.72
Financial assets at fair value through other comprehensive income	4,205,615.46	8,066,690.95
Derivative financial instruments	39,606,109.45	-84,891,659.76
Financial liabilities at fair value through profit or loss	36,378,913.75	-22,132,363.41
Total	1,033,678,430.53	588,394,946.32

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Investment income (continued)

(2) Detailed statement of financial instruments measured at fair value through profit or loss

Financial instruments measured at fair value through profit or loss		FY 2022
Classified into financial assets measured at fair value through profit or loss	Holding period income	720,142,348.31
	Disposal income	112,182,234.06
Designated as financial assets measured at fair value through profit or loss	Holding period income	
	Disposal income	
Classified into financial liabilities measured at fair value through profit or loss	Holding period income	55,361,593.05
	Disposal income	36,378,913.75
Designated as financial liabilities measured at fair value through profit or loss	Holding period income	
	Disposal income	

45. Gains on changes in fair value

Item	FY 2022	FY 2021
Financial assets at fair value through profit or loss	-455,127,950.94	480,105,778.89
Including: Designated as financial assets measured at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	-1,964,608.52	6,097,092.65
Including: Designated as financial liabilities measured at fair value through profit or loss		
Derivative financial instruments	15,867,980.32	3,283,109.56
Total	-441,224,579.14	489,485,981.10

46. Other operating income

Item	FY 2022	FY 2021
Commodity sales income	88,316,516.11	1,542,937,699.11
Penalty interest income from stock pledge business	2,733,349.32	8,452,385.62
Rental income	2,628,818.81	2,702,045.88
Others	2,533,904.05	2,940,760.91
Total	96,212,588.29	1,557,032,891.52

47. Gains from assets disposal

Item	FY 2022	FY 2021
Non-current asset disposal income	-125,883.14	69,744.36
Including: Fixed asset disposal income	23,824.97	69,744.36
Right of use asset disposal income	-149,708.11	
Total	-125,883.14	69,744.36

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Other income

(1) Detail of other income

Item	FY 2022	FY 2021
Government grants	25,965,466.55	9,130,585.76
Total	25,965,466.55	9,130,585.76

(2) Description of major government grants included in other income

- ① According to the Opinions on Financial Support for Economic Development during the “14th Five Year Plan” Period in Pudong (Pufugui [2021] No. 7), the company received the support fund for promoting the development of the financial industry allocated by the Shanghai Pudong New Area Finance Bureau in 2022, which was included in other income in accordance with the relevant provisions of accounting standards, with an amount of RMB10,610,000.00.
- ② According to the notice of “Ministry of Finance, the State of Administration of Taxation, and the People’s Bank of China on Further Strengthening the management of Withholding and collection of tax fees”. (Cai hang [2019] No. 11), in 2022, the Company and its subsidiaries received a “San Dai” tax services fee return of RMB3,278,551.32, which was included in other income according to the relevant provisions of accounting standards.
- ③ According to the document “Financial Support Measures for Promoting the Development of the Financial Industry during the 14th Five Year Plan Period in Pudong New Area” (Puhu Finance [2022] No. 2), the subsidiaries of the company received the support funds for promoting the development of the financial industry allocated by the Finance Bureau in 2022, and in accordance with the relevant provisions of accounting standards, other income was included, with an amount of RMB2,663,000.00.



Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Other income (continued)

(2) Description of major government grants included in other income (continued)

- ④ According to the Notice of the Ministry of Human Resources and Social Security, the Ministry of Finance, the National Development and Reform Commission, and the Ministry of Industry and Information Technology on Unemployment Insurance to Support Enterprises to Stabilize Jobs (Ren She Bu Fa [2019] No. 23), the Company and its subsidiaries received RMB2,421,384.40 of job stabilization subsidy, which was included in other income in accordance with the relevant provisions of accounting standards.
- ⑤ According to the document “Several Policies for Supporting the Listing and Development of Enterprises in Xi’an High-tech Zone”, the company completed the IPO project on July 15, 2021 and successfully listed on the Growth Enterprise Board of the Shenzhen Stock Exchange, and won the corresponding awards of the “Notice of the Administrative Committee of Xi’an High-tech Zone on the Implementation of the Three Preferential Policies for Entrepreneurship in 2020 (Second and Third Batches) and Industrial (First Batch) Applications”, The amount of RMB1,886,792.45 was included in other income in accordance with the relevant provisions of accounting standards.
- ⑥ According to the document of the 42nd Meeting of the Hong Kong Government Ease of Business Advisory Committee, the company’s subsidiary received Employment Support Scheme of RMB1,023,128.83, which was included in other income in accordance with the relevant provisions of accounting standards.
- ⑦ According to the Notice of the General Office of Qingdao Municipal People’s Government on Further Promoting the Development Policies and Measures of Qingdao Wealth Management Financial Comprehensive Reform Pilot Zone (Qingdao Municipal Government Office Fa [2018] No. 18), the Company received housing subsidies of RMB569,000.00, which were included in other income in accordance with the relevant provisions of accounting standards.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Other income (continued)

(2) Description of major government grants included in other income (continued)

- ⑧ According to the “Opinions of the Administrative Committee of Zhengzhou High-tech Industrial Development Zone on Accelerating the Construction of the Science and Technology Financial Service System” (Zheng kai guan [2017] No. 23), the subsidiaries of the Company received investment subsidy of RMB450,000.00 and RMB520,000.00 from investment institutions in 2022, and included other income in accordance with the relevant provisions of accounting standards.
- ⑨ According to the document “Henan Provincial Department of Finance Henan Provincial Local Financial Supervision Administration on Allocating 2021 Provincial Financial Industry Development Special Award Supplementary Funds” (Yu Cai Jin [2022] No. 33), the Company received the provincial financial industry development bonus funds of RMB500,000.00 from the Henan Provincial Local Financial Supervision Bureau in 2022, which were included in other income in accordance with the relevant provisions of accounting standards.

49. Taxes and surcharges

Item	FY 2022	FY 2021
City maintenance and construction tax	6,193,168.16	10,244,658.25
Educational surcharges	4,545,936.51	7,829,214.10
Others	2,861,447.28	3,957,274.01
Total	13,600,551.95	22,031,146.36

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Business and administrative expenses

Item	FY 2022	FY 2021
Employee benefits	1,061,733,448.91	1,349,961,988.05
Depreciation of right-of-use assets	74,811,823.29	76,100,281.34
Electronic equipment operating fees	55,027,567.68	41,221,527.48
Amortization of intangible assets	48,234,590.19	37,932,085.40
Advertising fees	33,319,111.26	29,340,249.64
Depreciation of fixed assets	31,248,317.61	29,057,276.13
Consulting fees	28,642,440.32	20,722,753.66
Communication fees	17,612,293.41	18,820,477.38
Member fees	16,208,317.66	16,213,352.81
Amortization of long-term deferred expenses	15,322,983.11	12,574,654.30
Business entertainment expenses	11,376,971.26	14,715,810.11
Securities investors protection funds	10,737,016.77	37,707,679.54
Intermediary service fees	9,669,439.23	17,893,421.01
Water and electricity fees	9,408,197.84	6,655,359.64
Others	84,279,181.17	95,045,585.58
Total	1,507,631,699.71	1,803,962,502.07

Note: The business and administrative expenses for 2022 include audit fees of RMB3,124,870.49, which including audit services of RMB2,545,625.22 and other non-audit service fees of RMB579,245.27.

51. Expected credit losses

Item	FY 2022	FY 2021
Provision for bad debts	10,462,696.92	35,547,143.66
Provision for impairment of financial assets at amortized costs	39,552,477.88	159,497,764.32
Provision for impairment of financial assets at fair value through other comprehensive income	14,880,690.68	-889,287.16
Loan loss provision		11,479,740.61
Entrusted loan loss provision	-428,183.66	-7,853,390.40
Provision for impairment of margin accounts receivable	-3,844,911.26	1,532,974.86
Provision for impairment of financial assets held under resale agreements	85,222,627.13	174,598,287.50
Total	145,845,397.69	373,913,233.39

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Other assets impairment losses

Item	FY 2022	FY 2021
Provision for impairment of inventory	373,420.17	2,483,593.75
Impairment losses of long-term equity investments	8,756,765.34	268,789.24
Impairment losses of goodwill	1,974,839.70	
Total	11,105,025.21	2,752,382.99

53. Other operating costs

Item	FY 2022	FY 2021
Costs of commodity sold	86,300,377.27	1,506,521,199.17
Investment property depreciation	855,817.42	807,981.73
Others	159,064.88	327,971.52
Total	87,315,259.57	1,507,657,152.42

54. Non-operating income

(1) Details

Item	FY 2022	FY 2021	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	33,770.16	36,033.78	33,770.16
Government grants	600,000.00	3,702,933.31	600,000.00
Others	473,425.15	14,997,414.63	473,425.15
Total	1,107,195.31	18,736,381.72	1,107,195.31

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Non-operating income (continued)

(2) Notes of major government grants included in non-operating income

- a) According to the “Minutes of the Executive Meeting of the People’s Government of Baofeng County” ([2017] No. 17), the Company received a bonus of RMB400,000.00 from business settled, which was included in the non-operating income in accordance with the relevant provisions of accounting standards.
- b) According to the “Interim Measures for the Management of Special Funds to Support the Development of the Financial Services Industry in Hainan Province” (Qiong Jin Ban [2016] No. 44), the Company received government subsidies of RMB200,000.00, which were included in non-operating income in accordance with the relevant provisions of accounting standards.

