

2023 中期報告 INTERIM REPORT



中州證券

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 “中州證券”)
(2002年於中華人民共和國河南省成立的股份有限公司，中文公司名稱為「中原证券股份有限公司」，在香港以「中州證券」名義開展業務)
Stock Code 股份代號：01375

IMPORTANT NOTICE

The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of contents of the interim 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.

This Interim Report is unaudited. The interim financial statements set out in this report were prepared pursuant to the China Accounting Standards for Business Enterprises and have been reviewed by Da Hua Certified Public Accountants (Special General Partnership).

Mr. Lu Zhili, 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 profit distribution proposal or proposal for conversion of capital reserve into share capital for the Reporting Period considered by the Board: the Company will not make profit distribution (i.e. no distribution of cash dividends or share dividends) and conversion of capital reserve into share capital for the first half of 2023.

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/connected 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.

In this report, the discrepancies in the decimal place between the sum of the amount of each sub-item and the grand total are due to rounding to the nearest integer.

MATERIAL RISK ALERT

The Company's business and assets are mainly concentrated in Mainland 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 of losses in the Company's business due to adverse changes in market prices; 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 "Section III MANAGEMENT DISCUSSION AND ANALYSIS V. OTHER DISCLOSURES (I) POTENTIAL RISKS" of this report.

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DOCUMENTS AVAILABLE FOR INSPECTION

Text of the interim report bearing the signature of legal representative of the Company.

A copy of the financial report signed and sealed by the legal representative, chief financial officer, chief accountant and head of the accounting department of the Company.

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

Interim reports published in other securities markets.

Other relevant information.

SECTION 1 DEFINITIONS

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

Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
Group	the Company and its subsidiaries
Board	the Board of 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	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
this report	this interim report
SSE	the Shanghai Stock Exchange
SSE Composite Index	composite stock price index of the SSE
SZSE Component Index	component stock price index of the SZSE
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
Reporting Period/the Period	the period from 1 January 2023 to 30 June 2023
end of the Reporting Period/end of the Period	30 June 2023

SECTION 1 DEFINITIONS

CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
PRC or China	the People's Republic of China
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)
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)
Shenhuo 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)
Hebi Construction and Investment	Hebi Investment Group Co., Ltd. (鶴壁投資集團有限公司)
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)

SECTION 1 DEFINITIONS

Equity Exchange Co.	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司)
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
USD	United States dollar, the lawful currency of the United States of America
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
%	percent

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	Lu Zhili
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	8,147,630,232.49	8,107,804,569.34

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 the SSE
14. IPO book-building and placement

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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 the SSE
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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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 the SSE
44. Market-making business on quotation system of inter-institutional private products
45. Shenzhen-Hong Kong Stock Connect business on the 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 Ruyi 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 Ruyi 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

III. CHANGES IN BASIC INFORMATION

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	Nil
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	https://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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

IV. CHANGES IN INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website for publishing the interim report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing this report	http://www.hkexnews.hk
Place for inspection of interim report of the Company	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
Enquiry index for changes during the reporting period	Nil

V. SHARES OF THE COMPANY

Class of Shares	Stock Exchange of Listing	Stock Name	Stock Code	Stock Abbreviation Before Change
A Share	SSE	中原证券	601375	N/A
H Share	Hong Kong Stock Exchange	中州证券	01375	N/A

VI. OTHER RELEVANT MATERIALS

Accounting firm engaged by the Company	Name	Da Hua Certified Public Accountants (Special General Partnership)
	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

VII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	The Reporting Period (January-June)	the corresponding period of last year	Increase/Decrease for the Reporting period as compared with the corresponding period of last year (%)
Operating income	1,045,764,808.74	787,674,140.44	32.77
Profit before tax	188,069,726.30	-169,320,560.65	N/A
Net profit attributable to owners of the parent company	167,282,207.98	-125,442,881.07	N/A
Net profit attributable to owners of the parent company after deducting non-recurring profit or loss	156,041,312.09	-130,788,292.85	N/A
Net cash flows from operating activities	-564,121,298.87	2,626,128,925.24	-121.48
Other comprehensive income	13,884,498.91	30,381,476.29	-54.30
	As at the end of the Reporting period	As at the end of last year	Increase/Decrease as at the end of the Reporting period as compared with the end of last year (%)
Total assets	56,263,649,159.12	50,182,639,547.46	12.12
Total liabilities	42,136,713,617.17	35,975,265,974.01	17.13
Accounts payable to brokerage clients	12,764,227,514.67	11,849,666,807.82	7.72
Equity attributable to owners of the parent company	13,871,373,655.60	13,757,829,045.04	0.83
Total equity	14,126,935,541.95	14,207,373,573.45	-0.57
Share capital (shares)	4,642,884,700.00	4,642,884,700.00	—
Net assets per share attributable to owners of the parent company (RMB/share)	2.99	2.96	1.01

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Principal financial indicators

Principal financial indicators	The Reporting Period (January-June)	The corresponding period of last year	Increase/Decrease for the Reporting period as compared with the corresponding period of last year (%)
Basic earnings per share (RMB/share)	0.04	-0.03	N/A
Diluted earnings per share (RMB/share)	0.04	-0.03	N/A
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	0.03	-0.03	N/A
Weighted average return on net assets (%)	1.21	-0.92	Increase by 2.13 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	1.13	-0.96	Increase by 2.09 percentage points
			Increase/Decrease as at the end of the Reporting period as compared with the end of last year (%)
	As at the end of the Reporting Period	As at the end of last year	
Gearing ratio (%)	67.52	62.94	Increase by 4.58 percentage points

Explanation on principal accounting data and financial indicators of the Company

1. Weighted average return of net assets and earnings per share are calculated in accordance 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	8,147,630,232.49	8,107,804,569.34
Net assets	14,330,362,637.46	14,188,442,636.17
Sum of various risk capital provisions	3,875,334,944.96	3,669,347,342.21
Total on-and-off balance sheet assets	45,834,686,275.31	39,335,402,702.63
Risk coverage rate (%)	210.24	220.96
Capital leverage rate (%)	16.20	18.79
Liquidity coverage ratio (%)	170.82	192.85
Net stable funding ratio (%)	154.73	158.54
Net capital/net assets (%)	56.86	57.14
Net capital/liabilities (%)	29.39	36.69
Net assets/liabilities (%)	51.69	64.21
Proprietary equity securities and its derivatives/net capital (%)	6.34	4.06
Proprietary non-equity securities and its derivatives/net capital (%)	335.51	275.13
Amount of financing (securities lending inclusive)/net capital (%)	97.58	97.36

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

VIII. Non-recurring profit and loss items and amounts

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amounts	Notes (if applicable)
Profit or loss from disposal of non-current assets	-1,207,227.94	
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	16,830,186.88	Mainly due to the government subsidies
Other non-operating income/expenses other than the above items	-546,987.16	
Less: amount of impact of income tax	3,768,992.95	
Amount of impact of minority shareholder's equity (after tax)	66,082.94	
Total	11,240,895.89	

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. PARTICULARS OF THE INDUSTRY WHICH THE COMPANY BELONGS TO AND THE PRINCIPAL BUSINESS ENGAGED BY THE COMPANY DURING THE REPORTING PERIOD

(I) Development of the industry which the Company belongs to during the Reporting Period

The first half of the year saw the acceleration of a major global change that has not been seen in a century, with geopolitical conflicts persisted, the Federal Reserve maintained its interest rate hike, the international economic recovery was weak, instability and uncertainty continued to accumulate, and the global political economy presented a turbulent situation. On the domestic front, after the smooth transition of epidemic prevention and control, the order of production and life, which has been seriously affected since the outbreak of the epidemic, has gradually returned to normal, and the macro-economy has continued to recover, and the overall recovery has been improving; at the same time, there are also problems in terms of insufficient domestic demand and a complex and severe external environment. On the whole, China has a relatively complete modern industrial system, a wide domestic market, continuously improving technological standards, and a macro-economy showing great resilience and potential, with the fundamentals of a long-term positive trend unchanged. Under the influence of multiple factors, in the first half of the year, the SSE Composite Index rose 3.65% from 3,089.26 points at the beginning of the year to 3,202.06 points in the middle of the year, and the SZSE Component Index rose 0.10% from 11,015.99 points at the beginning of the year to 11,026.59 points in the middle of the year, which showed that the SSE Composite Index had a better performance than the SZSE Composite Index, and the China Bond New Composite Index (Full Price) rose from 219.62 points at the beginning of the year to 225.21 points in the middle of the year, representing a half-year increase of 2.55%, showing a favourable trend of price increase and volume increase in the fixed income market in general.

During the reporting period, the reform of the capital market continued to advance and the market environment was continuously optimised. Measures such as the Full Implementation of the Stock Issuance Registration System, regulations on the supervision and administration of private investment funds, the filing and management system for overseas listings, the reform of the system of independent directors of listed companies, and the continuation of the efficient operation of the normalised delisting mechanism were put into effect to further improve the various functions of the capital market. The securities industry, as a bridge connecting the capital market and the real economy, the capital market and investors, undertakes the responsibility of supporting the development of the real economy through direct financing and serving the preservation and enhancement of the value of residents' wealth, and is the "gatekeeper" of the capital market and the "manager" of social wealth. The capital market has put forward higher requirements for the professionalism and comprehensiveness of the industry. In recent years, competition in the securities industry has become increasingly fierce, with concentration continuing to rise and the competitive advantages of the head brokerage firms becoming increasingly obvious. In order to actively cope with the competition in the industry, small and medium-sized brokerage firms based on their own resources, give full play to their regional advantages, integrate and focus on the development, strengthen the overall synergy and coordination, create a business with an edge to cultivate core competitiveness, and take the characteristics of the differentiated road of development, which has become a realistic choice for the development of small and medium-sized brokerage firms.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Principal business engaged by the Company during the Reporting Period

In the first half of 2023, the Company adhered to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as a guide, fully implemented the spirit of the 20th CPC National Congress, carried out in-depth thematic education, and used this as a driving force to further clarify the development ideas, clarify the direction of development, and determine the development path. The Company focuses on the main responsibility and main business, initiates the integration of business resources, strengthens functional management, promotes business transformation, and achieves rapid growth in business performance: **wealth management business** closely follows the main line of “stabilising share and increasing profit”, and makes every effort to enhance the digital empowerment level of marketing services, strengthen the top-level design of Investment advisory business and achieve a stable start-ups, held a high-level private investment competition, and accelerated the formation of a good situation for the rapid development of the business of Investment advisory and institutions. The **self-investment business** firmly grasped the opportunity of the structural market of “weak stocks and bullish bonds”, accurately interpreted the trend of interest rates, continued to improve bond investment returns, achieved the stable operation of equity investment, increased the scale of over-the-counter derivatives investment, and promoted the active transformation of the profit model, which made useful exploration for the creation of a de-directional investment system and the improvement of proprietary income structure. In terms of **investment banking business**, the Company seized the major opportunities of deepening reform of the capital market, and the fully implementation of the registration system to deepen the “Trinity”, actively practice the concept of synergistic development, and focus on the whole chain of the growth cycle of “incubation, empowerment, and listing” of the enterprises, so as to promote the Company’s ability to serve the real economy. The **asset management business** is gradually on the right track of development, the first fixed-income product has been successfully issued, and the issuance of alliance-selected FOF products has been launched, with the management scale of currency-type daily remittance increased significantly. The **stock pledge business** has responded to the adverse impact of macroeconomic changes actively, continuously increased efforts to maintain existing business and strive to expand the increment in business, classified measures has been taken effectively responded to and the downward trend of interest rates on financing to maintain the stability of the scale of interest-earning assets and spread returns. The dividends of cooperation between **Central China Blue Ocean** and the top institutions have continued to be released, the five enterprises invested in the pre-holding funds have been approved for the IPO, and a number of enterprises have declared the main board and science and technology innovation board and are expected to be listed next year. **ZDKY Venture Capital** actively promoted the establishment of Dingyu Xiangbei Fund and Weihui Industrial Fund, continued the expansion of the business framework, consolidated the foundation for development, collaborated with other lines to fully empower the real economy in the province, so as to help quality enterprises with the rapid development of the capital market. **Equity Exchange Co.** focused on accelerating the incubation of small-and medium-sized micro-enterprises in the first half of the year, launched exclusive science and technology innovation financial products, and actively promoted the establishment of specialized, sophisticated, distinctive and innovative new board, helping SMEs to raise RMB1.797 billion in new financing.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

In the second half of 2023, the Company will actively grasp the policy opportunities for the enhancement action towards the new round of state-owned enterprise reform and deepening. In this regard, the Company will strengthen the goal-oriented strategy by leveraging on its resource endowment and aligning with the characteristic and differentiated positioning. This will enable the Company to give full play to its strengths and move forward in a coordinated and integrated manner, with the industry's core cultural concepts of "Compliance, Integrity, Professionalism, and Stability" as the guideline. **To be specific, the Company will make efforts to strengthen the leadership of the CPC.** By deeply integrating the CPC's leadership into all aspects of corporate governance, the Company will maximize the function of the main body of governance, actively promote market-oriented and contractual reforms at the management level, and enhance the overall governance capability of the Company. **In addition, the Company will integrate business resources.** The Company will accelerate market-making business, futures, alternative investment and Hong Kong subsidiaries' businesses while focusing on main responsibilities and the primary business. In order to enhance the integrated and comprehensive financial services, the Company will advance the centralization of similar business units. **Moreover, the Company will deepen the business transformation.** Wealth management aims to accelerate the transformation with the goal of serving the majority of residents in preserving and increasing the value of their wealth. The proprietary investment business will give full play to its professional advantages and accelerate the formation of an investment system with balanced returns and risks. Meanwhile, the Company will actively explore the transformation of some of the support service departments to be oriented directly to the market and customers, improve its ability and show its value in the competition in the market and meet the customers' needs effectively. **Furthermore, the Company will make up the weak links of the business.** To that end, the Company will clarify the positioning of the investment banking business, improve the business layout, enhance the overall development capability of the business, continue to promote the characteristic development of asset management business, accelerate the elimination of weak links, and vigorously explore the development path of specialization. **Meanwhile, the Company will promote management improvement.** By further optimizing the allocation of resources, the Company will improve the efficiency of capital use and enhance profitability. The Company will continue to strengthen the compliance and risk control and promote the integration and centralization of the functions of management departments, which will drive the management intensification to a higher level. **The Company will also provide organizational security.** For this purpose, the Company will strengthen the building of cadres, work style and Party conduct and government integrity, which will guide the Company into a more benign development track, and further improve business competitiveness and management, thereby promoting the realization of the high-quality development of the Company.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Advantage of "base area"

The Company is a brokerage company affiliated to Henan Province as a legal person, which has long been deepened its efforts in the Henan market and deeply integrated into the overall situation of local economic and social development. Many of its businesses have a good foundation for development in the regional market, which are important carriers to promote the development of the multi-level capital market in Henan Province.

(II) Synergistic advantage of investment banking in leading the full service chain

The Company seized the policy opportunity of the full implementation of the registration system and the development dividend of the Henan Provincial Government's Implementation Plan for Promoting the Multiplication of Listed Enterprises in Five Years in Henan Province (《河南省推進企業上市五年倍增行動實施方案》), continued to deepen the reform of investment banking, strengthened the synergy among investment banking and wealth management, investment and other businesses, and gave full play to the advantages of the Company's "Trinity" financial service model, so as to achieve their own quality development while serving the quality development of the real economy.

(III) Advantage of A+H platforms

The Company is a securities company listed in Shanghai and Hong Kong, with its business layout covering both domestic and overseas markets, and is able to provide diversified A+H capital market services to its clients.

III. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

1. Securities brokerage business

Market environment

In the first half of 2023, the overall recovery of the domestic economy slowed down, and the stock market continued to be weak and volatile. The SSE Composite Index closed at 3,202.06 points, up 3.65% from the end of last year, the SZSE Component Index 11,026.59 points, up 0.10% from the end of last year, and the ChiNext Index 2,215 points, down 5.61% from the end of last year. The stock-based trading volume of the two stock exchanges was RMB124.68 trillion, up 0.12% year-on-year. (Source: Wind Info)

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Business measures and performance

In the first half of 2023, the Company actively promoted digital transformation and empowerment in securities brokerage business, accelerated the construction of the investment advisory service system, strengthened the customer base and enhanced service effectiveness. Focusing on the digital transformation of "laying foundation, enhancing capability and building ecology", the Company has been promoting the construction of digital infrastructure, digital management empowerment and digital business empowerment, and has comprehensively promoted the construction of key digital functions such as Central China Securities Caishengbao APP 5.0. The average monthly activity of "Caishengbao (財升寶)" APP exceeded 1 million, and "Caishengbao (財升寶)" APP ranked 24th among domestic securities firms in terms of DAU and MAU and other Internet operation indexes. We explored new models and mechanisms, built a reasonable investment advisory business system in an orderly manner, completed page optimization of the investment advisory product of phase I investment advisory platform and the construction of the push and touch function, and completed the trial operation and creation of the investment advisory strategies, with the investment advisory products achieving revenue generation. The first "Chasing Power in Central China" (逐鹿中原) private placement competition was held, with more than 1,500 private placement products participating in the competition, boosting the service projects of the private placement competition and the development of private placement products by branches, realizing 39 private placement products account opening and trading and accelerating the rapid development of investment advisory and institutional business.

As of the end of the Reporting Period, the total number of the Company's securities brokerage clients was 2,901,900, up 10.32% from the end of the previous year. The Company's stock fund trading volume totaled RMB790.7 billion, with a market share of 3.17%. Sales of financial products totaled RMB4,686 million, down 11.50% from the previous year. (Source: qianfan.analysis.cn and gsdata.cn)

Outlook for the second half of 2023

In the second half of 2023, in terms of the securities brokerage business, the Company will follow the trend of informatization, digitalization and intelligence, focus on customer demands, and strive to build up an Internet + wealth management service system, use data-driven and AI-driven to further enhance its digital intelligent customer service capability, continuously improve its customer activity, and strengthen the foundation of wealth management business development. The Company will accelerate the transformation to high-value service systems such as investment advisors through online standardized services, effectively meet the personalized service demands of medium to high net worth customers, and continuously improve the ability to serve institutional customers. The Company will deepen the development of investment advisory business, take investment consulting + investment teaching as the starting point, meet the investment and wealth management demands of various customers, and help our customers achieve long-term asset preservation and appreciation. The Company will accelerate the adjustment of traditional business models, vigorously compress the occupation of various inefficient resources, reduce costs, improve operational efficiency and cost-effectiveness.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Credit business

Market environment

In the first half of 2023, the overall performance of the capital market was stable, with the major scale indices diverging between ups and downs, and the overall scale of margin financing and securities lending rose steadily. As of the end of the Reporting Period, the balance of margin financing and securities lending in Shanghai and Shenzhen stock exchanges amounted to RMB1.59 trillion, up 3.12% from the end of 2022. The stock-pledged repurchase business operated smoothly, the overall scale of the market declined moderately, and the default risk pressure continued to relieve. (Source: Wind Info)

Business measures and performance

In the first half of 2023, in terms of margin financing and securities lending business, the Company, by launching the marketing campaign themed "improving quality of fixed deposits and efficiency of integration" to mobilize the enthusiasm of its branches. On the basis of controllable risk, the Company enabled customer value mining through digitalization and expanded its customer base through differentiated pricing so as to respond to market competition. In terms of stock-pledged repurchase business, the Company adhered to the positioning of "service synergy", deepened cooperation with its wealth management, investment banking and other business lines, and made full use of its comprehensive resources and information advantages to explore quality customers.

As of the end of the Reporting Period, the balance of margin financing and securities lending reached RMB6.932 billion, up 1.83% from the end of 2022. The balance to be repurchased of the Company's securities-backed lending business was RMB1.812 billion, down 15.32% from the end of the previous year. Of which, the principal amount of funds to be repurchased under on-balance sheet stock-pledged repurchase business was RMB1,133 million, representing a year-on-year decrease of 29.06%, and the average maintenance guarantee ratio was 197.90%; the principal amount of funds to be repurchased under off-balance sheet stock-pledged repurchase business was RMB679 million, unchanged from the same period of the previous year.

Outlook for the second half of 2023

In the second half of 2023, the Company will strengthen trading strategy research in terms of its margin financing and securities lending business, steadily promote customer activation, and improve the overall scale of business through multiple channels. The stock-pledged repurchase business will focus on promoting the large pressure drops for some customers, further reducing customer concentration, mitigating concentration risks, adhering to the positioning of "service synergy", strengthening team building, improving professional capabilities and risk control levels, and steadily carrying out new businesses.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. Investment banking

Market environment

The implementation of the comprehensive registration system provides continuous market opportunities and challenges for the development of investment banking business. In the first half of 2023, a total of 131 enterprises in Shanghai and Shenzhen Stock Exchanges completed their initial listings, raising a total of RMB201.556 billion, down 34.78% year-on-year. The refinancing funds raised by listed companies amounted to RMB432.024 billion, up 8.52% year-on-year. There were 42 initial public offerings on the Beijing Stock Exchange, raising a total of RMB8.181 billion, up 185.83% year-on-year. There were 160 newly listed companies in the National Stock Transfer System of Small and Medium-sized Enterprises, and the total refinancing funds raised amounted to RMB16.438 billion, down 6.11% year-on-year. The total amount of bonds issued by various institutions was RMB34.57 trillion, up 9.72% year-on-year. (Source: Wind Info)

Business measures and performance

In the first half of 2023, the Company's investment banking business seized market development opportunities, implemented the Company's "Trinity (三位一體)" financial service mechanism, vigorously promoted the landing of key projects, and actively promoted the declaration for the IPO of reserve projects. The Company adhered to the project as the starting point, focused on strengthening the cultivation and counseling, due diligence declaration, approval for IPO and issuance, continuous supervision and other business links, constantly improved the system, and strictly controlled quality risks.

During the Reporting Period, the Company completed 1 IPO lead underwriting project, and 1 listed company refinancing project, with the equity lead underwriting amount on the SSE and SZSE totaling RMB576 million. The Company has completed 5 corporate bond projects, 1 financial bond project, 1 corporate bond project, and 1 asset securitization project, with the lead underwriting amount of debt lead totaling RMB3.018 billion. The Company completed 50 deputy lead underwriting and distribution projects of bonds, with a cumulative underwriting/distribution amount of RMB2.695 billion. The Company completed 1 listing on the New Third Board and 4 targeted placement projects on NEEQ, with a total financing of RMB56 million. The Company acted as the sponsor in one refinancing project. (Source: Wind Info)

Outlook for the second half of 2023

In the second half of 2023, the Company will seize the policy opportunity of the comprehensive registration system reform and the Henan Provincial Government's "Five-year Multiplication Action of Enterprise Listing (企業上市五年倍增行動)", took the development path of differentiation, professionalization and specialization, continue to strengthen the construction of investment banking team, deepen the development of advantageous areas, expand target customers, and improve market competitiveness. The Company will increase the layout of investment banking business within Henan Province to form a development pattern of mutual promotion within and outside Henan Province.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

4. Investment management business

(1) Asset management

Market environment

In January 2023, the CSRC revised the Rules Governing the Private Asset Management Business of Securities and Futures Operators (證券期貨經營機構私募資產管理業務管理辦法) and its supporting normative documents to further optimize asset management regulatory policies, and the asset management industry entered a new stage of high-quality development. In the future, with the continuous deepening of financial reform, the increasingly refined, transparent and standardized asset management business of securities firms will become an inevitable trend. As of the end of the Reporting Period, the securities and futures operators managed RMB13.21 trillion worth of privately offered funds in total (excluding the National Social Security Fund and enterprise annuity funds), a decrease of RMB2.19 trillion from the same period last year. By product classification, single asset management plans took a major share in existing products, accounting for 53.65% of the scale. By investment type, fixed income products took the lion's share in terms of quantity and scale of products, accounting for 43.47% and 73.07% respectively. (Source: Asset Management Association of China)

Business measures and performance

In the first half of 2023, the Company actively adapted to the development trend of the industry, standardized the operation system, adhered to the customer-oriented concept, and built an integrated management platform to empower business development; optimized team building, introduced professionals, developed investment strategies, and improved quantitative research capabilities; and enriched product types to cover currency, fixed income, index and FOF and other types of products, forming a basic product line.

As of the end of the Reporting Period, the total assets under management of the Company amounted to RMB4.952 billion, including 6 collective asset management schemes in the amount of RMB3.906 billion, 1 single asset management scheme in the amount of RMB43 million and 2 specific asset management schemes in the amount of RMB1.003 billion.

Outlook for the second half of 2023

In the second half of 2023, in terms of asset management business, the Company will closely follow the opportunities arising from the Company's wealth management transformation, strengthen the synergy and linkage with the wealth management business, and deepen the asset allocation services; focus on the differentiated needs of corporate customers, strengthen team building, strengthen investment and research capabilities, and develop asset management products into trustworthy wealth management tools for customers, so as to continuously increase the business scale; conduct researches into high net worth and specific needs of institutional customers, and actively develop the exclusive customized products; strengthen compliance and risk control management, and comprehensively promote the construction of an integrated platform for asset management business.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(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 the first half of 2023, China's equity investment market as a whole continued a downward trend. In terms of capital raising, affected by the slowdown in fund-raising by large-value funds and foreign currency funds, the number and total scale of newly raised funds reached 389 or RMB734.145 billion, down by 0.3% and 23.5% year-on-year, respectively, of which foreign currency funds continued a downward trend, with the number and scale of newly raised funds falling by 54.9% and 35.4% year-on-year. In terms of investment, the market investment side remained relatively sluggish in the first half of 2023, with the number and amount of investment cases reaching 3,638 and RMB292.965 billion respectively, down 37.5% and 42.0% year-on-year. Technological innovation is still the mainstream of institutional investment, with the total number and total amount of investment cases in the three major fields of semiconductors and electronic equipment, biomedicine and IT accounting for 62.4% and 46.2% respectively, in addition, the investment in new energy and new materials projects has increased. In terms of withdrawal, in the first half of 2023, a total of 1,326 withdrawal cases occurred in China's equity investment market, down 32.6% year-on-year, and IPO withdrawals remained the mainstream. (Source: Zero2IPO Data)

Business measures and performance

In the first half of 2023, ZDKY Venture Capital widely connected with intended partners to promote the establishment of funds. In terms of capital raising, the Company actively promoted the establishment of Dingyu Xiangbei Fund (鼎豫向北基金) and Weihui Industrial Fund (衛輝產業基金), continued the expansion of the business framework, expanded the scale of the fund, consolidated the foundation for development, coordinated with other lines of the Company, and comprehensively empowered the real economy in the province through professional capabilities and financial tools. In terms of investment, the Company invested 2 high-quality enterprises inside and outside the province in the first half of the year, with a total scale of RMB35 million. In terms of post-investment, ZDKY Venture Capital continued to implement the "Trinity (三位一體)" strategy, the post-investment management of key projects was empowered to achieve phased results, and the application materials for Liying Environmental Protection, the invested project, were submitted to the Beijing Stock Exchange, which is expected to become the first company incubated by the Beijing Stock Exchange.

During the Reporting Period, ZDKY Venture Capital and its subsidiaries established one new fund, raising a total of RMB200 million. As of the end of the Reporting Period, ZDKY Venture Capital and its subsidiaries managed a total of 15 private funds, with a private fund management scale of RMB5,699.5 million.

Outlook for the second half of 2023

In 2023, ZDKY Venture Capital will seize the policy opportunity of the comprehensive registration system reform and the Henan Provincial Government's "Five-year Multiplication Action of Enterprise Listing (企業上市五年倍增行動)", further clarify its positioning, coordinate the internal integrated operation management, focus on the main duty and business and relatively advantageous fields, improve operational efficiency, make intensive efforts, surrounding the "Trinity (三位一體)" financial service model of the parent company, focus on promoting the high-quality investment operation of Dingyu Xiangbei Fund (鼎豫向北基金) and Weihui Fund (衛輝產業基金), deepen cooperation with well-known investment institutions, focus on key areas such as advanced manufacturing, digital economy, biomedicine, new energy and new materials, modern agriculture, gradually form a virtuous circle of "investment-value-added withdrawal-reinvestment", and promote the achievement of high-quality development.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Alternative investment

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

Market environment

In the first half of 2023, the downward trend of the global equity investment market continued, and the fundraising, investment amount and scale of the VC and PE markets all fell sharply. The number of investment cases and the amount of investment were 3,638 and RMB292.965 billion, respectively, down 37.5% and 42.0% year-on-year. The number of mid-to-early stage investment cases fell by more than 40% year-on-year. In terms of industry distribution, scientific and technological innovation remained the investment theme; and although the semiconductor and electronic equipment, biotechnology/healthcare and IT sectors continued to gain market attention, the number of investment cases decreased by more than 30% year-on-year. In terms of withdrawal, the total number of withdrawal transactions in China's equity investment market decreased by 32.6% year-on-year, and IPOs of invested enterprises remained the main withdrawal method for VC/PE institutions. With the implementation of the comprehensive registration system, the valuation of the primary and secondary market has returned to a reasonable level, which is conducive to long-term development of the industry.

Business measures and performance

In the first half of 2023, Central China Blue Ocean continued to deepen cooperation with domestic first-tier investment institutions, upgraded project grades, and increased reserves for high-quality projects around new energy, new materials, advanced manufacturing and other industries. At the same time, the dividends from cooperation with domestic professional investment institutions continued to be released, and among the investment projects of private equity investment funds, 3 enterprises have been listed and 5 have been approval for IPO and pending for registration.

During the Reporting Period, Central China Blue Ocean made 2 direct equity investments, with a scale of RMB14 million and 2 financial product investments, with a scale of RMB20 million. Central China Blue Ocean withdrew from 6 investment projects of various types and recovered an investment amount of RMB35.0095 million. As of the end of the Reporting Period, Central China Blue Ocean had 51 projects under investment with a total scale of RMB2.878 billion.

Outlook for the second half of 2023

In the second half of 2023, Central China Blue Ocean will strengthen collaboration with the Company's research institutes, investment banks, and other business lines, explore the full lifecycle service model for small and medium-sized enterprises, conduct in-depth research and systematically sort out the entire business chain of small and medium-sized enterprises, serve the growth of enterprises, persist in striving to continuously improve influence and differentiated competitiveness, support the development of the real economy, improve investment returns, and make positive contributions to the high-quality development of the Company.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

5. Proprietary trading

Market environment

In the first half of 2023, in terms of equity investments, affected by the slowdown of economic recovery, the equity investment market showed typical structural characteristics, the SSE Composite Index rose 3.65%, SZSE Component Index rose 0.1% and ChiNext Index fell 5.61%. In terms of bond investments, under the factors of easy funding and abundant institutional funds, the bond market experienced three phases including upward, shock and downward. The yield on the ten-year treasury bond swayed down from 2.84% to 2.64%, and the ChinaBond Aggregate Index (Full Price) increased by 0.86%. (Source: Wind Info)

Business measures and performance

In the first half of 2023, the proprietary trading business achieved an operating revenue of RMB348.1163 million, up 134.04% year on year. In terms of equity investment business, the Company adhered to the strategy of “working with the giants”, strengthened learning and exchanges, actively improved its own investment and research ability, explored neutralized investment strategies, increased the over-the-counter derivatives investment, promoted the active transformation of the profit model, and built a de-directional investment system, realizing a significant year-on-year reduction of losses in equity investment. In terms of fixed income investment business, the Company seized the fluctuation of the bond market through the development of trading strategies and position adjustment, that is, to avoid investment losses during the upward period, and seized the investment opportunities to obtain and expand the investment income in the shock and downward periods. We took efforts on the construction of the sales team, actively expanded the sales pipeline, and increased the intermediary business income.