55. Non-operating expenses

Item	FY 2022	FY 2021	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	1,207,284.57	1,611,982.80	1,207,284.57
Donations and sponsorship expenditures	110,110.00	8,096,459.00	110,110.00
Others	2,139,462.17	1,344,658.66	2,139,462.17
Total	3,456,856.74	11,053,100.46	3,456,856.74

56. Income tax expenses

(1) Income tax expenses

Item	FY 2022	FY 2021
Current income tax expenses	100,319,857.30	196,135,407.28
Deferred income tax expenses	-94,764,681.88	-28,939,914.57
Total	5,555,175.42	167,195,492.71

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Income tax expenses (continued)

(2) Reconciliation of accounting profit to income tax expenses

Item	FY 2022
Profit before tax	113,199,663.56
Tax at the applicable tax rate	28,299,915.89
Effect of different tax rates applicable to subsidiaries	13,626,201.24
Effect of prior income tax reconciliation	-139,752.70
Effect of non-taxable incomes	-89,349,265.57
Effect of non-deductible costs, expenses and losses	16,218,168.40
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	34,690,174.89
Others	2,209,733.27
Income tax expenses	5,555,175.42

57. Earnings per share

Item	FY 2022	FY 2021
Net profit attributable to owners of the parent company	106,577,985.92	513,210,337.25
Non-recurring net profit and loss attributable to owners of the parent company	16,343,562.57	22,855,326.04
Net profit attributable to owners of the parent company after deducting non-recurring gains and losses	90,234,423.35	490,355,011.21
Weighted average number of ordinary shares outstanding	4,642,884,700.00	4,642,884,700.00
Basic earnings per share	0.02	0.11
Basic earnings per share after deducting non-recurring gains and losses	0.02	0.11

As of 31 December, 2022 and 31 December, 2021, the Company had no potential dilutive ordinary shares, thus diluted earnings per share are the same as basic earnings per share.

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Items of the cash flow statement

(1) Other cash received/payments related to operating/financing activities

1) Other cash received related to operating activities

Item	FY 2022	FY 2021
Liquidation	118,534,522.52	55,257,502.41
Government grants	26,565,466.55	27,830,933.70
Other operating income	96,212,588.29	1,557,032,891.52
Loans		74,834,346.84
Inventory changes		178,645,534.01
Increase in margin receivables		53,487,692.74
Others	7,483,087.50	69,520,464.33
Total	248,795,664.86	2,016,609,365.55

2) Other cash payments related to operating activities

Item	FY 2022	FY 2021
Inventory changes	24,626,403.43	
Increase in refundable deposits	137,692,057.07	57,378,977.09
Payment of business and administrative expenses	276,280,536.60	298,336,216.86
Other operating costs	86,459,442.15	1,506,849,169.72
Others	17,349,267.61	123,680,796.68
Total	542,407,706.86	1,986,245,160.35

3) Other cash payments related to financing activities

Item	FY 2022	FY 2021
Cash payments for acquiring minority shareholders' equity	119,406,443.50	
Cash payments to repay lease liabilities	78,471,502.60	78,788,455.53
Others	4,577,718.07	94,840,433.19
Total	202,455,664.17	173,628,888.72

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Supplementary information on consolidated cash flow statement

(1) Supplementary information on consolidated cash flow statement

Item	FY 2022	FY 2021
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	107,644,488.14	551,019,869.28
Add: Expected credit losses	145,845,397.69	373,913,233.39
Provision for impairment of other assets	11,105,025.21	2,752,382.99
Depreciation of investment properties and fixed assets	32,104,135.03	29,865,257.86
Right-of-use assets depreciation	74,811,823.29	76,100,281.34
Amortization of intangible assets	48,234,590.19	37,932,085.40
Amortization of long-term prepaid expenses	15,322,983.11	12,574,654.30
Losses on disposal of fixed assets, intangible assets and other long-term assets (or revenue: "-")	1,299,397.55	1,506,204.66
Gains and losses on changes in fair value (or revenue: "-")	441,224,579.14	-489,485,981.10
Interest expenses	410,562,097.96	443,183,703.74
Exchange losses (or revenue: "-")	-1,717,698.80	-1,578,376.60
Investment losses (or revenue: "-")	-101,352,004.53	-168,232,923.52
Decrease in deferred income tax assets (or increase: "-")	-92,149,488.45	-53,461,717.88
Increase in deferred income tax liabilities (or decrease: "-")	-2,615,193.43	24,521,803.31
Decrease of operating receivables (or increase: "-")	1,211,090,486.89	-1,601,883,580.40
Increase of operating payables (or decrease "-")	-298,911,765.89	-195,140,806.06
Net cash flow from operating activities	2,002,498,853.10	-956,413,909.29
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	13,297,323,968.54	14,870,067,135.88
Less: Opening balance of cash	14,870,067,135.88	13,312,322,291.24
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash equivalent and cash	-1,572,743,167.34	1,557,744,844.64

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Supplementary information on consolidated cash flow statement (continued)

(2) Cash and cash equivalents

Item	31 December 2022	31 December 2021
Cash	13,297,323,968.54	14,870,067,135.88
Including: Cash on hand	179,929.41	98,430.36
Bank deposits available for payment	10,173,467,914.93	12,224,208,660.72
Other cash	9,334,601.14	88,602,006.84
Clearing settlement funds	3,114,341,523.06	2,557,158,037.96
Cash equivalents		
Including: bond investment maturing within three months		
Cash and cash equivalents at the end of the period	13,297,323,968.54	14,870,067,135.88

60. Assets with restricted ownership or use rights

Item	Book value as of 31 December 2022	Reasons
Cash and bank balances	21,055,406.26	Risk reserve account for asset management business
	3,247,000.00	Frozen
	10,173,896,637.48	Pledged for repurchase financing, pledged for bond lending
Financial assets at fair value through profit or loss	80,255,898.32	Bonds default
	18,849,600.00	Restricted by bulk trading
	15,997,699.65	Securities lending
	1,196,100.00	Unexpired underlying entrust asset
Financial assets at fair value through other comprehensive income	1,637,269,341.98	Pledge for repurchase financing
	59,950,235.37	Pledge for transition business

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. 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	48.00	3.00	1.00
Number of customers at the end of the period	46,529.00	3.00	2.00
Including: individual customers	46,487.00	1.00	
Institutional clients	42.00	2.00	2.00
Entrusted funds at the beginning of the period	5,631,365,502.34	2,256,105,150.42	451,888,652.41
Including: Own capital investment	10,000,149.71		279,614,073.61
Individual clients	2,583,062,017.22		
Institutional clients	3,038,303,335.41	2,256,105,150.42	172,274,578.80
Entrusted funds at the end of the period	8,392,107,231.89	222,738,267.42	269,934,501.79
Including: Own capital investment	2,000,000.00		181,102,364.01
Individual clients	5,975,185,942.02	10,000,000.00	
Institutional clients	2,414,921,289.87	212,738,267.42	88,832,137.78
Initial cost of main entrusted assets at the end of the period	9,334,171,862.02	171,451,608.54	240,712,267.56
Including: Stocks		17,266,136.94	
Other bonds	6,486,917,169.09	142,391,915.78	
Funds	3,591,308.32	2,842,026.53	72,267.56
Trust plans	2,385,500,000.00		
Others	458,163,384.61	8,951,529.29	240,640,000.00
Net income of asset management business in the current period	41,988,403.68	4,822,431.22	7,761.25

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Foreign currency

Item	Amount of original currency as of 31 December 2022	Exchange rate	RMB amount as of 31 December 2022
Cash and bank balances			217,704,711.34
Including: USD	12,656,950.93	6.9646	88,150,632.44
EUR	120,909.42	7.4229	897,499.02
HKD	143,765,741.82	0.8933	128,421,624.23
CAD	760.04	5.1385	3,905.47
AUD	47,232.49	4.7138	222,644.68
JPY	155,295.00	0.0524	8,130.40
THB	0.15	0.2014	0.03
GBP	32.77	8.3941	275.07
Clearing settlement funds			13,627,430.23
Including: USD	1,147,058.13	6.9646	7,988,801.84
HKD	5,882,638.86	0.8933	5,254,784.80
MYR	3,067.14	1.5772	4,837.39
EUR	51,059.02	7.4229	379,006.20
Refundable deposits			934,157.00
Including: USD	70,000.00	6.9646	487,522.00
HKD	500,000.00	0.8933	446,635.00
Accounts receivable			14,439,258.08
Including: HKD	14,820,987.19	0.8933	13,239,143.23
USD	171,828.92	6.9646	1,196,719.70
JPY	64,845.00	0.0524	3,395.15
Other receivables			6,864,736.68
Including: HKD	6,905,276.26	0.8933	6,168,276.12
USD	100,000.08	6.9646	696,460.56
Accounts payable to brokerage clients			134,246,191.93
Including: USD	8,729,374.22	6.9646	60,796,599.69
HKD	82,217,900.09	0.8933	73,442,783.61
JPY	130,040.00	0.0524	6,808.63
Short-term loans			58,062,550.00
Including: HKD	65,000,000.00	0.8933	58,062,550.00
Accounts payable			456,042.83
Including: HKD	510,531.90	0.8933	456,042.83
Other payables			117,031,544.59
Including: USD	131,014,748.72	0.8933	117,031,544.59
Bond payables			664,411,080.32
Including: USD	95,398,272.16	6.9646	664,411,080.32
Financial assets sold under repurchase agreements			238,125,757.20
Including: USD	32,256,982.74	6.9646	224,657,074.65
HKD	15,077,952.41	0.8933	13,468,682.55

Notes to the Financial Statements

for the Year of 2022

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Overseas business entities

The consolidated statements of the Company from January 2022 to December 2022 include overseas subsidiaries such as Central China International Financial Holdings Co., Ltd., 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., and Wending Zhongyuan Co., Ltd. The assets and liabilities in the foreign currency balance sheet are exchanged at the spot exchange rate on the balance sheet date (HKD1: RMB0.893270); 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 HKD1: RMB0.858906). 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 CONSOLIDATION

1. Other reason for changes in the scope of consolidation

As of December 31, 2022, a subsidiary of the Company holding share of the Central China Futures Tianyuan No. 1 Collective Asset Management plan was 0, which is no longer included in the consolidation scope.

Notes to the Financial Statements

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VIII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Composition of enterprise groups

Name of subsidiary	Company type	Main places of business	Places of registration	Business nature	Registered capital	Shareholding ratio (%)		Method of acquisition
						Direct	Indirect	
Central China Futures Co., Ltd.	Corporation	Zhengzhou	Zhengzhou	Futures brokerage	RMB 330M	51.36		Acquisition
Yuxin Investment Management (Shanghai) Co., Ltd.	Ltd	Zhengzhou	Shanghai	Investment management	RMB 130M		51.36	Investment establishment
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Ltd	Zhengzhou	Beijing	Private equity investment fund management	RMB 680M	100.00		Investment establishment
Henan Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.	Ltd	Zhengzhou	Luoyang	Equity investment management	RMB 100M		60.00	Investment establishment
Central China Blue Ocean Investment Management Co., Ltd.	Ltd	Zhengzhou	Xuchang	Alternative investment	RMB 3,500M	100.00		Investment establishment
Central China Equity Exchange Co., Ltd.	Corporation	Zhengzhou	Zhengzhou	Regional equity market	RMB 350M	36.00		Investment establishment
Central China International Financial Holdings Co., Ltd.	Ltd	Hong Kong	Hong Kong	Holding company	HKD 1,800M	100.00		Investment establishment
Central China International Holdings Co., Ltd.	Ltd	Hong Kong	British Virgin Islands	Holding company	USD 50,000		100.00	Investment establishment
Central China International Financial Group Ltd.	Ltd	Hong Kong	Cayman Islands	Holding company	HKD 1,000M		100.00	Investment establishment
Central China Financing International Co., Ltd.	Ltd	Hong Kong	Hong Kong	Investment bank	HKD 30M		100.00	Acquisition
Central China International Securities Co., Ltd.	Ltd	Hong Kong	Hong Kong	Securities business	HKD 600M		100.00	Investment establishment
Central China International Investment Co., Ltd.	Ltd	Hong Kong	Hong Kong	Proprietary investment	HKD 10M		100.00	Investment establishment
Central China International Futures Co., Ltd.	Ltd	Hong Kong	Hong Kong	Futures brokerage	HKD 20M		100.00	Investment establishment
Wending Zhongyuan Co., Ltd.	Ltd	Hong Kong	British Virgin Islands	Bond issuing entity	USD 1		100.00	Investment establishment

Notes to the Financial Statements

for the Year of 2022

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (continued)

(1) Composition of enterprise groups (continued)

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 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 31 December, 2022, as the executive 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.

As of 31 December, 2022, 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 31 December 2022		Direct/Indirect Investment
			(%)	
Henan Central China Science and Innovation Venture Capital Fund	500,000,000.00	50.00		Indirect
Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership)	110,000,000.00	15.27		Indirect
Henan Kaiyuan Yucai Agricultural Venture Capital Fund (Limited Partnership)	100,000,000.00	20.40		Indirect
Anyang Purun High-Tech Industry Investment Fund (Limited Partnership)	100,000,000.00	13.20		Indirect

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VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (continued)

(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	7,978,528.43		224,719,216.26	
Central China Equity Exchange Co., Ltd.	64.00	-21,135,188.91	8,050,400.00	253,708,254.68	

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 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 period	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	2,361,620,921.95	447,148,455.38
Total liabilities	1,909,782,327.82	48,450,179.90
Operating income	211,843,309.54	-28,047,299.34
Net profit	16,402,212.92	-33,023,732.67
Total comprehensive income	16,402,212.92	-33,023,732.67
Cash flow from operating activities	-19,460,399.59	2,644,357.48

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for the Year of 2022

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (continued)

(3) Main financial information of important non-wholly owned subsidiaries (continued)

Item	Opening balance/Previous period	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	1,998,238,078.41	510,565,352.87
Total liabilities	1,562,801,697.20	65,892,944.72
Operating income	1,620,634,370.08	165,888,004.18
Net profit	19,894,829.97	113,491,510.58
Total comprehensive income	19,894,829.97	113,491,510.58
Cash flow from operating activities	484,808,176.84	-27,355,490.17

2. Rights and interests in joint ventures and associates

(1) Important joint ventures or associates

The name of the joint venture or associated enterprise	Main places of business	Places of registration	Business nature	Shareholding ratio (%)		Accounting policies
				Direct	Indirect	
Henan Asset Management Co., Ltd	Zhengzhou	Zhengzhou	Other financial industries		10.00	Equity method

a) Basis for holding less than 20% of the voting rights but having significant impact

Central China Blue Ocean Investment Management Co., Ltd. 10% of the shares of Henan Asset Management Co., Ltd., and has a significant impact by sending a director to Henan Asset Management Co., Ltd.

Notes to the Financial Statements

for the Year of 2022

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Rights and interests in joint ventures and associates (continued)

(2) Key financial information of significant associates

Item	Closing balance/current period incurred Henan Asset Management Co., Ltd
Total assets	35,655,890,461.20
Total liabilities	21,271,634,354.05
Minority Shareholders' equity	2,087,256,028.29
Equity attributable to owners of the parent company	12,297,000,078.86
Share of net assets based on shareholding percentage	1,229,700,007.87
Adjustment Item	
— Others	-570,000,000.00
The book value of the equity investment in the associate	659,700,007.87
Operating income	2,607,095,942.98
Net profit attributable to owners of the parent company	546,793,154.51
Net after-tax amount of other comprehensive income attributable to owners of the parent company	56,603,437.64
Total comprehensive income attributable to owners of the parent company	603,396,592.15
Dividends received from associated enterprises in the current period	14,408,397.14

(3) Aggregated financial information for immaterial joint ventures and associates

Item	Closing balance/ current period incurred	Opening balance/ prior-period incurred
The total book value of the investments of the associates	917,859,881.07	1,046,999,875.55
The following items are sums which are calculated according to the proportion of shareholding		
Net profit	-637,762.74	13,776,729.47
Other comprehensive income		
Total comprehensive income	-637,762.74	13,776,729.47

(4) Unconfirmed commitments related to joint venture investment

The Company has no commitments that need to be disclosed.

(5) Contingent liabilities related to investment in joint ventures or associates

The Company has no contingencies that need to be disclosed.

Notes to the Financial Statements

for the Year of 2022

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

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 returns faced by the company are not material or have no rights to the investee, so such structured entities are not consolidated.

As of 31 December, 2022, 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 RMB9,117,249,235.94, the total assets of the single asset management plan are RMB201,228,242.53, the total assets of the special asset management plan are RMB241,937,061.56, and the total assets of the partnership are RMB1,090,041,246.83.

As of 31 December, 2022, the Group's equity in structured entities not included in the scope of consolidated financial statements is classified as trading financial assets, financial assets measured at amortized cost, and management fees and commissions receivable included in accounts receivable. The relevant book value and maximum risk exposure are as follows:

Items	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss	2,061,288,154.32	2,173,401,808.84
Financial assets measured at amortized cost and receivables	461,286,955.33	490,195,882.80
Total	2,522,575,109.65	2,663,597,691.64



Notes to the Financial Statements

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IX. 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 Managers; (iii) Risk Management Headquarters, Compliance Management Headquarters, Legal Affairs Headquarters and Internal Audit Headquarters; and (iv) Departments, branches and subsidiaries.

Level 1: The Board of Directors and the Board of Supervisors

The Board of Directors is the highest level of the Company's risk management organizational structure and has ultimate responsibility for overall risk management. Promote the construction of the company's risk culture, review and approve the basic system, risk appetite, risk tolerance and major risk limits of the company's comprehensive risk management, review the company's regular risk assessment report, appoint, dismiss and evaluate the chief risk officer, determine his remuneration and treatment, establish a direct communication mechanism with the chief risk officer and other risk management responsibilities stipulated in the company's articles of association. The Board may delegate to its risk management-related professional committees to perform some of its overall risk management responsibilities

The Board of Supervisors assumes the responsibility of supervising overall risk management, supervises and inspects the performance of duties and responsibilities of the board of directors and managers in risk management and urges rectification.

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.

The main responsibilities of risk management of the Risk Control Committee: Review the overall objectives and basic policies of risk management and provide opinions; Review and advise on the institutional set-up of risk management and its responsibilities; Evaluate and advise on the risks of major decisions to be considered by the Board and the resolution of significant risks; Deliberate and comment on risk assessment reports for consideration by the Board; Review the Company's risk management, etc.

The main responsibilities of the Audit Committee for risk management: Audit and evaluate the implementation of risk management by various departments and branches of the company; Discuss the risk management system with management to ensure that management has fulfilled its responsibilities to establish an effective system; On its own initiative or as delegated by the Board of Directors, to study important findings on risk management matters and management's feedback on findings, etc.

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

The main responsibilities of risk management of Managers: Formulate and adjust the company's risk management system in a timely manner; Establish and improve the company's comprehensive risk management structure, clarify the division of responsibilities of the comprehensive risk management functional departments, business departments and other departments in risk management, and establish an effective check and balance and mutual coordination operation mechanism between departments; Formulate specific implementation plans for risk appetite, risk tolerance and major risk limits to ensure their effective implementation; supervise it, analyze the causes in a timely manner, and deal with them in accordance with the authorization of the Board of Directors; Regularly evaluate the company's overall risk and various important risk management status, solve problems in risk management and report to the board of directors; Establish a performance appraisal system covering the effectiveness of risk management; Establish a complete information technology system and data quality control mechanism; Other responsibilities for risk management.

Level 3: Risk Management Headquarters, Compliance Management Headquarters, Legal Affairs 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 Risk Management Headquarters, Compliance Management Headquarters, Legal Affairs Headquarters and Internal Auditing Headquarters work together to manage risks.

The main responsibilities of the Risk Management Headquarters: Assist the company's managers to formulate the basic system of corporate risk management, and assist in promoting the implementation of the risk management system; Assist the company's managers to formulate risk management indicators such as the company's risk appetite, risk tolerance and risk limit, and monitor and report the implementation of the indicators; Lead the risk management of the company's market risk, credit risk, operational risk and reputation risk, monitor, evaluate and report the company's overall risk level, and provide risk management suggestions for business decisions; Establish and improve the company's stress testing mechanism to provide a basis for the company's major decision-making and daily operation adjustment; Assist, guide and inspect the risk management work of various departments, branches and subsidiaries; Other risk management work.

The main responsibilities of the Compliance Management Headquarters: Assist the Chief Compliance Officer to formulate and implement compliance policies, systems and procedures; Track changes in laws, regulations and standards, make management recommendations to the senior management in a timely manner, and supervise relevant departments to evaluate, modify and improve relevant systems and business processes; Conduct compliance review on internal management system, major decisions, new products and new business plans; Provide compliance consulting advice to the Company's management and various branches and subsidiaries, and supervise and inspect the compliance of their business and management activities; Organize compliance training and publicity to cultivate the Company's compliance culture; Organize the implementation of information isolation and conflict of interest prevention management requirements; Assist the Chief Compliance Officer to take the lead in organizing money laundering risk management; Organize the monitoring and management of employees' securities investment behavior and abnormal customer transactions; Organize compliance assessment and accountability to enhance the effectiveness of compliance management; Perform the compliance reporting obligations to the Board of Directors, the Board of Supervisors, senior management, regulatory authorities and self-regulatory organizations as required.



Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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 selection of litigation lawyers, 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.

Internal Auditing Headquarters is responsible for organizing the audit of all departments, business lines, branches and subsidiaries of the Company, and performing the functions of checking, evaluating, reporting and advising on the appropriateness and effectiveness of business activities, internal control and risk management.

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.

As independent risk management responsibility units, each department, branch and subsidiary shall assume risk management responsibilities within the scope of their respective responsibilities, implement specific risk management systems, perform front-line risk management responsibilities, and formulate risk management measures.

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.

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

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 31 December, 2022 and 31 December, 2021, 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 its 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's financial assets at amortized costs projects are carried out through customer loans and entrusted loans. The credit risk management of such projects includes project establishment, due diligence, internal review, investment decision-making, and follow-up management. 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 an 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 a 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 uses 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 receivables. According to the simple method, the Company measures the loss provision based on the expected credit losses of the entire duration.



Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

(1) Expected credit loss measurement (continued)

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 whose credit risk has not increased significantly since 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 considered forward-looking factors and 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.

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.

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

(2) Measuring ECL — inputs, assumptions and estimation techniques

The ECL is 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.
- 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 in the ratio of margin loan to collateral below the 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, 2022, 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.



Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

(4) Definition of credit-impaired assets

The Company considers whether a financial instrument is credit-impaired according to the new financial instrument 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 or stock-pledged repurchase agreements, a forced liquidation of a client's position is 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 difficulty;
- 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.

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

(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, mainly including the business climate index. Using regression analysis, the Company has determined the historical relationship between these economic indicators and default probability, default exposure and default loss rate, and determined the expected default probability, default exposure and default loss rate by predicting future economic indicators.

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-linearities are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 1 January, 2022 and 31 December, 2022, for all portfolios the Company concluded that 3 scenarios appropriately captured the non-linearities 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.

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

(8) Maximum credit risk exposure

The Group's financing business customers have considerable asset quality. Over 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 2022	31 December 2021
Cash and bank balances	1,021,163.00	1,233,203.04
Clearing settlement funds	311,510.47	255,821.91
Margin accounts receivable	701,688.54	814,801.71
Refundable deposits	93,994.59	80,225.61
Accounts receivable	8,768.00	9,805.59
Financial assets held under resale agreements	114,142.80	97,287.01
Financial assets at fair value through profit or loss	1,791,841.98	2,116,797.57
Financial assets measured at amortized cost	19,599.12	26,345.25
Financial assets at fair value through other comprehensive income	228,825.86	97,042.65
Other assets	51,612.35	17,018.40
Total	4,343,146.71	4,748,348.74

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

(9) Credit quality analysis

The credit quality of each financial asset item is as follows as of 31 December, 2022:

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Loans and entrusted loans			2,213.54	2,213.54
Margin accounts receivable	702,854.63	2.48	6,181.17	709,038.28
Financial assets at fair value through other comprehensive income	219,865.20		8,960.66	228,825.86
Financial assets at amortized costs			55,993.82	55,993.82
Financial assets held under resale agreements	112,179.03		48,028.08	160,207.11
Subtotal	1,034,898.86	2.48	121,377.27	1,156,278.61
Less: Provision for impairment	2,917.82	0.05	95,122.85	98,040.72
Total	1,031,981.04	2.43	26,254.42	1,058,237.89

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.

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk (continued)

As of December 31, 2022, the company has obtained comprehensive credit facilities of RMB39 billion from multiple financial institutions.

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	31 December 2022							Total
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	
Short-term loans				6,627.62				6,627.62
Short-term financing instruments payable		49,163.01	66,588.97	301,597.92				417,349.90
Due to banks and other financial institutions		120,043.61	30,381.25					150,424.86
Financial liabilities at fair value through profit or loss					71,858.12		80,696.15	152,554.27
Financial assets sold under repurchase agreements		989,047.52						989,047.52
Accounts payable to brokerage clients	163,122.17	1,021,844.51						1,184,966.68
Bonds payable			11,789.20	8,205.33	554,961.73			574,956.26
Accounts payable							23,752.77	23,752.77
Long-term borrowings								
Other liabilities							35,118.24	35,118.24
Total	163,122.17	2,180,098.65	108,759.42	316,430.87	626,819.85		139,567.16	3,534,798.12

Continued:

Non-derivative financial liabilities	31 December 2021							Total
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	
Short-term loans		24,623.37		1,027.23				25,650.60
Short-term financing instruments payable				397,651.30	305,849.32			703,500.62
Due to banks and other financial institutions		290,267.62						290,267.62
Financial liabilities at fair value through profit or loss		24,930.73			72,186.37			97,117.10
Financial assets sold under repurchase agreements		1,055,323.73						1,055,323.73
Accounts payable to brokerage clients	126,678.38	1,130,501.40						1,257,179.78
Bonds payable			124,518.49	108,766.63	157,997.92			391,283.04
Accounts payable							14,359.42	14,359.42
Long-term borrowings								
Other liabilities							23,114.09	23,114.09
Total	126,678.38	2,525,646.85	124,518.49	507,445.16	536,033.61		37,473.51	3,857,796.00

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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 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 31 December, 2022, the Group's foreign currency assets and foreign currency liabilities accounted for less than 5% of total assets and 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 financial assets at amortized costs.

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. Control the basis point value, bond rating and duration of proprietary business to prevent and reduce interest rate risk.

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(2) 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

Item	31 December 2022						Total
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Cash and bank balances	1,021,145.01					17.99	1,021,163.00
Clearing settlement funds	311,510.47						311,510.47
Margin accounts receivable	57,135.53	229,240.74	415,080.80	231.47			701,688.54
Derivative financial assets						0.22	0.22
Refundable deposits						93,994.59	93,994.59
Accounts receivable						8,768.00	8,768.00
Financial assets held under resale agreements	28,520.21	7,120.44	73,517.23	4,984.92			114,142.80
Financial assets at fair value through profit or loss	33,676.74	5,776.34	261,120.07	851,234.63	445,361.03	564,241.49	2,161,410.30
Financial assets at amortized costs	19,599.12						19,599.12
Financial assets at fair value through other comprehensive income			65,072.80	163,753.06			228,825.86
Other assets						47,286.44	47,286.44
Subtotal of financial assets	1,471,587.08	242,137.52	814,790.90	1,020,204.08	445,361.03	714,308.73	4,708,389.34
Short-term loans			6,607.50				6,607.50
Short-term financing instruments payable	49,100.45	66,261.00	297,915.73				413,277.18
Due to banks and other financial institutions	120,027.94	30,200.00					150,227.94
Financial liabilities at fair value through profit or loss				71,858.12		80,696.15	152,554.27
Financial assets sold under repurchase agreements	988,788.79						988,788.79
Accounts payable to brokerage clients	1,021,844.51					163,122.17	1,184,966.68
Derivative financial liabilities						79.38	79.38
Bonds payable		9,522.71	1,363.20	525,593.19			536,479.10
Accounts payable						23,752.77	23,752.77
Long-term borrowings						35,118.24	35,118.24
Other liabilities						302,768.71	3,491,851.85
Subtotal of financial liabilities	2,179,761.69	105,983.71	305,886.43	597,451.31			
Interest rate sensitivity gap	-708,174.61	136,153.81	508,904.47	422,752.77	445,361.03	411,540.02	804,997.47

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(2) Interest rate risk (continued)

Continued:

Item	31 December 2021						Total
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Cash and bank balances	1,233,193.20					9.84	1,233,203.04
Clearing settlement funds	255,821.91						255,821.91
Margin accounts receivable	814,801.71						814,801.71
Derivative financial assets						5.46	5.46
Refundable deposits						80,225.61	80,225.61
Accounts receivable						9,805.59	9,805.59
Financial assets held under resale agreements	23,303.82	99.63	73,135.81	747.75			97,287.01
Financial assets at fair value through profit or loss	12,084.04	6,272.39	60,126.91	1,264,008.23	536,568.63	571,731.72	2,450,791.92
Financial assets at amortized costs	22,924.10	3,421.15					26,345.25
Financial assets at fair value through other comprehensive income	10,425.34		24,458.23	62,159.08			97,042.65
Other assets						15,155.12	15,155.12
Subtotal of financial assets	2,372,554.12	9,793.17	157,720.95	1,326,915.06	536,568.63	676,933.34	5,080,485.27
Short-term loans	24,597.73		1,021.45				25,619.18
Short-term financing instruments payable			396,377.73	306,849.47			703,227.20
Due to banks and other financial institutions	290,074.23						290,074.23
Financial liabilities at fair value through profit or loss	24,930.73			72,186.37			97,117.10
Financial assets sold under repurchase agreements	1,054,847.23						1,054,847.23
Accounts payable to brokerage clients	1,130,501.41					126,678.38	1,257,179.78
Derivative financial liabilities						46.54	46.54
Bonds payable		111,019.64	103,260.83	154,242.08			368,522.55
Accounts payable						14,359.42	14,359.42
Long-term borrowings							
Other liabilities						23,114.09	23,114.09
Subtotal of financial liabilities	2,524,951.32	111,019.64	500,660.01	533,277.92		164,198.43	3,834,107.32
Interest rate sensitivity gap	-152,397.20	-101,226.47	-342,939.06	793,637.14	536,568.63	512,734.91	733,643.04

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(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 higher volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. 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	31 December 2022		31 December 2021	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
Increase by 10%	36,638.31	22,882.59	34,499.74	9,704.27
Decrease by 10%	-36,638.31	-22,882.59	-34,499.74	-9,704.27

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.

Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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 headquarters tracks laws, regulations and guidelines in a timely manner, and continuously formulates and improves the company's compliance management system in combination with the actual situation of the company; Supervise all units of the company to formulate and revise the internal management system and improve the business process according to the changes in laws, regulations and regulatory rules; Provide compliance advice and consultation for the company's management and various units, and supervise and inspect the compliance of business management activities; Conduct compliance review of the company's internal management system, major decisions, new products, new business plans, etc.; Strictly implement compliance assessment and accountability mechanisms to provide strong guarantees for compliance management; Comply with internal and external reporting obligations as required; According to the company's anti-money laundering system, organize and promote all units of the company to carry out money laundering risk prevention and control work; Strengthen the training and management of compliance administrators, and continue to build a team of compliance administrators with strong compliance awareness and excellent professional capabilities; Actively carry out the construction of compliance culture, improve the self-discipline mechanism, and ensure compliance operations and standardized development.

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.



Notes to the Financial Statements

for the Year of 2022

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

6. Capital management (continued)

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2020) issued by the China Securities Regulatory Commission and effective on 20 March, 2020, 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%.

X. FAIR VALUE

1. Financial instruments measured at fair value

The Company presents the book value of financial instruments measured at fair value on 31 December, 2022 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.

Notes to the Financial Statements

for the Year of 2022

X. FAIR VALUE (CONTINUED)

2. Fair value measurement at the end of the period

(1) Continuous fair value measurement

Item	Fair value at the end of the period			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	1,956,472,943.33	17,806,164,466.72	1,851,465,599.75	21,614,103,009.80
(1) Bond investment	1,331,896,313.84	14,444,979,417.94	80,255,898.32	15,857,131,630.10
(2) Equity investment	488,839,594.10	328,644,235.61	482,412,613.34	1,299,896,443.05
(3) Public fund	135,737,035.39	2,260,049,746.94		2,395,786,782.33
(4) Others		772,491,066.23	1,288,797,088.09	2,061,288,154.32
Derivative financial assets	2,246.26			2,246.26
Financial assets at fair value through other comprehensive income	299,343,651.94	1,899,308,359.02	89,606,629.46	2,288,258,640.42
Total assets	2,255,818,841.53	19,705,472,825.74	1,941,072,229.21	23,902,363,896.48
Financial liabilities at fair value through profit or loss		806,961,469.87	718,581,188.74	1,525,542,658.61
Derivative financial liabilities		793,800.00		793,800.00
Total liabilities		807,755,269.87	718,581,188.74	1,526,336,458.61

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 financial assets at fair value through other comprehensive income.

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.



Notes to the Financial Statements

for the Year of 2022

X. FAIR VALUE (CONTINUED)

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 (continued)

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.

Notes to the Financial Statements

for the Year of 2022

X. FAIR VALUE (CONTINUED)

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 (continued)

Others: (continued)

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
Financial assets at fair value through other comprehensive income				
Bond				
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.

As year 2022, the valuation technology used by the Group for the above continuous level 3 fair value measurements has not changed.

Notes to the Financial Statements

for the Year of 2022

X. FAIR VALUE (CONTINUED)

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 (continued)

(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 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;

Notes to the Financial Statements

for the Year of 2022

X. FAIR VALUE (CONTINUED)

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 (continued)

(2) Unobservable input value information (continued)

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.

Notes to the Financial Statements

for the Year of 2022

X. FAIR VALUE (CONTINUED)

6. The movement of Level 3 financial instruments

Item	1 January 2022	Increase	Decrease	31 December 2022
Financial assets at fair value through profit or loss	2,033,679,544.41		182,213,944.66	1,851,465,599.75
Financial liabilities at fair value through profit or loss	971,171,013.72		252,589,824.98	718,581,188.74
Financial assets at fair value through other comprehensive income	115,409,134.24		25,802,504.78	89,606,629.46

Continued:

Item	1 January 2021	Increase	Decrease	31 December 2021
Financial assets at fair value through profit or loss	1,286,539,048.95	747,140,495.46		2,033,679,544.41
Financial liabilities at fair value through profit or loss	577,240,268.93	393,930,744.79		971,171,013.72
Financial assets at fair value through other comprehensive income	115,409,134.24			115,409,134.24

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.

Notes to the Financial Statements

for the Year of 2022

X. FAIR VALUE (CONTINUED)

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.

XI. RELATED PARTIES AND RELATED TRANSACTIONS

1. Parent company of the Company

As of 31 December, 2022, Henan Investment Group Co., Ltd. (hereinafter referred to as Henan Investment Group) directly or indirectly holds the voting shares of the Company, accounting for 22.05% 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, China	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 153.84 million H shares of the Company through Hong Kong Stock Connect, with a total of 1,023,556,847 shares of the Company, accounting for 22.05% of the total share capital of the Company.

(1) The actual controller of the Company is Henan Provincial Department of Finance.

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XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

2. Joint ventures and associates of the Company

For important joint ventures or associates of the Company, see note VIII.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
Henan Central China Micro-Lending Co., Ltd.	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
Minquan County Innovation Industry Investment Fund (Limited Partnership)	Associates of subsidiaries
Luohe Huarui Yongci Materials Co., Ltd.	Associates of subsidiaries

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for the Year of 2022

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

3. Major related parties without control relationship

Name of related party	Relationship with the company	Uniform social credit code/ organization code
Henan Xinchuan Software Co., Ltd.	Ultimately controlled by the same controlling party formerly	91410100MA3X691D21
Henan Asset Management Co., Ltd.	Ultimately controlled by the same controlling party	91410000MA448PU6H
Henan Asset Fund Management Co., Ltd.	Ultimately controlled by the same controlling party	91410100MA456R9R3R
Henan Ancai HI-TECH Co., Ltd.	Ultimately controlled by the same controlling party	9141000070678656XY
Shenzhen Guoyu Gaohua Investment Management Co., Ltd.	Ultimately controlled by the same controlling party	914403003267120593
Henan Coal Storage and Distribution Trading Center Co., Ltd.	Ultimately controlled by the same controlling party	9141060034949068XP
Henan Technology Investment Co., Ltd.	Ultimately controlled by the same controlling party	91410000169955769X
Henan Venture Investment Co., Ltd.	Ultimately controlled by the same controlling party	914100007425233538
Li'an Excellent Insurance Brokerage Co., Ltd.	Ultimately controlled by the same controlling party	91410100678075487T
Henan Talent Group Co., Ltd.	Ultimately controlled by the same controlling party	91410105MA3X6PQ842
Henan Huirong Renda Strategy Management Consulting Co., Ltd.	Ultimately controlled by the same controlling party	91410105MA9F8B3T7G
Bohai Industrial Investment Fund Management Co., Ltd.	Original non-controlling shareholder	911200007178678241
Anyang Gangtie Group Co., Ltd.	Non-controlling shareholder	91410000706780942L
Angang Group International Trade Co., Ltd.	Subsidiaries of non-controlling shareholders	91410500172267086K
Anyang Gangtie Co., Ltd.	Subsidiaries of non-controlling shareholders	914100007191734203
Zhongyuan Bank Co., Ltd.	Joint venture of Henan Investment Group	9141000031741675X6
Bank of Zhengzhou Co., Ltd.	Joint venture of Henan Investment Group	914100001699995779
Henan Huaqi Energy Conservation and Environmental Protection Venture Capital Co., Ltd.	Joint venture of Henan Investment Group	91410000071384697T
Henan Yicheng New Energy Co., Ltd.	Joint venture of Henan Investment Group	914102002681294387
Hongyi Investment Management (Henan) partnership (limited partnership)	Joint venture of Henan Investment Group	91410100MA9G4DKW4X
Henan Zhongjin Huirong Private Equity Fund Management Co., Ltd.	Joint venture of Henan Investment Group	91410100MA44AMW06L
Henan Zhongzhi Guoyu Fund Management Co., Ltd.	Joint venture of Henan Investment Group	91410100MA45DE4E88
Henan Province South-to-North Water Diversion Counterpart Collaborative Industry Investment Fund (Limited Partnership)	Joint venture of Henan Investment Group	91410000MA40EF1J3Q
Zhengzhou Zhongyuan International Aviation Holding Development Co., Ltd.	Joint venture of Henan Investment Group	91410100MA40XF1874
Zhumadian Changlongshan Agriculture and Animal Husbandry Co., Ltd.	Subsidiaries of Joint venture	91411700330214925R
Henan Longfengshan Agricultural Development Co., Ltd.	Subsidiaries of Joint venture	914117000547097794
Runan Huaxiang Animal Husbandry Co., Ltd.	Subsidiaries of Joint venture	91411727596297983R
Henan Railway Construction Investment Group Co., Ltd.	Minority shareholders of subsidiaries	91410000694858692Q
Zhongyuan Asset Management Co., Ltd.	An enterprise in which executives of Henan Investment Group serve as executives	91410000356141357Q

Notes to the Financial Statements

for the Year of 2022

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions

(1) Commission income generated from providing agency securities trading services

Name of related party	FY 2022	FY 2021
Bohai Industrial Investment Fund Management Co., Ltd	148,342.83	1,284,187.09
Henan Investment Group and its subsidiaries, joint ventures and associates	155,435.24	95,114.44
Central China Asset Management Ltd	21,631.30	
Anyang Iron & Steel Group Co., Ltd	10.19	
Henan Railway Construction Investment Group Co., Ltd	4,247.11	
Angang Group International Trade Co., Ltd	13,545.47	20,406.07
Directors, supervisors and senior managers of the Company and Henan Investment Group and their close family members	28,717.46	42,968.94

(2) Loans from related parties

Name of related party	31 Dec 2022/FY 2022		31 Dec 2021/FY 2021	
	Loan balance	Interest income	Loan balance	Interest income
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd				1,686,997.16

Notes to the Financial Statements

for the Year of 2022

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(3) Related transaction balance