Outlook for the second half of 2023

In the second half of 2023, the proprietary trading business will leverage its professional advantages and actively create an investment system under the proprietary trading business that balances returns and risks. In terms of equity investments, we will introduce outstanding investment managers, strengthen construction of investment team, properly increase the directional allocation investment in equity while steadily developing the neutral investment business, and fully utilize innovative means such as quantitative trading to further develop over-the-counter derivatives business as well as quantitative trading business, so as to promote the transformation of the equity business. In terms of fixed income, we will strictly control the risk of retracement, actively expand our bond capital intermediary business, enrich new types of bond investments, continue to invest in the REITs sector, continuously upgrade our business systems, vigorously promote the integration of business and technology, and enhance our risk control and operational system management capabilities.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

6. Futures business

The Company carried out its futures brokerage business and futures investment consultation through Central China Futures, a subsidiary of the Company, and carried out its risk management business through Yuxin Investment, a subsidiary of Central China Futures.

Market environment

In the first half of 2023, with a complex and volatile macro environment as well as high volatility of commodity prices, the activity in the futures market was characterized by first decelerating then accelerating. During the Reporting Period, the accumulated transaction volume of the first quarter in China's futures market increased by 8.47% year-on-year and the accumulated transaction amount decreased by 6.00% year-on-year; the accumulated transaction volume of the second quarter increased by 51.26% year-on-year and the accumulated transaction amount increased by 9.59% year-on-year. The new variety of industrial silicon listed on the Guangzhou Futures Exchange at the end of 2022 brought significant incremental volume to market transaction volume, driving a significant year-on-year increase in market transaction volume in the first half of 2023. During the Reporting Period, the accumulated transaction volume in China's futures market was 3.951 billion lots, up 29.71% year-on-year; the transaction amount was RMB262.13 trillion, up 1.80% year-on-year. (Source: China Futures Association)

Business measures and performance

In the first half of 2023, Central China Futures orderly promoted the synergistic development of futures brokerage and risk management. The futures brokerage business focused on scale enhancement, taking industrial risk management and professional services as the main focus, promoting the development service of industrial and institutional customers, and significantly increasing the number of institutional customers. The risk management subsidiary paid attention to serving the real economy, helping SME lock in costs, hedging business risks, and promoting the efficient circulation and allocation of commodities and elements through basis trade and cum rights trade.

During the Reporting Period, the futures brokerage business won 1,444 new customers and served a total of 356.18 million customers, of which institutional customers increased by 18.89% year on year. The total number of transactions was 17.7620 million lots, representing a year-on-year increase of 49.28%, and the transaction amount was RMB1,591.911 billion, representing a year-on-year increase of 17.14%. During the Reporting Period, the amount of purchase of goods by Yuxin Investment amounted to RMB192 million, representing a year-on-year increase of 336.36%; its revenue from the sales of goods was RMB82 million, representing a year-on-year increase of 39.74%; and its revenue from market-making business was RMB17 million, representing a year-on-year decrease of 58.92%.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for the second half of 2023

In the second half of 2023, Central China Futures will further clarify its positioning, focus on the main duty and business and relatively advantageous fields, make intensive efforts, enhance professional capabilities, maintain strategic focus, actively enhance market competitiveness, expand the main business scale, and improve its ability and level of serving the real economy. Central China Futures will deepen the research and development of various bulk commodity varieties, focus on creating a high-quality R&D product output system, strengthen characteristic service capabilities, accelerate the integration of technology and business, deeply promote the construction of online and standardized retail customer service systems, and improve customer service experience; strengthen the coordination and linkage with similar businesses of Central China Securities in brokerage business and other aspects, leverage collaborative advantages, and achieve steady development.

7. Overseas business

The Company carried out its overseas business through Central China International, a subsidiary of the Company, and subsidiaries of Central China International.

Market environment

In the first half of 2023, the total capital raised in Hong Kong securities market reached HK\$74.39 billion and the capital raised through IPO reached HK\$17.778 billion. There were 33 new listed companies in the first half of the year, with an increase of 22% over the same period last year, and 97 new bonds were launched. Under the influence of unfavorable factors such as heightened inflation in the United States, the Hang Seng Index and Hang Seng Technology Index fell by approximately 4.4% and 5.3% during the first half of the year, respectively, which was a relatively subdued performance amongst the major markets in the world. (Source: HKEx)

Business measures and performance

In the first half of 2023, Central China International, with attention paid to the strategic positioning of building a "window" and "intermediary" platform, focused on the development of investment banking, brokerage and services related to brokerage margin financing, and took new steps in business transformation. In terms of brokerage business, it strengthened the construction of the sales team, increased the number of products in inventory to 20, enhanced the building of product system and specialized capacity, and achieved business implementation with a number of high net worth customers, major shareholders of listed companies and institutional customers. Focusing on bond issuance business, it participated in the AT1 issuance of Nanyang Commercial Bank, achieved the role of global coordinator, and broke the record of underwriting amount of a single project in the past. In terms of investment banking business, it strengthened the business linkage between the investment banking business and various business segments and our parent company, with continuously improving market popularity.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the number of customers of Central China International's securities business was 8,630, with total assets under custody at HK\$4.523 billion, representing an increase of 7.18% over the previous year. The accumulative trading volume of agency stocks and bonds amounted to HK\$1.341 billion, ranking 251th among 555 members of HKEx. We ran the sales agent business of funds with an accumulated subscription amount of US\$88.795 million, with a breakthrough of zero compared to the same period last year. The balance of margin financial business was approximately HK\$187 million, with an increase of 5% from the end of last year. In terms of investment banking business, we completed 2 Hong Kong listing underwriting projects and 1 financial advisory project for a Hong Kong-listed subsidiary of central enterprise, and there were 1 financial advisory and 1 listing project in progress. We completed 1 overseas US dollar bond issuances, assisting companies in raising US\$6.20 million.

Outlook for the second half of 2023

In the second half of 2023, Central China International, taking the investment banking business as the guide, will strengthen the linkage of domestic and overseas business, and promote the cooperation with external institutions. Central China International will intensify project reserve and execution, and enhance the financing service capability in overseas markets, which effectively propel the institutional business. In terms of brokerage business, Central China International will implement targeted strategies for key institutions and high net worth customers, to tap more customer resources and enhance professional service capabilities. In terms of the bond issuance business, Central China International will focus resources on landing projects and enhancing the influence of Central China International's brand in Hong Kong in a revenue-oriented manner.

8. Others

Regional equity market business

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

Market environment

In the first half of 2023, the CSRC promulgated the filing list of the first batch of construction program of "Specialized, Advanced, Special and New" boards, which was the first issued filing list by CSRC after the Guiding Opinions on the High-quality Construction of "Specialized, Advanced, Special and New" Boards in Regional Equity Markets jointly issued by the General Office of China Securities Regulatory Commission and the General Office of Industry and Information Technology since 18 November 2022. The Department of Industry and Information Technology of Henan Province, the Department of Finance of Henan Province, the Administration for Market Regulation Henan Province, Henan Provincial Local Financial Supervision Administration, Henan Provincial Tax Service, State Taxation Administration, and Henan Branch of the China Securities Regulatory Commission jointly issued the Notice on the Work Program of Accelerating the Shareholding Reform of Industrial Enterprises Above Scale in Henan Province. The above policies are conducive to the further development of business in the Henan regional equity market.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Business measures and performance

In the first half of 2023, the Equity Exchange Co. continued to carry out industry tracking and research, accelerated the process of setting up the “Specialized, Advanced, Special and New” boards, focused on learning from the industry advancement, and improved the construction program of the “Specialized, Advanced, Special and New” boards in Henan Province. It promoted the construction of blockchain innovation application pilot, improved the level of market science and technology application, completed the deployment of the business function testing environment of the blockchain-based SME comprehensive financial service platform, and obtained the approval of the blockchain innovation application pilot qualification in Henan Province. It continuously enhanced the financing function of the market, and expanded the various types of financing for enterprises by releasing exclusive financial products for science and innovation and organizing online and offline roadshow activities on a regular basis. It enriched the content of basic services, deepened the liaison service mechanism for high-quality enterprises, initiated special actions for research and visit of high-quality enterprises, and strengthened the cultivation and incubation of enterprises for transferring to boards. It built and launched a comprehensive service platform for shareholding reform, and promoted the shareholding reform of enterprises in Henan Province. It continuously deepened comprehensive financial services in local cities, and empowered local high-quality enterprises, so as to boost the development of county capital markets.

As of the end of the Reporting Period, the cumulative number of listed companies and enterprises under custody was basically flat with that of the previous year. The Equity Exchange Co. recorded an accumulative financing amount of RMB25.004 billion, representing an increase of 7.74% over the end of the previous year, and recorded 83.870 billion shares under custody, representing an increase of 0.46% over the end of the previous year.

Outlook for the second half of 2023

In the second half of 2023, the Equity Exchange Co. will continue to actively implement a series of decisions and deployments made by the Henan Provincial Party Committee and Provincial Government regarding the development of the multi-level capital market, adhere to the positioning of serving the development of small and medium-sized enterprises and the development idea of “focusing on three types of enterprises, focusing on three functions, and building three platforms”. It will promote the establishment of the “Specialized, Advanced, Special and New” boards in Henan Province as soon as possible, strengthen the research and development of characteristic products, expand enterprise financing channels, and spare no effort to help small and medium-sized enterprises grow healthily and rapidly. In accordance with the objectives and tasks of the Blockchain Pilot of Regional Equity Markets, it will do a good job in project organization and management, and promote the construction of relevant business scenarios to go online. It will give full play to the role of the Shanghai Stock Exchange capital market service base in Henan Province and the Beijing Stock Exchange (NEEQ) service base in Henan Province, and demonstrate enterprises go public on appropriate boards. It will strengthen internal control management, improve operational efficiency, and achieve high-quality development while serving small and medium-sized enterprises.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis on principal business

1 Analysis of changes in relevant items in the financial statements

Unit: Yuan Currency: RMB

Item	January-June 2023	January-June 2022	Change (%)
Operating income	1,045,764,808.74	787,674,140.44	32.77
Operating costs	856,442,136.41	958,688,511.85	-10.67
Net cash flows from operating activities	-564,121,298.87	2,626,128,925.24	-121.48
Net cash flows from investment activities	1,581,370,855.91	125,516,051.87	1,159.90
Net cash flows from financing activities	492,744,842.84	-1,584,208,278.56	N/A

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

Item	January-June 2023	January-June 2022	Change (%)	The reason of the change
Net interest income	74,549,752.14	32,340,155.40	130.52	Mainly attributable to decrease in bonds interests expense in the current period
Net fee income from investment banking business	24,912,750.46	119,991,988.96	-79.24	Mainly attributable to decrease in net fee income from underwriting business in the current period
Net fee income from asset management business	29,024,498.87	18,724,380.61	55.01	Mainly attributable to increase in the total scale of asset management business in the current period
Investment income from associates and joint ventures	-1,906,946.49	15,450,238.48	-112.34	Mainly attributable to decrease in investment income from certain associates in the current period
Gains on changes in fair value (loss stated with "-")	49,203,610.65	-462,650,347.44	N/A	Mainly attributable to increase in estimate of financial instruments in the current period
Gains on foreign exchange (loss stated with "-")	1,174,487.59	2,989,889.80	-60.72	Mainly due to the change of exchange rate in the current period
Other operating income	84,195,470.35	61,024,708.53	37.97	Mainly due to the increase of income from bulk commodity trading in the current period
Gains from assets disposal (loss stated with "-")	-1,269.07	19,339.36	-106.56	Mainly due to the decrease of income from disposal of fixed assets in the current period
Other income	16,330,186.88	5,782,392.81	182.41	Mainly due to the increase in government subsidies in the current period
Expected credit losses	6,623,958.85	160,574,016.45	-95.87	Mainly due to the decrease in provision for impairment such as the provision for impairment of financial assets held under resale agreements in the current period
Other assets impairment losses	376,521.12	3,653,275.68	-89.69	Mainly due to the decrease in provision for impairment of long-term equity investment in the current period
Other operating costs	81,803,443.63	57,480,238.49	42.32	Mainly due to the increase of cost of bulk commodity trading in the current period
Non-operating income	692,374.81	2,592,046.43	-73.29	Mainly due to the decrease in income from government subsidies unrelated to the Company's daily operating activities in the current period
Non-operating expenses	1,945,320.84	898,235.67	116.57	Mainly due to the increase in non-current asset disposal expenses unrelated to the Company's daily operating activities in the current period
Income tax expenses	24,340,213.81	-38,902,747.98	N/A	Mainly due to the increase in the total profit in the current period
Other comprehensive income after tax	13,884,498.91	30,381,476.29	-54.30	Mainly due to the increase in the translation differences of foreign currency statements in the current period

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Reason for the change in operating income: mainly due to the increase in gains on changes in fair value.

Reason for the change in operating cost: mainly due to the decrease in expected credit losses.

During the Reporting Period, as the economic development showed an upturn situation, the Group achieved an operating revenue of RMB1.046 billion, representing an increase of 32.77% year-on-year. Revenue from proprietary business amounted to RMB348 million, representing an increase of RMB199 million, mainly due to the increase in income from investment business in the current period; revenue from oversea business amounted to RMB15 million, representing an increase of RMB90 million, mainly due to the increase in gain from the change of fair value of financial products held by Central China International in the current period; revenue from securities brokerage business amounted to RMB329 million, representing an increase of RMB35 million; revenue from futures business amounted to RMB139 million, representing an increase of RMB26 million; revenue from the head office and others amounted to RMB48 million, representing an increase of RMB12 million; revenue from credit business amounted to RMB207 million, representing an increase of RMB5 million; revenue from investment management business amounted to RMB32 million, representing a decrease of RMB14 million; revenue from investment banking business amounted to RMB23 million, representing a decrease of RMB97 million, mainly due to the decrease in income from securities underwriting business in the current period.

During the Reporting Period, the Group recorded an operating cost of RMB856 million, with a year-on-year decrease of 10.67%. Among which, expected credit losses amounted to RMB7 million, with a decrease of RMB154 million, mainly due to the decrease of provision for impairment of financial assets held under resale agreements. The Company evaluated the credit risk of each business in accordance with the principle of prudence and sufficient provision, and made impairment provision based on the expected loss model. The Company will continuously monitor the changes in the market value of collateral and the credit standing of financiers, and prudently evaluate the risks of securities-backed lending business. In case of any adverse factors such as the decline in the market value of collateral, the Company will make full provision for the impairment of the current period in strict accordance with the Accounting Standards for Business Enterprises and the accounting policies of the Company.

During the Reporting Period, the Group realized a net profit attributable to shareholders of the parent company of RMB167 million, with an increase of RMB293 million, mainly due to the influences from the year-on-year increase of income from investment business and the year-on-year decrease of credit impairment.

Reason for the change in net cash flows from operating activities: mainly due to the decrease in cash inflow resulting from the increase in investment in financial instruments measured at fair value through profit or loss in the current period.

Reason for the change in net cash flows from investing activities: mainly due to the increase in cash inflow resulting from the increase in cash received from recovery of investments in the current period.

Reason for the change in net cash flows from financing activities: mainly due to the increase in cash inflow resulting from the year-on-year decrease in cash paid for debt repayment in the current period.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	30 June 2023	Percentage of the amount at the end of the Period in total asset (%)	31 December 2022	Percentage of the amount at the end of the previous year in total asset (%)	Change comparing to the amount at the end of the previous year (%)	Description
Cash and bank balances	11,919,208,655.14	21.18	10,211,630,004.39	20.35	16.72	Mainly due to the increase in client's capital deposit at the end of the Period
Clearing settlement funds	2,924,226,597.72	5.20	3,115,104,687.58	6.21	-6.13	Mainly due to the decrease in clearing settlement funds held on behalf of clients at the end of the Period
Margin accounts receivable	7,169,631,161.13	12.74	7,016,885,351.83	13.98	2.18	Mainly due to the increase in scale of margin accounts receivable at the end of the Period
Derivative financial assets	4,362,564.79	0.01	2,246.26	0.00	194,114.60	Mainly due to the influence from change of OTC options at the end of the Period
Accounts receivable	135,654,901.95	0.24	87,679,998.85	0.17	54.72	Mainly due to the increase in accounts receivable for OTC business at the end of the Period
Financial assets at fair value through profit or loss	27,302,962,505.02	48.53	21,614,103,009.80	43.07	26.32	Mainly due to the increase in investment in bills and bonds at the end of the Period
Financial assets at fair value through other comprehensive income	726,145,159.65	1.29	2,288,258,640.42	4.56	-68.27	Mainly due to the decrease in investment in local and government bonds at the end of the Period
Investment in other equity instruments	1,400,000.00	0.00	0.00	0.00	N/A	Mainly due to the presentation of the investment in futures membership into this item at the end of the Period
Construction in progress	156,868,889.22	0.28	118,898,335.11	0.24	31.94	Mainly due to the increase in expenses for the construction of office building at the end of the Period
Short-term loans	7,878,026.53	0.01	66,075,016.67	0.13	-88.08	Mainly due to the decrease in pledge loans and credit loans at the end of the Period
Short-term financing instruments payable	5,037,493,061.59	8.95	4,132,771,764.91	8.24	21.89	Mainly due to the increase in short-term financing instruments payable at the end of the Period
Derivative financial liabilities	1,400,303.08	0.00	793,800.00	0.00	76.41	Mainly due to the influence from change of OTC options at the end of the Period
Financial assets sold under repurchase agreements	13,882,705,989.61	24.67	9,887,887,932.32	19.70	40.40	Mainly due to the increase in scale of pledge-style repurchase business at the end of the Period
Accounts payable to brokerage clients	12,764,227,514.67	22.69	11,849,666,807.82	23.61	7.72	Mainly due to the increase in client's capital deposit at the end of the Period
Taxes payable	60,335,919.88	0.11	111,898,833.01	0.22	-46.08	Mainly due to the decrease in corporate income tax payable at the end of the Period

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Item	30 June 2023	Percentage of the amount at the end of the Period in total asset (%)	31 December 2022	Percentage of the amount at the end of the previous year in total asset (%)	Change comparing to the amount at the end of the previous year (%)	Description
Accounts payable	547,161,021.29	0.97	237,527,662.62	0.47	130.36	Mainly due to the increase in accounts payable for OTC business and open-end fund liquidation at the end of the Period
Contract liabilities	26,059,526.63	0.05	5,866,855.62	0.01	344.18	Mainly due to the increase in expense and commission advance receipt at the end of the Period
Estimated liabilities	0.00	0.00	1,186,481.49	0.01	-100.00	Mainly due to the decrease in prepayments for pending litigation at the end of the Period
Bonds payable	5,370,051,522.01	9.54	5,364,791,008.73	10.69	0.10	Mainly due to the change of balance of bonds payable at the end of the Period
Other liabilities	267,716,995.48	0.48	406,462,258.85	0.81	-34.13	Mainly due to the decrease in other payable at the end of the Period

As of 30 June 2023, the total assets of the Group reached RMB56.264 billion, increasing by RMB6.081 billion or 12.12% from that of the beginning of the year. Cash and bank balances, clearing settlement funds and refundable deposits paid accounted for 28.29% of the total assets; financial assets accounted for 50.17% of the total assets; margin accounts receivable accounted for 12.74% of the total assets; long-term equity investment accounted for 2.74% of the total assets; deferred income tax assets, intangible assets and other assets accounted for 2.66% of the total assets; financial assets held under resale agreements accounted for 2.40% of the total assets; investment property, fixed assets, construction in progress and right-of-use assets accounted for 1.00% of the total assets. The Company has good asset quality and liquidity and sound asset structure.

As of 30 June 2023, the total liabilities of the Group reached RMB42.137 billion, increasing by RMB6.162 billion or 17.13% from that of the beginning of the year. Accounts payable to brokerage clients (including acting trading securities of credit trading) accounted for 30.29% of the total liabilities; financial assets sold under repurchase agreements accounted for 32.95% of the total liabilities; bonds payable and short-term financing payable accounted for 24.70% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities accounted for 4.46% of the total liabilities; due to banks and other financial institutions accounted for 3.81% of the total liabilities; employee benefits payable, taxes payable and other liabilities accounted for 3.77% of the total liabilities, bank loans accounted for 0.02% of the total liabilities.

As of 30 June 2023, the gearing ratio of the Group after deducting accounts payable to brokerage clients (including acting trading securities of credit trading) and securities underwriting brokerage deposits was 67.52%, with an increase of 4.58 percentage points from that of the beginning of the year.

2. Overseas assets

Among which: The overseas assets amounted to RMB1.418 billion, accounting for 2.52% of the total assets.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

Please refer to NOTE 61 “Assets with restricted ownership or use rights” in the VI. “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION” of this Report.

4. Other explanations

Please refer to XII. “COMMITMENTS AND CONTINGENCIES” under Section 8 “REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION” of this report.

(III) Access to and ability of financing

For details of the debt financing instruments and liquidity of the Company in the first half of 2023, please refer to Notes 23, 24, 25, 27, 33 under VI. “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” in Section 8 “REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION” of this Report.

(IV) Analysis of investments

Overall analysis on external equity investments

At the end of the Reporting Period, the Group had a long-term equity investment of RMB1.543 billion, representing a decrease of RMB35 million or 2.20% as compared with the end of the previous year.

(1). Financial assets measured at fair value

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Changes in current period	The amount of impact on current profits
Financial assets at fair value through profit or loss	21,614,103,009.80	27,302,962,505.02	5,688,859,495.22	466,851,832.80
Financial assets at fair value through other comprehensive income	2,288,258,640.42	726,145,159.65	-1,562,113,480.77	46,438,932.05
Derivative financial assets	2,246.26	4,362,564.79	4,360,318.53	30,235,459.61
Derivative financial liabilities	793,800.00	1,400,303.08	606,503.08	
Financial liabilities at fair value through profit or loss	1,525,542,658.61	1,880,537,054.47	354,994,395.86	-6,986,186.11
Total	25,428,700,355.09	29,915,407,587.01	4,486,707,231.92	536,540,038.35

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(V) 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, the PRC
Date of incorporation:	18 April 1993
Registered capital:	RMB330 million
Shareholding proportion:	51.357%
Legal representative:	Xie Xuezhu
Contact No.:	0371-68599199
Principal business:	commodity futures brokerage; financial futures brokerage; futures investment advisory business; assets management.
Financial position:	As of 30 June 2023, the total assets and net assets amounted to RMB2.892 billion and RMB458 million respectively. In the first half of 2023, Central China Futures recorded an operating income of RMB139 million and a net profit of RMB5.7705 million.

Zhongding Kaiyuan Venture Capital Management Co., Ltd.

Registered address:	Rooms 501-11, Building 1, No.18 Courtyard, Lize Road, Fengtai District, Beijing, the PRC
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 30 June 2023, the total assets and net assets amounted to RMB1.209 billion and RMB883 million respectively. In the first half of 2023, Zhongding Kaiyuan Venture Capital Management Co., Ltd. recorded an operating income of RMB1.6 million and a net profit of RMB-5 million.
Reasons for the loss:	As of 30 June 2023, the operating income of Zhongding Kaiyuan decreased by 75.53% year-on-year. This was mainly due to the significant decrease in net assets 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.

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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; sponsorship underwriting; financial advisor; self-run investment and other capital market services.
Financial position:	As of 30 June 2023, the total assets and net assets of Central China International amounted to HK\$1.538 billion and HK\$607 million, respectively. In the first half of 2023, its revenue and other income and net profit amounted to HK\$39 million and HK\$-10 million, respectively.
Reasons for the loss:	A loss of HK\$141 million was recorded for the same period last year and the year-on-year loss was reduced by HK\$130 million, mainly due to the realization of profits in the fair value of financial assets held and investment income, the income from the recovery of risk items, and the larger scale and higher income of securities margin compared to the previous year.

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, Henan Province, the PRC
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 30 June 2023, the total assets and net assets amounted to RMB3.151 billion and RMB3.144 billion respectively. In the first half of 2023, Central China Blue Ocean Investment Management Company Limited recorded an operating income of RMB9 million and a net profit of RMB5.2191 million.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Central China Equity Exchange Co., Ltd.

Registered address:	No.23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC
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 30 June 2023, the total assets and net assets amounted to RMB423 million and RMB384 million respectively. In the first half of 2023, Central China Equity Exchange Co., Ltd. recorded an operating income of RMB-11 million and a net profit of RMB-15 million.
Reason for the loss:	Due to the stocks of fund investment enterprises held by Equity Exchange Co. declining considerably.

(VI) Structured entities controlled by the Company

As of 30 June 2023, the Group consolidated 5 structured entities, which included asset management plans and partnerships. For the structured entities that served as the manager 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 VIII. "EQUITY IN OTHER ENTITIES" under Section 8 "REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION" of this Report.

V. OTHER DISCLOSURE

(I) Potential risks

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 continued to optimize and improve the comprehensive risk management system, continuously improving the organizational structure of risk management, improving the risk management system, strengthening the construction of the risk management information technology system, optimizing the risk control index system, and enhancing the risk response mechanism, etc., as follows:

1. 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 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. 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, various businesses, 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. The Company continued to perfect its risk management system and enrich its risk control methods.

3. Risk management information system

The Company has established and improved a risk management information technology system covering various risk types, departments, branches and subsidiaries. The risk management information system mainly includes a risk management platform covering various types of business, and a comprehensive risk management system covering net capital, stress testing, various risks and subsidiaries. At the same time, the Company has established a system of internal bond rating, public opinion monitoring and the same business and same customer. Through the measurement, summary, early warning and monitoring of various risks, the Company accumulated true, accurate and complete internal and external data for risk identification, measurement, evaluation, monitoring and reporting, so as to meet the Company's overall risk management needs.

4. Risk response mechanism

The major risks faced by the Company include credit risks, market risks, liquidity risks, reputation risks, operational risks, compliance risks and information technology risks, etc. Details are 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, securities-backed lending, securities repurchases, over-the-counter derivatives business, bond-pledged repurchase brokerage business and the aforementioned related businesses carried out by its subsidiaries.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Company's management of credit risk mainly includes: First, the Company established access criteria for bond investment business, conducted access management for the credit ratings of investment targets and counterparties, established bond pools and counterparty pools, controlled the concentration of investment targets, conducted graded review of the credit lines of counterparties, and continuously tracked and evaluated the negative public opinion of the bonds held and counterparties. Second, the Company set access criteria regarding financing parties, guarantee or underlying securities for margin trading and securities lending, securities-backed lending, securities repurchases and margin business of overseas subsidiaries, and established standards on collateral scope and conversion rate, deposit ratio, maintenance guarantee ratio or performance guarantee ratio standards according to the business characteristics, carried out front-end audit and control through due diligence, credit investigation and granting, as well as hierarchical authorization, conducted dynamic monitoring in the duration on the risk conditions such as concentration, contract expiration, maintenance guarantee ratio or performance guarantee ratio through daily marking to market, and carried out risk disposal through forced closing positions and default disposal. Third, the Company established access standards for counterparties of OTC derivatives business, and conducted risk control through due diligence, credit granting management, margin collection, marking to market, closing positions, underlying securities management and default handling, and strengthened key management before, during and after the activities. Fourth, 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.

During the Reporting Period, the Company continuously improved its credit risk control measures: First, the Company improved the limit indicator system, optimized the risk limit indicator of financing business and refined the concentration limit of private debt investment of overseas subsidiaries in light of the risk control objectives and monitoring work. Second, the Company improved the authorization management system of its financing business and optimized the decision-making process of the financing amount of a single security of the stock pledge business. Third, the Company improved the quota management of the bond pools and counterparty pools of bond investment transactions, optimized the concentration management of collateral, maturity date and counterparty for bond reverse repurchase transactions, and increased the concentration and leverage control requirements for the same issuer and its affiliates. Fourth, the Company perfected the counterparty access criteria for over-the-counter derivatives business, and optimized the classification management and credit control of counterparties. During the Reporting Period, no significant credit risk items were added to the Company's business.

(2) Market risk and policies

Market risk refers to the losses in the Company's business due to adverse changes in market prices. It consists of the price risk, 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 loss to the Company due to uncertainty of interest rate changes in the market. Exchange rate risk refers to the possibility that the Company may suffer losses from operating activities that 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, asset management business and market-making business.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Company's management of market risk mainly includes: First, the Company implemented 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, the Company established a management mechanism for the securities pool and black and white list database, clarified the access standards, and strictly managed the transactions in the pool. Third, the Company established 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 used stress testing and sensitivity analysis to evaluate market risks. Fourth, the Company established 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 identified, monitored, warned, and reported related risks, so as to adopt risk control measures such as exposure reduction or hedging promptly. Fifth, the Company established market risk measurement analysis models and tools, quantified and analyzed market risks through risk measurement models such as VaR value, volatility, Beta, duration, convexity, DV01 and other indicators, and adjusted business strategies in time to control market risks.

During the Reporting Period, the Company continued to strengthen its control measures for market risks: Firstly, the Company effectively implemented its prudent risk appetite and optimized the risk quota indicators of proprietary fixed-income business. Second, the Company continued to strengthen the management of equity the proprietary securities pools and improved risk control measures for outsourcing investment business. Third, the Company established a risk control index system for quantitative investment business, optimized the regional concentration index control of urban investment bonds, and eliminated weak qualification areas in the investment scope. Fourth, the Company built or upgraded risk control systems such as over-the-counter derivatives, bill business and quantitative investment, and constantly improved the timeliness, accuracy and comprehensiveness of business data collection. Fifth, the Company strengthened the management of new businesses, established a risk management mechanism for quantitative investment and OTC derivatives business, and controlled business risks by controlling the underlying pools, business scale, concentration, risk exposure, stop-loss and other aspects. During the Reporting Period, the Company's market risk was controlled within the scale and limits authorised by the Board.

(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.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

In order to prevent the liquidity risk, the following measures were taken: First, the Company strengthened capital position and cash flow management, adopted a significant amount of fund advance reservation model, strengthened the monitoring and management of a significant amount of funds, scientifically predicted the cash flow gap in different periods in the future, and ensured the consistency of financing arrangements and business capital utilization. Second, the Company expanded financing channels, comprehensively used various financing methods, balanced the distribution of debt maturity, improved the diversification and stability of financing, and avoided the repayment risk due to single financing channel or concentrated debt maturity. Third, the Company established a liquidity reserve fund operation and management mechanism, reasonably set the minimum holding scale of liquidity reserve fund and the allocation ratio of high-quality liquid assets, and held 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. Fourth, the Company 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. Fifth, the Company 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 response to liquidity crisis.

As at the end of the Reporting Period, the liquidity coverage ratio and net stable funding ratio of the Company were 170.82% and 154.73%, 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 affect the normal operation of the Company and even impact the market stability and social stability. The Company's operational and management behaviors involving reputation risk mainly include: strategic planning or adjustments, changes in shareholding structure, internal organizational restructuring or changes in core personnel; business investment activities and the design, provision or promotion of products and services; significant deficiencies in internal control design, execution, and systematic control, or incidents of major operating losses; judicial events and regulatory investigations and penalties; inaccurate reports by the news media or inaccurate statements on the Internet; customer complaints and inappropriate statements or behaviors related to the Company; and improper statements or behaviors by staff members who have violated the provisions of integrity, professional ethics, business norms, and industry regulations and conventions.

The Company's management of reputation risk mainly includes: First, the Company established 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 established and improved the 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 brand image. Fourth, the Company organized reputation risk trainings to cultivate awareness of reputation risk prevention of all staff.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company managed the reputation risk by sticking to the principles of full staff in the whole process, prevention first, prudent management and rapid response. The Company prevented moral risks of securities practitioners to safeguard the image of the securities industry and market stability. First, the Company revised the reputation risk emergency plan system and strengthened reputation risk management by optimizing the emergency response mechanism. Second, the Company optimized the reputation risk management system and strengthened reputation risk management through the procedures of systematic public opinion monitoring, incident reporting and risk disposal. 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 businesses, branches and subsidiaries of the Company.