Name of related party	Current account	Transaction content	31 December 2022	31 December 2021
Henan Investment Group Co., Ltd.	Accounts receivable	Income from asset management business	2,639,923.94	1,967,868.64
Luoyang Desheng Biotechnology Co., Ltd.	Accounts receivable	Financial advisory fee	170,000.00	200,000.00
Henan Railway Construction Investment Group Co., Ltd.	Other receivables	Prepaid for purchase share	115,031,443.50	
Henan Coal Storage and Distribution Trading Center Co., Ltd.	Agent for buying and selling securities	Futures Brokerage	146,919.81	
Anyang Iron & Steel Co., Ltd.	Agent for buying and selling securities	Futures Brokerage	1,921,146.96	1,921,146.96
Anyang Steel International Trading Co., Ltd.	Agent for buying and selling securities	Futures Brokerage	3,166,000.39	3,710,593.59
Henan Asset Fund Management Co., Ltd.	Financial assets at fair value through profit or loss	Partnership funds	12,021,851.83	20,416,783.22
Central China Asset Management Ltd.	Financial assets at fair value through profit or loss	Purchase bond	35,190,397.17	
Henan Central China Micro-Lending Co., Ltd.	Accounts payable	Trust plan		16,017,647.72
Henan Xinchuan Software Co., Ltd.	Intangible assets	Purchase intangible assets		252,359.88
Henan Investment Group and its subsidiaries, joint ventures and associates	Agent for buying and selling securities	Securities Brokerage	18,219,494.97	17,932,558.30
Directors, supervisors, senior managers of the Company and Henan Investment Group and their close family members, etc.	Agent for buying and selling securities	Securities Brokerage	2,779,006.94	4,185,687.79
Bohai Industrial Investment Fund Management Co., Ltd.	Agent for buying and selling securities	Securities Brokerage		2,436,691.26
Anyang Iron & Steel Group Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	0.09	0.35
Anyang Iron & Steel Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	387.59	387,782.11
Central China Asset Management Ltd.	Agent for buying and selling securities	Securities Brokerage	9,184.88	
Henan Railway Construction Investment Group Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	15,765.61	

Notes to the Financial Statements

for the Year of 2022

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(3) Related transaction balance (continued)

Continued:

Name of related party	Current account	Transaction content	31 December 2022	31 December 2021
Joint venture of Henan Investment Group	Bank deposit	Bank balance	3,133,056.18	4,068,998.40
Joint venture of Henan Investment Group	Other assets	Expenses		132,075.47
Joint venture of Henan Investment Group	Bonds payable	Subscription of corporate bonds	305,822,609.89	305,822,609.89
Joint venture of Henan Investment Group	Financial assets at fair value through profit or loss	Purchase bond	99,299,031.51	

(4) Other related party transactions

Name of related party	Transaction content	FY 2022	FY 2021
Henan Investment Group Co., Ltd.	Income from underwriting and sponsorship and asset management business, etc.	634,014.43	1,413,503.76
Henan Dahe Finance Cube Media Holdings Co., Ltd.	Expenses	962,264.13	1,631,301.42
Luoyang Desheng Biotechnology Co., Ltd.	Income from supervision fees	141,509.43	
Henan Talent Group Co., Ltd.	Expenses	78,569.47	19,630.56
Henan Huirong Renda Strategy Management Consulting Co., Ltd.	Expenses	684,466.03	
Li'an Excellent Insurance Brokerage Co., Ltd.	Expenses	272,373.72	
Anyang Gangtie Group Co., Ltd.	Pledge registration fee	32,547.17	43,867.92
Zhumadian Changlongshan Agriculture and Animal Husbandry Co., Ltd.	Pledge registration fee	5,094.34	
Henan Longfengshan Agricultural Development Co., Ltd.	Pledge registration fee	2,830.19	
Runan Huaxiang Animal Husbandry Co., Ltd.	Pledge registration fee	2,830.19	
Angang Group International Trade Co., Ltd.	Income from the sale of goods	31,610,177.01	34,125,663.74
Henan Xinchuan Software Co., Ltd.	Expenses	17,109.14	4,277.29
Henan Asset Fund Management Co., Ltd.	Fund investment income	-8,394,931.39	
Henan Railway Construction Investment Group Co., Ltd.	Underwriting income	260,660.38	
Henan Anciai HI-TECH Co., Ltd.	Underwriting sponsorship income	1,945,131.99	
Central China Asset Management Ltd.	Bond investment income	6,770,468.44	

Notes to the Financial Statements

for the Year of 2022

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(4) Other related party transactions (continued)

Continued:

Name of related party	Transaction content	FY 2022	FY 2021
Joint venture of Henan Investment Group	Income from bank deposits and financial products	11,488.72	3,977,378.23
Joint venture of Henan Investment Group	Interest expenses of pledged repurchase	305,243.08	402,394.09
Joint venture of Henan Investment Group	Bond investment income	2,637,991.88	29,641.92
Joint venture of Henan Investment Group	Interest income from buyout repurchase	4,378.08	15,899.51
Joint venture of Henan Investment Group	Income from financial advisory fees and underwriting income	247,169.81	4,739,622.38
Joint venture of Henan Investment Group	Bank loan interest expenses and interest expenses on subordinated debt payable	13,108,000.00	7,825,637.69

(5) Counter guarantee for subsidiaries

As of 31 December, 2022, 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 HKD50,000,000.00 (equivalent to RMB44,663,500.00), and the counter guarantee period shall not exceed 12 months.

As of 31 December, 2022, the Company has provided guarantee for the issuance of overseas bonds of not more than USD100 million by the overseas wholly-owned subsidiary Wending Zhongyuan Company Limited, with a guarantee amount of RMB696,460,000.00 (USD100,000,000.00).

(6) 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. For the year 2022, the benefits (before tax) paid and payable by the Company to key management personnel is as follows:

Expressed in RMB'0000

Item	FY 2022	FY 2021
Benefits of key management personnel (before tax)	1,745.53	1,839.60

Notes to the Financial Statements

for the Year of 2022

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(6) Benefits of directors, supervisors and employees (continued)

2) Remuneration of directors and supervisors

The remunerations (after tax) paid and payable by the Company to directors and supervisors in 2022 are as follows:

Expressed in RMB

Name	Remuneration	Wages, allowances and other allowances	Pension	Discretionary bonus	Total
Executive director					
Jian Mingjun		525,176.65	70,963.20	235,487.08	831,626.93
Non-executive director					
Zhang Dongming	210,000.00				210,000.00
Zeng Song	226,920.00				226,920.00
Chen Zhiyong	210,000.00				210,000.00
He jun	183,750.00				183,750.00
Yu Xugang	35,000.00				35,000.00
Lu Zhengxin	35,136.00				35,136.00
Zhang Xiaoqi	30,720.00				30,720.00
Supervisor					
Lu Zhili		404,023.83	70,963.20	458,752.26	933,739.29
Xiao Yichen		424,732.80	30,782.40	515,723.36	971,238.56
Ba Guanhua		238,665.54	31,125.60	320,060.00	589,851.14
Xu Changyu		205,179.68	35,032.80	368,085.57	608,298.05
Xiang Siying	100,800.00				100,800.00
Xia Xiaoning	112,920.00				112,920.00

Note: The remuneration of the above directors and supervisors for year 2022 has not yet been finalized, but it is expected that the unaccrued remuneration will not have a significant impact on the Group's 2022 financial statements.

Notes to the Financial Statements

for the Year of 2022

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(6) Benefits of directors, supervisors and employees (continued)

3) Five highest paid individuals

In 2022, the five highest paid individuals of the Company have no directors and supervisors. The remunerations paid and payable (after tax) are as follows:

Item	Expressed in RMB	
	FY 2022	FY 2021
Wages, allowances and other allowances	3,269,926.18	4,964,308.76
Pension	265,663.20	201,009.60
Discretionary bonus	29,407,474.55	26,350,201.43
Total	32,943,063.93	31,515,519.79

The number of employees whose remuneration falls in the following ranges is listed below:

Range	Number of employees	
	FY2022	FY2021
RMB 2,000,001 to RMB 2,500,000		
RMB 2,500,001 to RMB 3,000,000		
RMB 4,000,001 to RMB 4,500,000		1
RMB 4,500,001 to RMB 5,000,000	1	
RMB 5,000,001 to RMB 5,500,000		2
RMB 5,500,001 to RMB 6,000,000	1	1
RMB 6,000,001 to RMB 6,500,000		
RMB 6,500,001 to RMB 7,000,000		
RMB 7,000,001 to RMB 7,500,000	1	
RMB 7,500,001 to RMB 8,000,000	2	
RMB 10,500,001 to RMB 11,000,000		1
Total	5	5

Note: The remuneration paid by the Company to the above non-directors or non-supervisors during the year is based on the service provided by the above personnel to the Company.

4) Loans and advances to 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.

Notes to the Financial Statements

for the Year of 2022

XII. 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	31 December 2022	31 December 2021
Contracted but not paid	519,485,968.89	625,798,267.64
Total	519,485,968.89	625,798,267.64

In addition to the above undertakings, as of 31 December 2022, the Company has no other major commitments that should be disclosed.

2. Significant contingencies

The Company has no significant contingencies that have not been disclosed.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

1. Significant non adjustment events

(1) Shareholders bid collectively to reduce the shares

Anyang Iron & Steel Group Co., Ltd. a shareholder of the Company before initial public offering and listing, holds 177,514,015 shares of the Company with unlimited outstanding shares, accounting for about 3.82% of the total share capital of the Company, and the source of shares is 177,513,015 shares held before the Company's initial public offering and listing and 1,000 shares won in online application, which has been lifted on January 3, 2018. Angang Group plans to reduce its holdings of no more than 46,428,800 shares of the Company through centralized bidding within three trading days from the date of issuance of the "Notice Letter of Share Reduction Plan", and the reduction price will be determined according to the market price.

(2) The application for issuing shares to specific targets is accepted by the Shanghai Stock Exchange

On March 4, 2023, the Company received the Notice on Accepting the Application for Issuance of Securities by a Listed Company on the Main Board of Shanghai Stock Exchange of Zhongyuan Securities Co., Ltd. (Shangzhen Shangshen (Refinancing) [2023] No. 85) issued by the Shanghai Stock Exchange (hereinafter referred to as the "SSE"), and the SSE checked the offering memorandum and relevant application documents submitted by the Company for the issuance of securities in accordance with relevant regulations, considered that the application documents were complete and in compliance with the statutory form, and decided to accept it and review it according to law.

Notes to the Financial Statements

for the Year of 2022

XIII. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

1. Significant non adjustment events (continued)

(3) Public issuance of corporate bonds to professional investors

Registered with the China Securities Regulatory Commission (Zheng Jian Permit [2022] No. 2533), the Company is permitted to publicly issue corporate bonds of not more than RMB5 billion to professional investors. On March 13, 2023, the issuance of 23 Zhongyuan 01 (code 115016) bonds was completed, with an actual issuance scale of RMB1 billion with nominal interest rate of 3.68%, and it was listed on the Shanghai Stock Exchange on March 16, 2023.