The Company's management of operational risks mainly includes: First, the Company formulated operational risk management methods and relevant rules to standardize the whole process of operational risk identification, assessment, monitoring, control, and reporting. Second, the Company 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 are fully assessed before they are launched. Third, the Company established key indicators of operational risk to monitor operational risks. Fourth, the Company collected and analyzed operational risk loss data. 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 to perfect control measures for operational risks by focusing on the three major tools for operational risk management: First, the Company optimized the key risk indicators of its operational risks and set a consistent indicator system for similar businesses of the Company to make the key risk indicators more targeted and effective. Second, the Company further standardized the collection of operational risk loss data, and refined the standard and collection process of operational risk loss data. Third, the Company continued to review and improve the process inventory sheets covering all business lines and subsidiaries in accordance with its new business and operational risk management requirements. The three tools formed an organic integrity and a linkage mechanism to promote the Company to effectively promote 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. During the Reporting Period, there were no significant operational risks.

(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.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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, the Company 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, and 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 management and various units, and supervises and reviews the compliance of management activities; strictly implements compliance assessment and accountability mechanisms, and 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.

During the Reporting Period, the Company further strengthened the compliance management of various projects, and implemented the new requirements of comprehensive registration system, private equity management, securities operation and other businesses. Combined with the needs of operational management, the Company improved the institutional system process, strengthened the identification and control, supervision and inspection of compliance risks, and sorted out and optimized the management and control measures of compliance risks, so as to protect the Company's sound and sustainable development.

(7) Information technology risk and policies

Information technology risk refers to hardware and software failure, communication failure, security loopholes and insufficient emergency management capability of disaster recovery systems in the information technology systems, which may affect the Company's ordinary business and result in direct or indirect losses.

Through the application of and the investment in information system business continuity system construction, new technology application, security reinforcement, infrastructure update and other aspects, the Company laid a solid foundation for the operation and maintenance of information system and further improved the stability of information system. The countermeasures mainly include the following five aspects: First, the Company improved the safe operation and guarantee ability of the system, optimized test management systems and processes, and improved the inspection of the test process and results. Second, the Company standardized the operation and maintenance of the information system, further improved the monitoring indicators of the production system's entrusted report, and used the big data analysis platform to realize real-time monitoring and real-time early warning of the operation logs of key applications. Third, the Company strictly abided by industry standards and exchange code standards, implemented system changes and upgrade control, improved system testing, and regularly carried out system robustness assessment to eliminate hidden risks in a timely manner. Fourth, the Company carefully investigated external technical service risks, refined the content of technical service agreements, clarified security control responsibilities, strengthened the full performance of contractual obligations, strengthened contact with technical service providers of the trading system, and regularly carried out technical inspection. Fifth, the Company optimized the security management system, improved technical security protection measures, combined vulnerability scanning and conventional penetration services and other means, and adopted process control to eliminate security risks and ensure the safe, stable and reliable operation of the system.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company continuously optimized and improved the IT operation and maintenance system by constantly improving the information technology system construction, continuously strengthening the information system management mechanism and process, timely carrying out case studies on network and information security incidents, standardizing the management of system parameters, and strengthening the control of system changes; in addition, the Company further improved the IT O&M system by increasing the capital investment in information security, cloud computing capacity, infrastructure additions and updates, and adopted stable and efficient technical architecture to consolidate the foundation of information system operation and maintenance protection, which effectively supported the business development of the Company.

(II) EMPLOYEES, REMUNERATION POLICIES AND TRAINING

As of the end of the Reporting Period, the Group had 2,752 employees, including 2,377 employees of the Company and 375 employees of its subsidiaries. The Company amended and improved the annual incentive and restraint mechanism for each business line by signing the letter of responsibility for annual business objectives, strictly implemented performance appraisal, and improved performance distribution to fully mobilise the enthusiasm of cadres and staff. The Company's remuneration consists of basic salary, allowance, performance bonus and welfare. The welfare provided to employees includes basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund, etc. In addition, the Company also formulated the corporate annuity programme, to further enhance the capability in providing corporate welfare.

The Company has formulated targeted training programmes to provide regular and continual training for the cadres and staff. The Company has prepared the annual training programme and organized a number of professional business training in the first half of 2023.

SECTION 4 CORPORATE GOVERNANCE

I. SUMMARY OF GENERAL MEETING

Session	Date of convening	Designated website for publication of the resolutions	Date of publication of the resolutions	Meeting resolution
2022 Annual General Meeting	24 May 2023	http://www.sse.com.cn/ http://www.hkexnews.hk	24 May 2023	Meeting resolution of the 2022 Annual General Meeting of the Company
2023 First Class Meeting for Holders of A Shares	24 May 2023	http://www.sse.com.cn/ http://www.hkexnews.hk	24 May 2023	Meeting resolution of the 2023 First Class Meeting for Holders of A Shares
2023 First Class Meeting for Holders of H Shares	24 May 2023	http://www.sse.com.cn/ http://www.hkexnews.hk	24 May 2023	Meeting resolution of the 2023 First Class Meeting for Holders of H Shares
2023 First Extraordinary General Meeting	13 July 2023	http://www.sse.com.cn/ http://www.hkexnews.hk	13 July 2023	Meeting resolution of the 2023 First Extraordinary General Meeting

Particulars of general meetings

During the Reporting Period, the Company convened 4 general meetings in total, with the information about the meetings and resolutions set out as follows:

1. The Company convened the 2022 Annual General Meeting on 24 May 2023, and considered and approved the Work Report of the Board for the Year of 2022, the Work Report of the Supervisory Committee for the Year of 2022, the Duty Report of Independent Directors for the Year of 2022, the Annual Report for the Year of 2022, the Profit Distribution Plan for the Year of 2022, the Final Financial Report for the Year of 2022, the Proposal on the Re-appointment of Auditing Firms for the Year of 2023, the Evaluations and Remuneration of the Directors for the Year of 2022, the Evaluations and Remuneration of the Supervisors for the Year of 2022, the Proposal on the Provision of Guarantee or Counter-guarantee for Central China International and Authorizing Central China International to provide Guarantee or Counter-guarantee for its wholly-owned subsidiaries, the Proposal on the Determination of the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2023, 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, the Proposal on the Amendments to Articles of Association, the Report on the Demonstration and Analysis of the Proposal to Issue A Shares to Target Subscribers, the Proposal on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company, and the resolution on Extension of the Validity Period of the General Meeting Resolution relating to the Company's Issuance of A Shares to Target Subscribers and the Validity Period of the Authorization by the General Meeting to the Board and its Authorized Persons to deal with the Relevant Matters.
2. The Company convened the 2023 First Class Meeting for Holders of A Shares on 24 May 2023, and considered and approved the resolution on Extension of the Validity Period of the General Meeting Resolution relating to the Company's Issuance of A Shares to Target Subscribers and the Validity Period of the Authorization by the General Meeting to the Board and its Authorized Persons to deal with the Relevant Matters.
3. The Company convened the 2023 First Class Meeting for Holders of H Shares on 24 May 2023, and considered and approved the resolution on Extension of the Validity Period of the General Meeting Resolution relating to the Company's Issuance of A Shares to Target Subscribers and the Validity Period of the Authorization by the General Meeting to the Board and its Authorized Persons to deal with the Relevant Matters.
4. The Company convened the 2023 First Extraordinary General Meeting was held on 13 July 2023, and considered and approved the resolution on the Election of Director for the Seventh Session of the Board and the resolution on the Amendments to the Articles of Association.

SECTION 4 CORPORATE GOVERNANCE

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change
Zhu Jianmin	Executive Vice General Manager	Ceased to act
Jian Mingjun	Director of the Executive Committee and the Chairman of the Board	Ceased to act
Zhang Xiaoqi	Director	Ceased to act
Lu Benson Cheng	Director	Ceased to act
Lu Zhili	Chairman of the Supervisory Committee	Ceased to act
Lu Zhili	Chairman	Elected
Hua Jinzhong	Vice general manager and Member of the Executive Committee	Ceased to act

Description of the Change of the Directors, Supervisors and Senior Management of the Company

1. On 4 April 2023, the Board received a written resignation report submitted by Mr. Zhu Jianmin, the Executive Vice General Manager of the Company. Mr. Zhu Jianmin has tendered his resignation as an Executive Vice General Manager of the Company due to having reached the retirement age.. After his retirement, Mr Zhu Jianmin will no longer hold any position in the Company. For details, please refer to the relevant announcement disclosed by the Company on 5 April 2023 (Announcement No. 2023-017).
2. On 12 June 2023, Mr. Jian Mingjun, the Chairman of the Company, has reached the statutory retirement age, and in accordance with the Notice of the Organization Department of Henan Provincial Party Committee, Mr. Jian Mingjun shall retire due to having reached the retirement age. Mr. Jian Mingjun submitted his resignation report to the Board of the Company and applied for resignation from all positions of the Company including the Chairman of the Board, the executive Director, the Chairman of the Development and Strategy Committee under the Board, the Chairman of the Risk Control Committee under the Board and the Director of the Executive Committee. For details, please refer to the relevant announcement disclosed by the Company on the website of the Hong Kong Stock Exchange on 12 June 2023 and the announcement disclosed by the Company on the website of the SSE on 13 June 2023 (Announcement No. 2023-027).
3. On 14 June 2023, the Board received a written resignation report submitted by Mr. Zhang Xiaoqi, a Director of the Company. Mr. Zhang Xiaoqi has tendered his resignation as a non-executive Director of the seventh session of the Board of the Company, a member of the Remuneration and Nomination Committee under the Board and a member of the Risk Control Committee under the Board due to his personal work arrangements, with effect from 14 June 2023. For details, please refer to the relevant announcement disclosed by the Company on the website of the Hong Kong Stock Exchange on 14 June 2023 and the announcement disclosed by the Company on the website of the SSE on 15 June 2023 (Announcement No. 2023-030).
4. On 21 June 2023, the Board received a written resignation report submitted by Mr. Lu Benson Cheng, a Director of the Company. Mr. Lu Benson Cheng has tendered his resignation as a non-executive Director of the seventh session of the Board of the Company and a member of the Remuneration and Nomination Committee under the Board due to his personal work arrangements, with effect from 21 June 2023. For details, please refer to the relevant announcement disclosed by the Company on the website of the Hong Kong Stock Exchange on 21 June 2023 and the announcement disclosed by the Company on the website of the SSE on 22 June 2023 (Announcement No. 2023-033).

SECTION 4 CORPORATE GOVERNANCE

5. On 20 June 2023, the Supervisory Committee received a written resignation report submitted by Mr. Lu Zhili, the Chairman of the Supervisory Committee. Mr. Lu Zhili tendered his resignation as the Chairman and a Supervisor of the Supervisory Committee due to changes in work arrangements, with effect from 20 June 2023. For details, please refer to the relevant announcement disclosed by the Company on the website of the Hong Kong Stock Exchange on 21 June 2023 and the announcement disclosed by the Company on the website of the SSE on 22 June 2023 (Announcement No. 2023-031). On the same date, the Company convened the seventeenth meeting of the seventh session of the Board of the Company, at which Mr. Lu Zhili was nominated as a candidate of executive Director and the Chairman of the seventh session of the Board of the Company. On 13 July 2023, the Proposal of the Election of Director for the Seventh Session of the Board was considered and approved at the 2023 First Extraordinary General Meeting of the Company, and the Proposal on the Election of Mr. Lu Zhili as the Chairman of the Board of the Company was considered and approved at the eighteenth meeting of the seventh session of the Board; and Mr. Lu Zhili formally discharged the duties of the Director and the Chairman of the Board of the Company with effect from 13 July 2023 until the expiry of the term of office of the seventh session of the Board. Mr. Jian Mingjun no longer served as the Chairman of the Board, the executive Director, the Chairman of the Development and Strategy Committee under the Board, the Chairman of the Risk Control Committee under the Board and the Chairman of the Executive Committee with effect from 13 July 2023. For details, please refer to the announcement disclosed by the Company on the website of the Hong Kong Stock Exchange on 13 July 2023 and the announcement disclosed by the Company on the websites of the SSE on 13 July 2023 (Announcement Nos. 2023-032, 2023-036, 2023-037 and 2023-038).
6. On 28 August 2023, the Board received a written resignation report submitted by Mr. Hua Jinzhong, the Vice general manager and Member of the Executive Committee of the Company. Mr. Hua Jinzhong has tendered his resignation as a Vice general manager and Member of the Executive Committee of the Company due to personal work arrangements. For details, please refer to the announcement disclosed by the Company on the website of the Hong Kong Stock Exchange and the announcement disclosed by the Company on the website of the SSE on 28 August 2023, respectively (Announcement No. 2023-042).

As of the date of this report, the Board comprises Mr. Lu Zhili as executive Director; Mr. Li Xingjia, Ms. Zhang Qiuyun, Mr. Tang Jin and Mr. Tian Shengchun as non-executive Directors; Ms. Zhang Dongming, Mr. Chen Zhiyong, Mr. Tsang Sung and Mr. He Jun as independent non-executive Directors.

III. PROPOSAL FOR PROFIT DISTRIBUTION OR CAPITALISATION ISSUE

Declared interim proposal of profit distribution and capitalization of capital reserve into share capital

Whether to make profit distribution or capitalize capital reserve into share capital	No
Number of bonus shares for every 10 shares (share)	N/A
Amount of dividend for every 10 shares (tax inclusive)	N/A
Capitalisation shares for every 10 shares (share)	N/A
Explanation of proposal of profit distribution or capitalization of capital reserve into share capital	N/A

IV. SHARE OPTION INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER EMPLOYEE INCENTIVES AND THEIR IMPACT

There were not any share option incentive scheme, employee share scheme or other employee incentives of the Company.

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 of undertakings	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 the Non-competition Agreement with Central China Securities on 10 March 2014	Yes	Yes		
	Non-competition	Company	Undertaking in relation to non-competition	Regarded as long-term since entering into 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		
	Others	Directors and senior management	Note 2	During the period of being Directors and senior management of the Company	Yes	Yes		

Note 1: (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 2: (1) Not to transfer benefits to other entities or individuals without compensation or on unfair terms, and not to harm the interests of the Company in other ways.

(2) To exercise restraint on one's 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.

SECTION 5 SIGNIFICANT EVENTS

II. Litigation and arbitration that are not disclosed in the interim announcement or have subsequent progress

Unit: Ten thousand Currency: RMB

During the Reporting Period:

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 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	Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership)* (石河子市瑞晨股權投資合夥企業(有限合夥)), Tan Songbin (譚頌斌), Zhou Juan (周娟)	None	Contract dispute	Note 1	18,799.98		Note 1	Note 1	Note 1
Central China Securities	Kedi Food Group Co., Ltd.* (科迪食品集團股份有限公司)	None	Contract dispute	Note 2	43,165.83		Note 2	Note 2	Note 2
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* (浙江清風原生文化有限公司))	None	Contract dispute	Note 3	20,000.00		Note 3	Note 3	Note 3

Note 1: The progress of the lawsuit against Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership) (hereinafter referred to as "Ruichen Investment"), Tan Songbin and Zhou Juan in respect of their breach of contract in the securities-backed lending business has been disclosed in detail in the Company's 2022 Annual Report. As of the end of the Reporting Period, the Company's settlement agreement with Ruichen Investment was still in progress.

Note 2: The progress of the lawsuit against Kedi Food Group Co., Ltd. (hereinafter referred to as "Kedi Group") in respect of its breach of securities-backed lending contract has been disclosed in detail in the Company's 2022 Annual Report. During the Reporting Period, the Company received RMB8,470,578.67 from the insolvency administrator of Kedi Group on 30 June 2023, for partial cash settlement of privileged debts. As of the end of the Reporting Period, Kedi Group was under the procedure of bankruptcy reorganization.

Note 3: The progress of the 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") in respect of its breach of securities-backed lending contract has been disclosed in detail in the Company's 2022 Annual Report. During the Reporting Period, the Zhengzhou Intermediate People's Court, Henan, P.R. China (河南省鄭州市中級人民法院) issued a judgement on 20 May 2021 regarding the case and the additional enforcement objection lawsuit filed by the Company to add Zhao Feifan (趙非凡) and Zhao Ruiyong (趙銳勇), which has now become effective. Please refer to the Company's 2022 Annual Report for relevant information.

During the Reporting Period, there was no further progress in other litigations disclosed by the Company. For details of the relevant litigation matters, please refer to the previous periodic reports.

* For identification purpose only

SECTION 5 SIGNIFICANT EVENTS

III. SUSPECTED VIOLATIONS OF LAWS AND REGULATIONS BY THE LISTED COMPANY, THEIR DIRECTORS, SUPERVISORS, SENIOR MANAGERS, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS, AND PENALTIES AND RECTIFICATION IMPOSED ON THEM

On 22 May 2023, Henan Bureau of the CSRC issued the Decision on Taking Ordered Corrective Supervisory Measures on Central China Securities Co., Ltd. ([2023] No. 11) (《關於對中原證券股份有限公司採取責令改正監管措施的決定》([2023]11號)), which pointed out that the relevant systems of the securities research report issued by the Company were not perfect, the quality review and compliance review system were not sound, the analysis and verification of individual research report were insufficient, and the quality review and compliance review were not in place, and required the Company to complete the rectification and submit a written rectification report within 30 days from the date of the issuance of such supervisory measures. The Company attached great importance to the rectification, and immediately organized and implemented comprehensive and in-depth self-inspection and rectification, further optimized and improved related systems and processes of issuing securities research reports, strengthened internal training, and increased quality control of research reports. While enhancing the management of key aspects, the Company has also promoted the functional upgrade of its research management platform. The Company has submitted the rectification report to Henan Bureau of the CSRC in a timely manner and completed the relevant rectification.

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.

V. MATERIAL RELATED TRANSACTIONS

(I) Related transactions in relation to the ordinary operations

1. Matters that have been disclosed in the interim announcement, but have progress or changes in subsequent implementation

During the Reporting Period, the Company conducted related party transactions in the ordinary course of business in strict compliance with the Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business in 2023 considered and approved at the fourteenth meeting of the Seventh Session of the Board. The relevant implementation is as follows:

(1) *The related continuing connected transactions contemplated in the ordinary course of business with Henan Investment Group and its subsidiaries and associates*

1 *Securities and financial products transactions*

Unit: 0'000 Currency: RMB

Nature of transaction	Type of transaction	Actual amount during the Reporting Period	
		Estimated caps	Reporting Period
Securities and financial products transactions	Total net cash inflow to the Group	1,050.00	0.00
	Total net cash outflow from the Group	12,000.00	0.00

SECTION 5 SIGNIFICANT EVENTS

2 Securities and financial services

Unit: 0'000 Currency: RMB

Nature of transaction	Type of transaction	Estimated caps	Actual amount
			during the Reporting Period
Securities and financial services	Revenue from the provision of securities and financial services to Henan Investment Group and its subsidiaries and associates	3,650.00	42.81

(2) The continuing connected transactions with Equity Exchange Co.

1 Securities and financial products transactions

Unit: 0'000 Currency: RMB

Nature of transaction	Type of transaction	Estimated caps	Actual amount
			during the Reporting Period
Securities and financial products transactions	Total net cash inflow to the Group	12,500.00	600.00
	Total net cash outflow from the Group	150.00	0.00

2 Securities and financial services

Unit: 0'000 Currency: RMB

Nature of transaction	Type of transaction	Estimated caps	Actual amount
			during the Reporting Period
Securities and financial services	Revenue from the provision of securities and financial services to Equity Exchange Co.	160.00	56.98
	Expenses incurred by the provision of securities and financial services to the Group	575.00	10.00

SECTION 5 SIGNIFICANT EVENTS

VI. MATERIAL CONTRACTS AND CONTRACT PERFORMANCE

1 Material guarantees honored and outstanding during the Reporting Period

Unit: Yuan Currency: RMB

Guarantees provided by the Company (excluding the guarantees to subsidiaries)

Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Amount of guarantee	Date of guarantee		Type of guarantee	Main liabilities	Collateral (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Amount overdue on guarantees	Counter-guarantees	Whether the guarantee is for a related party	Association relationship
				(date of signing Agreement)	Commencement date of guarantee									

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 to subsidiaries

Total amount of guarantees provided to subsidiaries during the Reporting Period

722,580,000.00

Total balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B)

722,580,000.00

Total amount of guarantees provided by the Company (including the guarantees provided to subsidiaries)

Total amount of guarantees (A+B)

722,580,000.00

Percentage of total guarantees over the net assets of the Company (%)

5.21

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 guarantee for the issuance of overseas bonds of not more than USD100 million by Wending Zhongyuan Company Limited, a special purpose entity wholly-owned by Central China International, with a guarantee amount of RMB722,580,000 (USD100,000,000).

SECTION 5 SIGNIFICANT EVENTS

VII. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) Proposed 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 issuing A shares to target subscribers. 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 “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.

On 28 March 2023, the Company received the Review Inquiry Letter Regarding the Application Documents of Central China Securities Co., Ltd. for Issuance of Shares to Specific Subscribers (Shang Zheng Shang Shen (Refinancing) [2023] No. 160) (《關於中原證券股份有限公司向特定對象發行股票申請文件的審核問詢函》(上證上審(再融資) [2023]160號)) issued by the SSE. On 20 May 2023, the Company and the relevant intermediaries, in accordance with the principles of diligence and good faith, carefully verified and discussed each and every question in the audit inquiry letter, formed a reply after research and made a public disclosure of the reply to the audit inquiry letter as required.

On 6 July 2023, the Company received the Third-Round Review Inquiry Letter Regarding the Application Documents of Central China Securities Co., Ltd. for Issuance of Shares to Specific Subscribers (Shang Zheng Shang Shen (Refinancing) [2023] No. 458) (《關於中原證券股份有限公司向特定對象發行股票申請文件的第三輪審核問詢函》(上證上審(再融資) [2023]458號)) issued by the SSE.

SECTION 5 SIGNIFICANT EVENTS

On 22 July 2023, taking into consideration of the capital market landscape, the actual situation of the Company and other factors such as financing arrangements, and after careful analysis and discussion, the Company decided to terminate the issuance of shares to target subscribers and apply to the Shanghai Stock Exchange to withdraw the relevant application documents.

On 2 August 2023, the Company received the Decision on the Termination of the Review of the Issue of Shares by Central China Securities Co., Ltd. to Target Subscribers (Shang Zheng Shang Shen (Refinancing) [2023] No. 542) (《關於終止對中原證券股份有限公司向特定對象發行股票審核的決定》(上證上審(再融資)[2023]542號)) issued by the SSE. Pursuant to the relevant provisions of Article 19 of the Rules Governing the Review of Issuance and Listing of Securities of Listed Companies on the Shanghai Stock Exchange and Article 63(2) of the Rules Governing the Review of Issuance and Listing of Stocks on the Shanghai Stock Exchange, the SSE has decided to terminate the review of the issuance of shares by the Company to target subscribers.

For details of the above, please refer to the relevant announcements of the Company published on the Shanghai Stock Exchange on 30 April 2022, 25 June 2022, 9 August 2022, 16 September 2022, 1 March 2023, 7 March 2023, 29 March 2023, 20 May 2023, 7 July 2023, 22 July 2023 and 3 August 2023. (Announcement No.: 2022-019, 2022-020, 2022-029, 2022-036, 2022-038, 2023-003, 2023-004, 2023-009, 2023-010, 2023-023, 2023-035, 2023-040 and 2023-041).

(II) Compliance with the Corporate Governance Code

The Company has been committed to maintaining a high-quality corporate governance to safeguard shareholders' interests and enhance enterprise values and accountability. During the Reporting Period, the Company has adopted and complied with the provisions as set out in Part 2 of the Corporate Governance Code Appendix 14 to the Hong Kong Listing Rules. The Company will continue to review and improve corporate governance practices to ensure it conforms to the Corporate Governance Code.

(III) Compliance with the Model Code

The Company has adopted the Model Code concerning the securities transactions by Directors and Supervisors. The Company has made specific inquiries to all the Directors and Supervisors for the compliance with the Model Code. All the Directors and Supervisors have confirmed that they were in full compliance with the standards set out in the Model Code during the Reporting Period.

(IV) Purchase, sale or redemption of the listed securities of the Company

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the securities of the Company.

(V) Review of the report

The Audit Committee and the management of the Company have reviewed the accounting policies adopted by the Company, discussed issues including internal control and financial reporting, and fully reviewed the financial statements, notes to the financial statements for the Reporting Period and this report. The Audit Committee considered that the preparation of such consolidated financial report was in conformity with applicable accounting standards and provisions and appropriate disclosures have been made. The external auditors engaged by the Company have reviewed interim financial information in accordance with the China Accounting Standards for Business Enterprises.

(VI) Events after the balance sheet date

From the end of the Reporting Period to the date of this report, there were no events after the balance sheet date that have a significant impact on the Group. For details of other events after the balance sheet date related to the Group, please refer to XIII. "EVENTS AFTER THE BALANCE SHEET DATE" under Section 8 "REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION".

SECTION 6 CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in shares

During the Reporting Period, there was no change in the total number of shares and share capital structure.

II. SHAREHOLDERS

(I) Total number of shareholders

Total number of holders of ordinary shares as at the end of the Reporting Period 124,743
Among which: 124,705 holders of A shares; 38 registered holders of H shares

(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

Unit: Share

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	Nature of shareholders
HKSCC Nominees Limited		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.	-5,000,000	140,947,707	3.04	0	Nil		State-owned legal person
China Pingmei Shenma Holding 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
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)	12,127,598	60,305,132	1.30	0	Nil		Other
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
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)	-54,100	41,658,664	0.90	0	Nil		Other

SECTION 6 CHANGES IN 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.	140,947,707	RMB-denominated ordinary shares	140,947,707
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
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)	60,305,132	RMB-denominated ordinary shares	60,305,132
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
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)	41,658,664	RMB-denominated ordinary shares	41,658,664
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 SHARES AND INFORMATION ON SHAREHOLDERS

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

As of 30 June 2023, based on the information acquired by the Company and to the knowledge of the Directors, none of the Directors, Supervisors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director is taken or deemed to have under such provisions of the SFO; or (ii) were required, pursuant to section 352 of the SFO to be entered into the register referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As of 30 June 2023, none of the Directors, Supervisors or their respective spouses or children under the age of 18 was granted the right to acquire benefits by means of acquisition of Shares in or debentures of the Company or had exercised any such right; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or their respective spouses or children under the age of 18 to acquire such right in any other corporation.

SECTION 6 CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

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

As of 30 June 2023, to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executives of the Company) have the following interests or short positions in shares or underlying shares required to be disclosed to the Company pursuant to 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 interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/H Shares of the Company (%)	Long position/ Short position/ Lending pool
Henan Investment Group Co., Ltd.	A Shares	Beneficial owner	822,983,847	17.726	23.872	Long position
	H Shares	Beneficial owner/ Interests in corporations controlled by substantial shareholders	200,573,000 ^{Note 1}	4.320	16.779	Long position
Anyang Iron & Steel Group Co., Ltd.	A Shares	Beneficial owner	177,514,015	3.823	5.149	Long position
Shanghai Wealspring Asset Management Co., Ltd.	H Shares	Investment manager	156,209,000	3.364	13.068	Long position
The Vanguard Group, Inc. ^{Note 2}	H Shares	Beneficial owner	60,040,153	5.022	1.293	Long position
		Approved lending agent	1,273,000	0.106	0.027	Lending pool

Note 1: To the best knowledge of 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.

Note 2: The Vanguard Group, Inc. ceased to be a substantial shareholder of the Company on 5 July 2023.

Save as disclosed above, as of 30 June 2023, the Company was not aware of any other persons (excluding the Directors, Supervisors and chief executives 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.

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
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	21 Central China 01	175736	2021/3/4	2021/3/5	2024/3/5	10	4.03	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	Matching transaction, one-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No
2021 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	21 Central China C1	197241	2021/10/21	2021/10/22	2024/10/22	11	4.70	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	One-click-order transaction, price-inquiry transaction and negotiated transaction	No
2022 Public Issuance of Corporate Bonds (Tranche 1) of Central China Securities Co., Ltd.	22 Central China 01	185321	2022/2/23	2022/2/24	2025/2/24	20	3.20	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	Matching transaction, one-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No
2022 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	22 Central China S1	185754	2022/7/8	2022/7/11	2023/7/11	10	2.49	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	Matching transaction, one-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No
2022 Public Issuance of Subordinated Bonds to Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	22 Central China C1	137909	2022/10/14	2022/10/17	2025/11/17	5	3.30	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	Matching transaction, one-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No
2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	23 Central China 01	115016	2023/3/10	2023/3/13	2026/3/13	10	3.68	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	Matching transaction, one-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No
2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd.	23 Central China 02	115506	2023/6/9	2023/6/12	2024/6/14	10	2.61	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	Matching transaction, one-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No

2. Adjustment of credit rating results

Other explanations

On 26 May 2023, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued a follow-up rating report on "21 Central China 01", maintaining the AAA entity credit rating and AAA debt credit rating of the Company, with a stable outlook, which was consistent with the previous rating result. On 26 May 2023, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued follow-up rating reports on "21 Central China C1" and "22 Central China C1", granting the Company AAA entity credit rating and AA+ debt credit rating, with a stable outlook, which was consistent with the previous rating result.

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

3. Implementation and Changes in Guarantees, Debt Service Plans and Other Debt Service Guarantees during the Reporting Period and Their Impact

Current status	Implementation	Change or not	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 for corporate bonds during the Reporting Period	None	No				
The debt service plans were normal during the Reporting Period	Note 1	No				
The other debt service guarantees were normal during the Reporting Period	Note 2, Note 3	No				

Note 1: Debt service plans. The debt service plans of "21 Central China 01", "21 Central China C1", "22 Central China 01", "22 Central China S1", "22 Central China C1", "23 Central China 01" and "23 Central China 02" are all scheduled to pay interest once a year during the duration of bonds, with the last installment of interest to be paid together with the payment of principal.

Note 2: Debt service guarantees.

- (1) Corporate bonds: During the Reporting Period, the Company continued to strengthen the development of wealth management business, investment banking and investment 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. Meanwhile, 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, the annual interest payment of "21 Central China 01" was made on 6 March 2023, and the interest was paid in full as scheduled; the annual interest payment of "22 Central China 01" was made on 24 February 2023, and the interest was paid in full as scheduled. The Company was not expected to be unable to pay the principal and interest of the bonds on schedule or 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 service guarantees 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 the Bondholders' Meeting, designating special personnel to take charge of the repayment of principal and interest and making strict information disclosure. During the Reporting Period, "20 Central China C1" matured on 23 April 2023, 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 or did not fail to pay the principal and interest of the bonds on schedule at maturity. Therefore, it did not take such debt service guarantees 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 service guarantees, 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 Co., Ltd. as the bond trustees, protected the interests of bondholders 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

4. Other information on corporate bonds

Unit: Dollar 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	2022/3/16	2022/3/22	2025/3/22	95,000,000	4%	Semi-annual payment of interest and repayment of principal upon maturity	OTC trading	No	OTC trading	No

(II) PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

Unit: Yuan Currency: RMB

Principal indicators	At the end of the Reporting Period	At the end of last year	Changes compared with the end of last year (%)	Reason for change
Current ratio	1.62	1.73	-6.36	
Quick ratio	1.62	1.73	-6.36	
Gearing ratio (%)	67.52	62.94	7.28	

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

	The Reporting Period (January-June)	The corresponding period of last year	Changes compared with the corresponding period of last year (%)	Reason for change
Net profit after non-recurring profit or loss	156,041,312.09	-130,788,292.85	N/A	Mainly due to the increase in net profit
Debt-to-EBITDA ratio	2.02	1.01	100	Mainly due to the increase in EBITDA
Interest coverage ratio	1.59	0.55	189.09	Mainly due to the increase in total profit
Cash interest coverage ratio	-1.90	17.06	N/A	Mainly due to the increase in outflow as a result of cash invested in financial instruments measured at fair value through profit or loss
EBITDA interest coverage ratio	1.76	0.67	162.69	Mainly due to the increase in total profit
Loan repayment ratio (%)	100	100	0.00	
Interest payment ratio (%)	100	100	0.00	

SECTION 8 REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Review Report

DHHZ No. [2023] 0013813

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

We have reviewed the attached financial statements of Central China Securities Co., Ltd. (hereinafter referred to as the "Company"), including the consolidated and the company's balance sheet as at 30 June 2023, the consolidated and the company's income statement, the consolidated and the company's cash flow statement, the consolidated and the company's statement of changes in shareholders' equity and notes to the financial statements from January to June 2023. The preparation of these financial statements is the responsibility of the management of the Company. Our responsibility is to issue a review report on these financial statements based on the implementation of the review work.