2. Profit distribution

The company's profit distribution plan for 2022 deliberated by the 14th meeting of the seventh board of directors is: a cash dividend of RMB0.07 (tax inclusive) for every 10 shares. As of December 31, 2022, the Company has a total share capital of 4,642,884,700 shares. Based on this calculation, the total proposed cash dividend is RMB32,500,192.90 (tax included). The company does not convert capital reserve to increase share capital and does not issue bonus shares. This plan is still subject to approval of the Company's general meeting of shareholders.

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.

Notes to the Financial Statements

for the Year of 2022

XIV. 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.

Notes to the Financial Statements

for the Year of 2022

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment information (continued)

(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	Securities brokerage business	Proprietary trading business	Investment banking business	Credit business	Closing balance/current amount		Futures business	Overseas business	Headquarters and others	Offset	Total
					Investment management business						
1. Operating income	71,648.46	30,803.05	26,189.84	44,428.38	16,547.05	21,184.33	-8,075.25	-14,250.31	-370.83		188,104.72
Net fee and commission income	56,226.96		26,025.51	1,560.82	3,390.91	13,497.60	760.16	2,256.61	-389.58		103,328.99
Investment income (or less: losses)		85,679.29			19,907.05	-3,016.27	3,603.83	-3,129.36	323.30		103,367.84
Gains on changes in fair value (or less: losses)		-20,330.63			-7,918.79	180.96	-10,566.24	-5,487.76			-44,122.46
Gains on foreign exchange (or less: losses)	16.52						99.76	55.49			171.77
Other operating income	584.37	1,137.59	216.98	273.33	164.73	9,368.48	109.27	535.55	-185.08		12,205.22
Net interest income	14,820.61	-35,683.20	-52.65	42,594.23	1,003.15	1,153.56	-2,082.03	-8,480.84	-119.47		13,153.36
2. Operating cost	60,572.32	13,903.22	26,803.29	9,615.52	8,981.40	19,020.97	7,955.57	29,686.94	10.56		176,549.79
3. Operating profit	11,076.14	16,899.83	-613.45	34,812.86	7,565.65	2,163.36	-16,030.82	-43,937.25	-381.39		11,554.93
4. Total Asset	2,082,252.90	2,027,967.17	10,909.21	897,196.32	472,676.51	236,162.09	177,767.66	1,800,149.74	-2,686,817.65		5,018,263.95
5. Total liabilities	2,063,840.55	2,040,481.70	11,132.15	909,263.80	79,369.57	190,978.23	122,595.49	865,574.27	-2,685,709.16		3,597,526.60
6. Supplementary information											
(1) Depreciation and amortization	6,461.69	1,738.36	813.20	20.21	411.37	571.93	1,154.74	5,991.95	-116.10		17,047.35
(2) Capital expenditure	6,345.78	885.33	85.54	14.80	794.19	357.40	34.32	14,177.98			22,695.34

The accounting policies of each operating segment of the Company are the same as those described in "Significant accounting policies and estimates".

² The data in the table needs to be rounded when calculating, and there may be mantissa deviations. Other similar disclosures in this report are identical.

Notes to the Financial Statements

for the Year of 2022

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other significant transactions and events that have an impact on investors' decisions

(1) Public beneficial donations

Item	FY 2022	FY 2021
Charitable donations	110,110.00	8,096,459.00
Total	110,110.00	8,096,459.00

(2) Margin business

The Group's margin business scale is as follows, on 31 December, 2022 and 31 December, 2021:

Item	31 December 2022	31 December 2021
Margin accounts receivable	7,090,382,849.97	8,224,999,802.94
Margin bonds receivable	15,997,699.65	14,531,200.47
Total	7,106,380,549.62	8,239,531,003.41

(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 2022	Fair value on 31 December 2021
National bonds	164,449,700.00	427,403,652.00
Policy-based financial bonds	3,154,100,970.00	
Local government bonds		103,563,900.00
Total	3,318,550,670.00	530,967,552.00

As of 31 December, 2022, 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 RMB2,505.0032 million.

Notes to the Financial Statements

for the Year of 2022

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(4) Security of customer funds

As of 31 December, 2022, the Company has deposited customer transaction settlement funds in commercial banks with depository qualifications, in compliance with the "Customer Transaction Settlement Fund Management Measures" 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 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	31 December 2022
1. Financial assets at fair value through profit or loss (without derivative financial asset)	24,507,919,178.87	-455,127,950.94			21,614,103,009.80
2. Derivative financial asset	-410,766.83	15,867,980.32			-791,553.74
3. Financial assets measured at fair value through other comprehensive income	970,426,547.78		14,821,973.73	14,880,690.68	2,288,258,640.42
4. Investment in other equity instruments financial liabilities at fair value through profit or loss	971,171,013.72	-1,964,608.52			1,525,542,658.61

Note: There is no inevitable cross-check relationship in this table.

Notes to the Financial Statements

for the Year of 2022

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(6) Basic classification table for the measurement of financial assets

Item	31 Dec 2022					
	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	10,211,630,004.39					
Clearing settlement funds	3,115,104,687.58					
Margin accounts receivable	7,016,885,351.83					
Derivative financial assets				2,246.26		
Refundable deposits	939,945,921.04					
Accounts receivable	87,679,998.85					
Financial assets held under resale agreements	1,141,428,012.55					
Financial assets at fair value through profit or loss				21,614,103,009.80		
Financial assets measured at amortized cost	195,991,199.27					
Financial assets at fair value through other comprehensive income		2,288,258,640.42				
Other assets						
Total	22,708,665,175.51	2,288,258,640.42		21,614,105,256.06		

Notes to the Financial Statements

for the Year of 2022

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(6) Basic classification table for the measurement of financial assets (continued)

Continued:

Item	1 Jan 2022					
	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	12,332,030,422.75					
Clearing settlement funds	2,558,219,120.46					
Margin accounts receivable	8,148,017,143.05					
Derivative financial assets				54,610.00		
Refundable deposits	802,256,089.47					
Accounts receivable	98,055,900.27					
Financial assets held under resale agreements	972,870,075.44					
Financial assets at fair value through profit or loss				24,507,919,178.87		
Financial assets measured at amortized cost	263,452,484.68					
Financial assets at fair value through other comprehensive income		970,426,547.78				
Other assets						
Total	25,174,901,236.12	970,426,547.78		24,507,973,788.87		

Notes to the Financial Statements

for the Year of 2022

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(7) Basic classification table for the measurement of financial liabilities

Item	31 Dec 2022			
	The change of fair value through profit or loss			
	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	66,075,016.67			
Derivative financial liabilities		793,800.00		
Short-term financing instruments payable	4,132,771,764.91			
Due to banks and other financial institutions	1,502,279,361.14			
Financial liabilities at fair value through profit or loss		1,525,542,658.61		
Financial assets sold under repurchase agreements	9,887,887,932.32			
Accounts payable to brokerage clients	11,849,666,807.82			
Accounts payable	237,527,662.62			
Bonds payable	5,364,791,008.73			
Long-term borrowings				
Other liabilities	38,373,094.57			
Total	33,079,372,648.78	1,526,336,458.61		

Notes to the Financial Statements

for the Year of 2022

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(7) Basic classification table for the measurement of financial liabilities (continued)

Continued:

Item	1 Jan 2022			
	The change of 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
	Financial assets measured at amortized cost	Classified as financial assets at fair value through profit or loss		
Short-term loans	256,191,822.27			
Derivative financial liabilities		465,376.83		
Short-term financing instruments payable	7,032,271,969.93			
Due to banks and other financial institutions	2,900,742,263.92			
Financial liabilities at fair value through profit or loss		971,171,013.72		
Financial assets sold under repurchase agreements	10,548,472,328.09			
Accounts payable to brokerage clients	12,571,797,812.48			
Accounts payable	143,594,220.52			
Bonds payable	3,685,225,541.41			
Long-term borrowings				
Other liabilities	50,880,913.21			
Total	37,189,176,871.83	971,636,390.55		

Notes to the Financial Statements

for the Year of 2022

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(8) Foreign currency financial assets

Item	1 Jan 2022	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 2022
Financial assets					
financial assets at fair value through profit or loss	655,655,885.88	-97,878,710.31			1,280,555,401.55
Loan and account receivables	36,827,993.39				14,439,258.08
Financial assets measured at amortized cost	17,169,600.00			18,037,026.00	
Subtotal	709,653,479.27	-97,878,710.31		18,037,026.00	1,294,994,659.63

XV. 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	31 December 2022			31 December 2021		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	5,514,103,953.95	213,448,720.01	5,300,655,233.94	5,509,728,953.95	213,448,720.01	5,296,280,233.94
Total	5,514,103,953.95	213,448,720.01	5,300,655,233.94	5,509,728,953.95	213,448,720.01	5,296,280,233.94

(2) Investment in subsidiaries

Investee	31 December 2021	Increase	Decrease	31 December 2022	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.	1,522,636,400.00			1,522,636,400.00		213,448,720.01
Central China Blue Ocean Investment Management Co., Ltd.	2,976,000,000.00			2,976,000,000.00		
Central China Equity Exchange Co., Ltd.	122,500,000.00	4,375,000.00		126,875,000.00		
Total	5,509,728,953.95	4,375,000.00		5,514,103,953.95		213,448,720.01

Notes to the Financial Statements

for the Year of 2022

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Net interest income

Item	FY 2022	FY 2021
Interest income	822,628,821.39	916,567,743.30
Including: interest income from cash and bank balances and clearing settlement funds	221,954,328.70	219,258,200.52
Interest income from margin accounts receivable	486,686,950.49	531,690,562.15
Interest income from financial assets held under resale agreements	79,537,423.65	80,476,510.30
Including: interest income from agreed repurchase	621,221.55	923,065.44
Interest income from stock pledge repurchase	76,369,233.23	71,017,634.31
Interest income from financial assets at fair value through other comprehensive income	31,344,772.62	70,560,447.33
Others	3,105,345.93	14,582,023.00
Interest expenses	690,670,205.35	827,328,907.93
Including: interest expenses of short-term financing instruments payable	70,320,887.42	94,608,515.35
Interest expenses of due to banks and other financial institutions	12,314,160.72	60,198,833.27
Including: refinancing interest expenses	5,644,777.42	29,744,335.78
Interest expenses on financial assets sold under repurchase agreements	230,421,957.40	310,977,651.89
Interest expenses of accounts payable to brokerage clients	41,661,038.43	39,948,175.35
Interest expenses of bonds payable	314,104,004.87	301,919,366.87
Including: interest expenses of subordinated bonds	157,254,212.94	147,031,829.42
Interest expenses of bond lending	8,498,252.03	10,271,094.68
Others	13,349,904.48	9,405,270.52
Net interest income	131,958,616.04	89,238,835.37