We have carried out the review business in accordance with the provisions of the Review Standards for Chinese Certified Public Accountants No. 2101 — Review of Financial Statements. The standard requires us to plan and implement the review to obtain limited assurance about whether the financial statements are free from material misstatement. The review is mainly limited to asking relevant personnel of the company and implementing analysis procedures for financial data, and the degree of assurance provided is lower than that of audit. We have not conducted an audit and therefore do not express an audit opinion.

According to our review, we have not noticed anything that makes us believe that the financial statements have not been prepared in accordance with the accounting standards for business enterprises and have failed to fairly reflect the financial position, operating results and cash flow of the Company in all material aspects.

Da Hua Certified Public Accountants
(Special General Partnership)

CICPA: **Ao Dujiya**
(Project partner)

CICPA: **Li Tiantian**

Beijing, China
30 August 2023

CONSOLIDATED BALANCE SHEET

30 June 2023 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	11,919,208,655.14	10,211,630,004.39
Including: Client's capital deposit		9,859,238,849.42	8,649,580,319.71
Clearing settlement funds	VI. 2	2,924,226,597.72	3,115,104,687.58
Including: Client's reserve funds		2,820,065,017.84	3,044,014,034.04
Margin accounts receivable	VI. 3	7,169,631,161.13	7,016,885,351.83
Derivative financial assets	VI. 4	4,362,564.79	2,246.26
Refundable deposits	VI. 5	1,071,459,113.55	939,945,921.04
Accounts receivable	VI. 6	135,654,901.95	87,679,998.85
Financial assets held under resale agreements	VI. 7	1,350,908,578.96	1,141,428,012.55
Financial investment:			
Financial assets at fair value through profit or loss	VI. 8	27,302,962,505.02	21,614,103,009.80
Financial assets measured at amortised costs	VI. 9	195,991,199.27	195,991,199.27
Financial assets at fair value through other comprehensive income	VI. 10	726,145,159.65	2,288,258,640.42
Equity instruments at fair value through other comprehensive income	VI. 11	1,400,000.00	
Long-term equity investments	VI. 12	1,542,813,756.58	1,577,559,888.94
Investment properties	VI. 13	28,740,914.53	27,121,164.72
Fixed assets	VI. 14	188,955,804.50	190,751,282.28
Construction in progress	VI. 15	156,868,889.22	118,898,335.11
Right-of-use assets	VI. 16	186,172,596.74	195,647,216.10
Intangible assets	VI. 17	250,421,281.89	256,964,174.85
Deferred income tax assets	VI. 18	596,840,294.55	582,436,188.07
Goodwill	VI. 19	18,967,020.54	18,602,742.39
Other assets	VI. 20	491,918,163.39	603,629,483.01
Total assets		56,263,649,159.12	50,182,639,547.46

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

CONSOLIDATED BALANCE SHEET

30 June 2023 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. 23	7,878,026.53	66,075,016.67
Short-term financing instruments payable	VI. 24	5,037,493,061.59	4,132,771,764.91
Due to banks and other financial institutions	VI. 25	1,603,642,583.32	1,502,279,361.14
Financial liabilities at fair value through profit or loss	VI. 26	1,880,537,054.47	1,525,542,658.61
Derivative financial liabilities	VI. 4	1,400,303.08	793,800.00
Financial assets sold under repurchase agreements	VI. 27	13,882,705,989.61	9,887,887,932.32
Accounts payable to brokerage clients	VI. 28	12,764,227,514.67	11,849,666,807.82
Employee benefits payable	VI. 29	473,612,436.92	654,516,584.99
Taxes payable	VI. 30	60,335,919.88	111,898,833.01
Accounts payable	VI. 31	547,161,021.29	237,527,662.62
Contract liabilities	VI. 32	26,059,526.63	5,866,855.62
Bonds payable	VI. 33	5,370,051,522.01	5,364,791,008.73
Lease liabilities	VI. 34	180,196,062.75	192,051,033.00
Deferred income tax liabilities	VI. 18	33,695,598.94	35,947,914.23
Provisions	VI. 35		1,186,481.49
Other liabilities	VI. 36	267,716,995.48	406,462,258.85
Total Liabilities		42,136,713,617.17	35,975,265,974.01
Equity:			
Share capital	VI. 37	4,642,884,700.00	4,642,884,700.00
Capital reserve	VI. 38	6,269,811,557.87	6,304,933,461.30
Other comprehensive income	VI. 39	76,807,743.64	62,923,244.73
Surplus reserve	VI. 40	942,510,767.79	942,510,767.79
General risk reserve	VI. 41	1,594,425,236.32	1,593,318,760.87
Retained earnings	VI. 42	344,933,649.98	211,258,110.35
Total equity attributable to owners of the parent company		13,871,373,655.60	13,757,829,045.04
Non-controlling interests		255,561,886.35	449,544,528.41
Total equity		14,126,935,541.95	14,207,373,573.45
Total liabilities and equity		56,263,649,159.12	50,182,639,547.46

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

CONSOLIDATED INCOME STATEMENT

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2023	Jan-June 2022
I. Total operating income		1,045,764,808.74	787,674,140.44
Net interest income	VI. 43	74,549,752.14	32,340,155.40
Including: Interest income		408,776,946.69	426,965,118.43
Interest expenses		334,227,194.55	394,624,963.03
Net fee and commission income	VI. 44	354,691,731.73	509,292,836.37
Including: Brokerages business		266,688,348.59	328,648,745.72
Investment banking		24,912,750.46	119,991,988.96
Assets management		29,024,498.87	18,724,380.61
Investment income (or less: losses)	VI. 45	465,620,838.47	638,875,165.61
Including: Investment income from associates and joint ventures		-1,906,946.49	15,450,238.48
Gains on changes in fair value (or less: losses)	VI. 46	49,203,610.65	-462,650,347.44
Gains on foreign exchange (or less: losses)		1,174,487.59	2,989,889.80
Other operating income	VI. 47	84,195,470.35	61,024,708.53
Gains from assets disposal (or less: losses)	VI. 48	-1,269.07	19,339.36
Other income	VI. 49	16,330,186.88	5,782,392.81
II. Total operating cost		856,442,136.41	958,688,511.85
Taxes and surcharges	VI. 50	5,153,706.85	6,313,221.74
Business and administrative expenses	VI. 51	762,484,505.96	730,667,759.49
Expected credit losses	VI. 52	6,623,958.85	160,574,016.45
Other assets impairment losses	VI. 53	376,521.12	3,653,275.68
Other operating costs	VI. 54	81,803,443.63	57,480,238.49
III. Operating profit (or less: losses)		189,322,672.33	-171,014,371.41
Add: Non-operating income	VI. 55	692,374.81	2,592,046.43
Less: Non-operating expenses	VI. 56	1,945,320.84	898,235.67
IV. Profit before tax (or less: losses)		188,069,726.30	-169,320,560.65
Less: Income tax expenses	VI. 57	24,340,213.81	-38,902,747.98
V. Net profit (or less: net loss)		163,729,512.49	-130,417,812.67
(I) Classified by continuity of operations			
1. Net profit from continuing operations (or less: net losses)		163,729,512.49	-130,417,812.67
2. Net profit from discontinued operations (or less: net losses)			
(II) Classified by ownership			
1. Net profit attributable to owners of the parent company (or less: net losses)		167,282,207.98	-125,442,881.07
2. Net profit attributable to non-controlling interests (or less: net losses)		-3,552,695.49	-4,974,931.60

CONSOLIDATED INCOME STATEMENT

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2023	Jan-June 2022
VI. Other comprehensive income after tax		13,884,498.91	30,381,476.29
Items attributable to owners of the parent company		13,884,498.91	30,381,476.29
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		13,884,498.91	30,381,476.29
1. Items attributable to investees under equity method that will be reclassified to profit or loss		-1,853,847.39	522,776.54
2. Changes in the fair value of financial assets at fair value through other comprehensive income		16,915,051.72	-3,387,724.95
3. Credit impairment reserves of financial assets at fair value through other comprehensive income		-18,512,206.01	6,789,736.67
4. Translation differences of foreign currency financial statements		17,335,500.59	26,456,688.03
Items attributable to non-controlling interests			
VII. Total comprehensive income		177,614,011.40	-100,036,336.38
Items attributable to owners of the parent company		181,166,706.89	-95,061,404.78
Items attributable to non-controlling interests		-3,552,695.49	-4,974,931.60
VIII. Earnings per share (EPS):			
(I) Basic EPS	VI. 58	0.04	-0.03
(II) Diluted EPS		0.04	-0.03

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

CONSOLIDATED CASH FLOW STATEMENT

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2023	Jan-June 2022
I. Cash flows from operating activities:			
Cash receipt from interests, fee and commissions		964,284,802.33	1,182,156,660.17
Net increase in due to banks and other financial institutions		100,000,000.00	
Net increase of repurchase business		3,996,450,440.32	1,794,888,343.43
Net decrease in margin accounts receivable			990,661,209.75
Cash received from brokerage clients		914,560,706.85	2,144,523,767.40
Other cash received related to operating activities	VI. 59	442,219,152.56	219,671,301.12
Subtotal of cash inflows from operating activities		6,417,515,102.06	6,331,901,281.87
Net increase of financial instruments measured at fair value through profit or loss		4,882,769,475.62	439,015,479.12
Cash payment to interests, fee charges and commissions		286,084,845.13	340,368,042.43
Net decrease in due to banks and other financial institutions			1,300,000,000.00
Net increase of resale business		225,404,527.66	411,069,394.85
Net increase in margin accounts receivable		154,122,518.30	
Cash payments to and on behalf of employees		705,961,140.31	797,794,541.03
Cash payments of taxes		118,623,137.57	129,286,092.58
Other cash payments related to operating activities	VI. 59	608,670,756.34	288,238,806.62
Subtotal of cash outflows from operating activities		6,981,636,400.93	3,705,772,356.63
Net cash flows from operating activities	VI. 60	-564,121,298.87	2,626,128,925.24
II. Cash flows from investing activities:			
Cash received from investment recovery		1,623,923,798.52	191,778,961.15
Cash received from investment income		61,244,637.74	27,288,200.87
Cash received from disposal of fixed assets, intangible assets and other long-term assets		318,099.56	224,687.76
Subtotal of cash inflows from investing activities		1,685,486,535.82	219,291,849.78
Cash payments to acquire fixed assets, intangible assets and other long-term assets		104,115,679.91	93,775,797.91
Subtotal of cash outflows from investing activities		104,115,679.91	93,775,797.91
Net cash flows from investing activities		1,581,370,855.91	125,516,051.87
III. Cash flows from financing activities:			
Cash received from loans		7,867,100.00	49,547,585.16
Cash received from issuance of bonds		5,893,945,356.85	6,894,611,718.12
Subtotal of cash inflows from financing activities		5,901,812,456.85	6,944,159,303.28
Cash repayments of borrowings		5,040,407,862.92	8,221,466,097.03
Cash payments for distribution of dividends or profit or interest expenses		213,674,358.27	265,816,301.85
Including: Cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit			
Other cash payments related to financing activities	VI. 59	154,985,392.82	41,085,182.96
Subtotal of cash outflows from financing activities		5,409,067,614.01	8,528,367,581.84
Net cash flows from financing activities		492,744,842.84	-1,584,208,278.56

CONSOLIDATED CASH FLOW STATEMENT

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2023	Jan-June 2022
IV. Effect of foreign exchange rate changes on cash and cash equivalents		1,174,487.59	2,989,889.80
V. Net increase in cash and cash equivalents	VI. 60	1,511,168,887.47	1,170,426,588.35
Add: opening balance of cash and cash equivalents		13,297,323,968.54	14,870,067,135.88
VI. Closing balance of cash and cash equivalents		14,808,492,856.01	16,040,493,724.23

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2023							Total equity
	Equity attributable to owners of the parent company							
	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	6,304,933,461.30	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
Add: Changes of accounting policies								
Error correction of early stage								
Others								
II. Balance at the beginning of current year	4,642,884,700.00	6,304,933,461.30	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
III. Current period increase (or less: decrease)		-35,121,903.43	13,884,498.91		1,106,475.45	133,675,539.63	-193,982,642.06	-80,438,031.50
(I) Total comprehensive income			13,884,498.91			167,282,207.98	-3,552,695.49	177,614,011.40
(II) Capital contributed or withdrawn by owners		-35,121,903.43					-190,429,946.57	-225,551,850.00
1. Capital contributed by owners							-156,700,000.00	-156,700,000.00
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others		-35,121,903.43					-33,729,946.57	-68,851,850.00
(III) Profit distribution					1,106,475.45	-33,606,668.35		-32,500,192.90
1. Appropriation to surplus reserve								
2. Appropriation to general risk reserve					1,106,475.45	-1,106,475.45		
3. Cash dividend recognized as distribution								
4. Others								
(IV) Internal carry-over within equity								
1. Transfer of capital reserve to capital								
2. Transfer of surplus reserve to capital								
3. Surplus reserve to cover losses								
4. Others								
(V) Others								
IV. Balance at the end of current period	4,642,884,700.00	6,269,811,557.87	76,807,743.64	942,510,767.79	1,594,425,236.32	344,933,649.98	255,561,886.35	14,126,935,541.95

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2022							
	Equity attributable to owners of the parent company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Non-controlling interest	Total equity
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)		-6,042,549.02	30,381,476.29		904,672.80	-223,848,132.57	-4,974,931.60	-203,579,464.10
(I) Total comprehensive income			30,381,476.29			-125,442,881.07	-4,974,931.60	-100,036,336.38
(II) Capital contributed or withdrawn by owners								
1. Capital contributed by owners								
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others								
(III) Profit distribution					904,672.80	-98,405,251.50		-97,500,578.70
1. Appropriation to surplus reserve								
2. Appropriation to general risk reserve					904,672.80	-904,672.80		
3. Cash dividend recognized as distribution						-97,500,578.70		-97,500,578.70
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		-6,042,549.02						-6,042,549.02
IV. Balance at the end of current period	4,642,884,700.00	6,295,818,034.44	29,509,126.32	908,512,430.25	1,535,150,528.88	71,403,812.89	457,221,826.52	13,940,500,459.30

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

COMPANY BALANCE SHEET

30 June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Assets	<i>Note XV</i>	Closing balance	Opening balance
Assets:			
Cash and bank balances		10,340,645,269.37	8,810,109,545.75
Including: Client's capital deposit		8,979,858,815.63	8,079,546,861.50
Clearing settlement funds		2,603,250,983.38	2,707,664,533.93
Including: Client's reserve funds		2,267,832,275.69	2,504,595,025.88
Margin accounts receivable		6,995,688,960.04	6,857,705,302.17
Derivative financial assets		4,362,564.79	2,246.26
Refundable deposits		264,246,124.73	282,171,757.50
Accounts receivable		93,094,956.03	33,289,305.78
Financial assets held under resale agreements		1,316,950,000.59	1,113,425,407.61
Financial investment:			
Financial assets at fair value through profit or loss		23,577,687,525.83	17,594,540,290.20
Financial assets at fair value through other comprehensive income		726,145,159.65	2,288,258,640.42
Long-term equity investments	<i>XV. 1</i>	5,526,207,083.94	5,300,655,233.94
Investment properties		25,379,398.51	23,721,809.70
Fixed assets		174,311,628.18	175,738,847.21
Construction in progress		156,868,889.22	118,898,335.11
Right-of-use assets		159,653,705.12	167,013,682.30
Intangible assets		246,943,901.44	252,694,438.86
Deferred income tax assets		416,550,969.54	407,078,485.89
Other assets		297,153,503.30	445,684,977.56
Total assets		52,925,140,623.66	46,578,652,840.19