Notes to the Financial Statements

for the Year of 2022

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Net fee and commission income

(1) Details

Item	FY 2022	FY 2021
Securities brokerage services net income	517,770,804.94	716,344,816.88
— Securities brokerage services income	696,137,394.40	931,901,666.30
— Funds received as agent of stock exchange	672,958,694.43	866,304,715.56
Leasing of trading unit seats	167,918.24	228,065.17
Sales agent of financial products	22,255,585.99	64,487,543.89
— Securities brokerage services expense	178,366,589.46	215,556,849.42
— Funds received as agent of stock exchange	178,309,002.98	215,469,553.47
Sales agent of financial products	17,943.10	55,091.74
Investment bank business net income	264,629,336.50	631,244,447.05
— Investment bank business income	267,329,053.47	639,524,915.86
— Securities underwriting business	218,593,371.33	576,943,747.38
Sponsor business of securities	12,273,599.99	18,530,188.67
Financial advisory business	36,462,082.15	44,050,979.81
— Investment bank business expenses	2,699,716.97	8,280,468.81
— Securities underwriting business	811,320.75	4,175,773.45
Sponsor business of securities		613,207.53
Financial advisory business	1,888,396.22	3,491,487.83
Asset management business net income	21,888,689.14	25,029,916.17
— Asset management business income	21,963,811.98	25,137,205.40
— Asset management business expenses	75,122.84	107,289.23
Investment consulting business net income	54,108,288.84	68,787,678.69
— Investment consulting business income	54,108,288.84	68,787,678.69
— Investment consulting business expenses		
Other fee and commission net income	21,032,811.80	31,371,063.10
— Other fee and commission income	21,032,811.80	31,371,063.10
— Other fee and commission expenses		
Total	879,429,931.22	1,472,777,921.89
Including: total fee and commission income	1,060,571,360.49	1,696,722,529.35
Total fees and commission expenses	181,141,429.27	223,944,607.46

Notes to the Financial Statements

for the Year of 2022

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Investment income

(1) Classification details

Item	FY 2022	FY 2021
Long-term equity investments income calculated by cost method	4,900,000.00	15,693,080.20
Financial instruments investment income	854,353,743.75	917,264,177.78
Including: Income generated during holding period	645,225,013.77	770,347,874.32
Including: Financial assets at fair value through profit or loss	667,275,577.93	791,129,965.19
Financial liabilities at fair value through profit or loss	-22,050,564.16	-20,782,090.87
Disposal income of financial instruments	209,128,729.98	146,916,303.46
Including: Financial assets at fair value through profit or loss	95,294,644.41	176,531,064.62
Financial assets at fair value through other comprehensive income	4,205,615.46	8,066,690.95
Derivative financial instruments	73,249,556.36	-15,549,088.70
Financial liabilities at fair value through profit or loss	36,378,913.75	-22,132,363.41
Total	859,253,743.75	932,957,257.98

(2) Detailed statement of investment income of trading financial instruments

Trading financial instruments		FY 2022
Financial assets classified as financial assets measured at fair value through profit or loss	Income during holding period	667,275,577.93
	Income from disposal	95,294,644.41
Financial assets designated to be measured at fair value through profit or loss	Income during holding period	
	Income from disposal	
Financial liabilities classified as measured at fair value through profit or loss	Income during holding period	-22,050,564.16
	Income from disposal	36,378,913.75
Financial liabilities designated to be measured at fair value through profit or loss	Income during holding period	

Notes to the Financial Statements

for the Year of 2022

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

5. Business and administrative expenses

Item	FY 2022	FY 2021
Employee benefits	939,583,164.12	1,211,760,242.22
Depreciation of right-of-use assets	58,023,043.84	58,319,162.96
Amortization of intangible assets	46,672,664.62	36,177,836.12
Electronic equipment operating fees	44,224,876.21	31,701,000.70
Advertising expenses	31,222,951.90	27,865,195.71
Depreciation of fixed assets	28,927,511.59	26,711,373.01
Consulting fees	17,542,315.23	15,649,437.68
Member fees	15,854,664.81	15,719,537.36
Communication fees	14,985,043.23	16,249,311.43
Amortization of long-term deferred expenses	13,516,996.61	11,819,574.01
Securities Investor Protection Fund	10,737,016.77	37,707,679.54
Business entertainment expenses	9,471,990.50	12,777,064.29
Property management fees	8,850,196.50	8,384,841.32
Water and electricity	8,702,216.42	6,164,378.39
Information fees	7,769,745.88	3,997,940.88
Traveling expenses	6,810,060.93	12,407,616.92
Rental fees	5,852,086.12	6,511,606.78
Exchange facility usage fees	4,257,440.80	3,661,672.05
Others	32,411,637.07	33,288,516.34
Total	1,305,415,623.15	1,576,873,987.71

Notes to the Financial Statements

for the Year of 2022

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

6. Supplementary information of cash flow statement of parent company

Item	FY 2022	FY 2021
1. Adjusting net profit to cash flow from operating activities:		
Net profit	226,655,583.55	467,694,549.68
Plus: expected credit losses	93,885,781.83	168,069,536.77
Provision for impairment of other assets		213,448,720.01
Accumulated depreciation of investment properties and fixed assets	29,954,401.45	27,821,612.32
Depreciation of right-of-use assets	58,023,043.84	58,319,162.96
Amortization of intangible assets	46,672,664.62	36,177,836.12
Amortization of long-term deferred expenses	13,516,996.61	11,819,574.01
Loss on disposal of fixed assets, intangible assets and other long-term assets (income is represented with "-")	1,237,480.49	1,536,091.43
Profit or loss from changes in fair value (income expressed with "-")	255,995,147.76	-76,803,683.45
Interest expenses	392,668,050.84	402,841,301.93
Exchange losses (gains expressed with "-")	-720,082.14	189,029.17
Investment losses (income expressed with "-")	-40,450,388.08	-94,320,218.48
Decrease of deferred income tax assets (increase expressed with "-")	-83,964,134.10	-23,877,204.44
Increase in deferred income tax liabilities (decrease expressed with "-")	1,753,022.22	
Decrease in operating receivables (increase expressed with "-")	1,727,050,066.48	-1,518,104,721.09
Increase in operating payables (decrease expressed with "-")	-220,614,237.80	104,774,624.15
Net cash flow from operating activities	2,501,663,397.57	-220,413,788.91
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	11,487,978,273.17	13,041,401,477.73
Less: opening balance of cash	13,041,401,477.73	11,500,913,337.34
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-1,553,423,204.56	1,540,488,140.39

Notes to the Financial Statements

for the Year of 2022

XVI. SUPPLEMENTARY INFORMATION

1. Detailed statement of current non-recurring profit and loss

Item	Amount	Description
Gains and losses on disposal of non-current assets	-1,299,397.55	
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)	26,565,466.55	
Other non-operating income and expenses other than the above items	-1,776,147.02	
Other profit and loss items conforming to the definition of non-recurring profit and loss		
Less: income tax impact	5,872,480.50	
Influence amount of minority shareholders' equity (after tax)	1,273,878.91	
Total	16,343,562.57	

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	0.78	0.02	0.02
Net profit attributable to common shareholders of the Company after deducting non-recurring profits or losses	0.66	0.02	0.02

Central China Securities Co., Ltd.

29 March, 2023

SECTION 9 INFORMATION DISCLOSURE OF SECURITIES COMPANY

I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

(I) Administrative licensing of branches offices and securities branches during the Reporting Period

Relocated branch offices	Relocated securities branches	Closed securities branches
2	3	2

1. Administrative licensing of branch offices during the Reporting Period

No.	Name of branch office before relocation	Name of branch office after relocation	New address	License obtained on
1	Central China Securities Co., Ltd. Kaifeng Branch Office	Central China Securities Co., Ltd. Kaifeng Branch Office	1/F, Building 1, Zone C, Longcheng Jinxiu Garden, Jiying Street, Kaifeng City, Henan Province	27 April 2022
2	Central China Securities Co., Ltd. Shangqiu Branch Office	Central China Securities Co., Ltd. Shangqiu Branch Office	Jinsui Guomao Building, northeast corner of the Shangzi of Nanjing Road, Suiyang District, Shangqiu City, Henan Province	22 June 2022

2. Administrative licensing of the relocation of securities branches during the Reporting Period

No.	Name of securities branch before relocation	Name of securities branch after relocation	New address	License obtained on
1	Central China Securities Co., Ltd. Pingdingshan Lingyun Road Securities Branch	Central China Securities Co., Ltd. Pingdingshan Guangming Road Securities Branch	No. 106 + 206 Store, 1-2/F, Building 6, Jinghua Jinyu Lanwan, Southwest corner of the intersection of Guangming Road and Zhannan Road, Zhanhe District, Pingdingshan City, Henan Province	28 June 2022
2	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	Southeast corner of the intersection of Meidong Road and Wenfeng Avenue, No. 413 Wenfeng Avenue, Longan District, Anyang City, Henan Province	17 June 2022
3	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	No. 102 Store, Building 8, Huatong Century City, Hua County New District, Anyang City, Henan Province	17 June 2022

3. Administrative licensing for the cessation of securities branches during the Reporting Period

No.	Name of the ceased securities branch	Cessation date
1	Central China Securities Co., Ltd. Beijing North Yuetan Street Securities Branch	January 2022
2	Central China Securities Co., Ltd. Beijing Branch Office	March 2022

4. Administrative licensing for name change of branch office during the Reporting Period

No.	Original name	Current name
1	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	Central China Securities Co., Ltd. Beijing Branch Office