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

COMPANY BALANCE SHEET

30 June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Liabilities and shareholders' equity	Note XV	Closing balance	Opening balance
Liabilities:			
Short-term financing instruments payable		5,037,493,061.59	4,132,771,764.91
Due to banks and other financial institutions		1,603,642,583.32	1,502,279,361.14
Financial liabilities at fair value through profit or loss		1,198,765,534.92	806,961,469.87
Derivative financial liabilities		1,400,303.08	
Financial assets sold under repurchase agreements		13,812,330,072.83	9,649,762,175.12
Accounts payable to brokerage clients		10,869,348,534.87	10,291,667,620.82
Employee benefits payable		452,060,470.05	618,694,234.43
Taxes payable		59,658,170.11	100,155,562.06
Accounts payable		536,614,432.16	234,716,609.05
Contract liabilities		14,462,866.02	2,378,962.21
Bonds payable		4,679,689,918.98	4,700,379,928.41
Lease liabilities		153,359,624.06	164,286,849.37
Deferred income tax liabilities		2,658,258.96	1,753,022.22
Provisions		0.00	1,186,481.49
Other liabilities		173,294,155.25	183,216,162.92
Total Liabilities		38,594,777,986.20	32,390,210,204.02
Equity:			
Share capital		4,642,884,700.00	4,642,884,700.00
Capital reserve		6,606,160,370.84	6,606,160,370.84
Other comprehensive income		2,548,074.25	4,145,228.54
Surplus reserve		942,510,767.79	942,510,767.79
General risk reserve		1,525,441,620.46	1,524,335,145.01
Retained earnings		610,817,104.12	468,406,423.99
Total equity		14,330,362,637.46	14,188,442,636.17
Total liabilities and equity		52,925,140,623.66	46,578,652,840.19

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

COMPANY INCOME STATEMENT

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Jan-June 2023	Jan-June 2022
I. Total operating income		884,141,476.38	776,543,695.23
Net interest income	XV. 2	77,405,411.59	29,569,349.47
Including: Interest income		392,328,341.98	412,272,153.84
Interest expenses		314,922,930.39	382,702,804.37
Net fee and commission income	XV. 3	288,354,797.73	434,110,618.94
Including: Brokerages business		221,593,355.15	270,898,531.16
Investment banking		24,197,178.83	118,325,212.67
Assets management		13,982,484.13	8,865,064.78
Investment income (or less: losses)	XV. 4	409,418,855.83	429,768,431.63
Including: Investment income from associates and joint ventures			
Gains on changes in fair value (or less: losses)		90,457,957.52	-125,305,532.57
Gains on foreign exchange (or less: losses)		270,871.95	439,017.61
Other operating income		2,030,524.36	2,270,088.37
Gains from assets disposal (or less: losses)			19,387.01
Other income		16,203,057.40	5,672,334.77
II. Total operating cost		679,773,615.86	780,256,162.89
Taxes and surcharges		4,236,640.24	5,692,228.55
Business and administrative expenses	XV. 5	669,055,633.77	640,023,354.20
Expected credit losses		5,885,697.02	133,945,730.60
Other assets impairment losses			
Other operating costs		595,644.83	594,849.54
III. Operating profit (or less: losses)		204,367,860.52	-3,712,467.66
Add: Non-operating income		584,485.15	997,329.14
Less: Non-operating expenses		1,468,853.27	806,634.56
IV. Profit before tax (or less: losses)		203,483,492.40	-3,521,773.08
Less: Income tax expenses		27,466,143.92	-27,788,241.81
V. Net profit (or less: net loss)		176,017,348.48	24,266,468.73
Net profit from continuing operations (or less: net losses)		176,017,348.48	24,266,468.73
Net profit from discontinued operations (or less: net losses)			
VI. Other comprehensive income after tax		-1,597,154.29	3,402,011.72
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		-1,597,154.29	3,402,011.72
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		16,915,051.72	-3,387,724.95
3. Credit impairment reserves of financial assets at fair value through other comprehensive income		-18,512,206.01	6,789,736.67
4. Translation differences of foreign currency financial statements			
VII. Total comprehensive income		174,420,194.19	27,668,480.45

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

COMPANY CASH FLOW STATEMENT

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Jan-June 2023	Jan-June 2022
I. Cash flows from operating activities:			
Net decrease of financial instruments measured at fair value through profit or loss			322,761,858.91
Cash receipt from interests, fee and commissions		833,330,487.16	1,081,400,335.28
Net increase in due to banks and other financial institutions		100,000,000.00	
Net increase of repurchase business		4,162,148,428.58	1,716,031,506.90
Net decrease in margin accounts receivable			1,065,550,480.08
Cash received from brokerage clients		577,680,914.05	1,871,985,265.64
Other cash received related to operating activities		365,265,885.87	130,881,905.17
Subtotal of cash inflows from operating activities		6,038,425,715.66	6,188,611,351.98
Net increase of financial instruments at fair value through profit or loss		5,159,525,882.94	
Cash payment to interests, fee charges and commissions		256,064,591.10	282,454,378.77
Net decrease in due to banks and other financial institutions			1,300,000,000.00
Net increase of resale business		219,465,132.60	411,069,394.85
Net increase in margin accounts receivable		139,207,546.75	
Cash payments to and on behalf of employees		633,022,006.16	719,795,664.79
Cash payments of taxes		98,926,391.17	103,868,815.78
Other cash payments related to operating activities		163,617,560.85	208,975,022.20
Subtotal of cash outflows from operating activities		6,669,829,111.57	3,026,163,276.39
Net cash flows from operating activities	XV.6	-631,403,395.91	3,162,448,075.59
II. Cash flows from investing activities:			
Cash received by absorbing investments		1,430,367,196.38	162,954,512.94
Cash received from investment income		40,894,637.74	24,584,721.42
Cash received from disposal of fixed assets, intangible assets and other long-term assets		689,222.13	220,578.91
Subtotal of cash inflows from investing activities		1,471,951,056.25	187,759,813.27
Cash payments to acquire fixed assets, intangible assets and other long-term assets		70,751,679.13	91,396,357.68
Subtotal of cash outflows from investing activities		70,751,679.13	91,396,357.68
Net cash flows from investing activities		1,401,199,377.12	96,363,455.59
III. Cash flows from financing activities:			
Cash received from borrowing			
Cash received from issuance of bonds		5,889,241,000.00	6,223,471,433.97
Subtotal of cash inflows from financing activities		5,889,241,000.00	6,223,471,433.97
Cash repayments of borrowings		4,971,323,000.00	7,951,184,000.00
Cash payments for distribution of dividends or profit or interest expenses		223,825,602.91	280,912,498.06
Including: cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit			
Other cash payments related to financing activities		37,847,377.62	28,656,948.17
Subtotal of cash outflows from financing activities		5,232,995,980.53	8,260,753,446.23
Net cash flows from financing activities		656,245,019.47	-2,037,282,012.26
IV. Effect of foreign exchange rate changes on cash and cash equivalents		270,871.95	439,017.61
V. Net increase in cash and cash equivalents	XV.6	1,426,311,872.63	1,221,968,536.53
Add: opening balance of cash and cash equivalents		11,487,978,273.17	13,041,401,477.73
VI. Closing balance of cash and cash equivalents		12,914,290,145.80	14,263,370,014.26

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

COMPANY STATEMENT OF CHANGES IN EQUITY

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2023						
	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	4,145,228.54	942,510,767.79	1,524,335,145.01	468,406,423.99	14,188,442,636.17
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	4,145,228.54	942,510,767.79	1,524,335,145.01	468,406,423.99	14,188,442,636.17
III. Current period increase (or less: decrease)			-1,597,154.29		1,106,475.45	142,410,680.13	141,920,001.29
(I) Total comprehensive income			-1,597,154.29			176,017,348.48	174,420,194.19
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution					1,106,475.45	-33,606,668.35	-32,500,192.90
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve					1,106,475.45	-1,106,475.45	
3. Cash dividend recognized as distribution						-32,500,192.90	-32,500,192.90
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others							
IV. Balance at the end of current period	4,642,884,700.00	6,606,160,370.84	2,548,074.25	942,510,767.79	1,525,441,620.46	610,817,104.12	14,330,362,637.46

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

COMPANY STATEMENT OF CHANGES IN EQUITY

Jan-June 2023 Prepared by: Central China Securities Co., Ltd. (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 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)			3,402,011.72		904,672.80	-74,138,782.77	-69,832,098.25
(I) Total comprehensive income			3,402,011.72			24,266,468.73	27,668,480.45
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution					904,672.80	-98,405,251.50	-97,500,578.70
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve					904,672.80	-904,672.80	
3. Cash dividend recognized as distribution						-97,500,578.70	-97,500,578.70
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							
IV. Balance at the end of current period	4,642,884,700.00	6,606,160,370.84	3,856,825.96	908,512,430.25	1,472,154,504.05	352,196,287.67	13,985,765,118.77

Legal representative:
Lu Zhili

Officer in charge of accounting
and chief accountant:
Li Zhaoxin

Head of accounting department:
Yang Bo

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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. (CSRC [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. (GXCQ [2013] No. 1070) issued by the State-owned Assets Supervision and Administration Commission of the State Council, after the Company completes the issuance, The state-owned shareholders Henan Investment Group, Angang Group, Pingmei Shenma, Anyang Economic Development, Jiangsu Suhao, 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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" (CQ [2009] No.94) issued by CSRC and "Approval on the Management Plan of Central China Securities Co., Ltd. Issuing A-Shares of State-owned Equity and the Transfer of State-owned Shares" (Yu Guo Zi Chan Quan [2015] No.26) issued by the SASAC of Henan Province, of the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, China Pingmei Shenma Energy Chemical Group Co., Ltd., Anyang Economic Development Group Co., Ltd, Jiangsu Soho Holding Group Co., Ltd., Henan Shenhuo Group Co., Ltd, Jiaozuo Economic and Technological Development Co., Ltd., Shenzhen Guangsheng Investment Development Co., Ltd. and Hebi Economic Construction Investment Group Co., Ltd. would transfer their 47,979,175 shares, 10,348,840 shares, 4,375,124 shares, 2,846,433 shares, 1,578,336 shares, 1,034,804 shares, 793,645 shares, 526,112 shares and 517,531 shares (70,000,000 shares in total), respectively, to National Council for Social Security Fund.

On 3 January 2017, the Company's A shares were listed on the Shanghai Stock Exchange.

From 12 February 2018, the Company repurchased some H shares in the form of on-site share repurchase. The Company has repurchased 54,664,000 H-shares on a cumulative basis. On 11 July 2018, the Company completed the procedures of industrial and commercial change registration and obtained the business license reissued by the Henan Administration for Industry and Commerce. The registered capital changed to 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 30 June 2023, 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.

As of 30 June 2023, the Company has established 30 branch offices and 79 securities branches, all of which are approved.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

I. BASIC INFORMATION (continued)

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 30 August 2023.

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	92.29
Yuxin Investment Management (Shanghai) Co., Ltd.	Holding subsidiary	3	51.36	92.29
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Henan Kaiyuan 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 Co., 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.”

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

II. THE RANGE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 increased by 1 compared with the previous period. The specific information of the subject of the consolidation scope change is detailed in “Note VII, Changes to the Consolidation Scope”.

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 Company’s accounting is based on the accrual basis. Except for certain financial instruments that are measured at fair value, the financial statement takes historical cost as the measurement basis. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with relevant regulations.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

1. Notice on the specific accounting policies and estimates

The 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 asset 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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)

(2) Business combination under the same control (continued)

If there is contingent consideration and it is necessary to recognize estimated liabilities or assets, the difference between the amount of estimated liabilities or assets and the subsequent settlement amount of contingent consideration shall be adjusted to the capital reserve (capital premium or equity premium). If the capital reserve is insufficient, the retained earnings shall be adjusted.

If the business combination is finally realized through multiple transactions and belongs to a package transaction, each transaction shall be treated as a transaction that obtains control; if it is not a package deal, the capital reserve shall be adjusted according to the difference between the initial investment cost of the long-term equity investment on the date of obtaining the control right and the sum of the book value of the long-term equity investment before the business combination plus the book value of the newly paid consideration for the shares obtained on the date of business combination; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For the equity investment held before the date of business combination, other comprehensive income recognized due to the adoption of equity method or financial instrument recognition and measurement standards will not be subject to accounting treatment temporarily until the investment is disposed of on the same basis as the investee's direct disposal of relevant assets or liabilities. Other changes of equity other than net profit or loss, other comprehensive income and profit distribution in the net assets of the investee recognized by using the equity method shall not be subject to accounting treatment until the investment is disposed of, which will be transferred to the current profit or loss when it is disposed of.

(3) Business combination not under the same control

The purchase date refers to the date when the Company actually obtains the control over the acquiree, that is, the date when the control over the acquiree's net assets or production and operation decisions is transferred to the Company. When the following conditions are met at the same time, the Company generally believes that the transfer of control is realized.

- a) The contract or agreement of business combination has been approved by the internal authority of the Company.
- b) Where a business combination needs to be examined and approved by the relevant competent department of the state, it has been approved.
- c) The necessary formalities for the transfer of property rights have been handled.
- d) The Company has paid most of the combination price and has the ability and plan to pay the remaining amount.
- e) The Company has actually controlled the financial and operating policies of the acquiree, enjoyed corresponding benefits and assumed corresponding risks.

On the acquisition date, the Company shall measure the assets paid, liabilities incurred or assumed as the consideration paid for business combination at fair value, and the difference between the fair value and its book value shall be included in the current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 (continued)

The Company recognizes the excess of the combination cost over the fair value of the identifiable net assets of the acquiree obtained in the combination as goodwill. The excess of the combination cost and the fair value of the identifiable net assets of the acquiree obtained in the combination shall be included in the current profits or losses after review.

If the business combination not under the same control realized step by step through multiple exchange transactions belongs to a package deal, each transaction shall be treated as a transaction to obtain control; If it is not a package deal and the equity investment held before the combination date is accounted by the equity method, the sum of the book value of the equity investment held before the acquisition date and the new investment cost on the acquisition date shall be regarded as the initial investment cost of the investment. Other comprehensive income recognized for the equity investment held before the acquisition date due to the adoption of the equity method shall be accounted for on the same basis as the investee's direct disposal of relevant assets or liabilities. If the equity investment held before the combination date is accounted by the recognition and measurement standards of financial instruments, the sum of the fair value of the equity investment on the combination date plus the new investment cost shall be taken as the initial investment cost on the merger date. The difference between the fair value of the original equity held and the book value and the accumulated fair value changes originally included in other comprehensive income shall all be transferred to the investment income of the current period on the combination date.

(4) Relevant expenses incurred for combination

The intermediary expenses such as audit, legal services, appraisal and consultation and other directly related expenses incurred for business combination shall be included in the current profit or loss when incurred. The transaction costs of issuing equity securities for business combination can be deducted from equity if they are directly attributable to equity transactions.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

7. Preparation method of consolidated financial statements

(1) Consolidation scope

The consolidation scope of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including individual entities controlled by the Company) are included in the consolidated financial statements.

(2) Consolidation procedures

The Company prepares consolidated financial statements based on the financial statements of itself and its subsidiaries and other relevant materials. In preparing consolidated financial statements, the Company regards the whole enterprise Group as an accounting entity, and reflects the overall financial position, operating results and cash flow of the enterprise Group in accordance with the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and unified accounting policies.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidation scope of the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by subsidiaries are inconsistent with those of the Company, necessary adjustments shall be made according to the accounting policies and accounting periods of the Company when preparing the consolidated financial statements.

The consolidated financial statements offset the impact of internal transactions between the Company and subsidiaries and between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity. If the recognition of the same transaction from the perspective of the consolidated financial statements of the enterprise Group is different from that with the Company or subsidiaries as the accounting entity, the transaction shall be adjusted from the perspective of the enterprise Group.

Subsidiary owners' equity, current net profit or loss, and current comprehensive income of the minority shareholders are separately listed under the owner's equity item in the consolidated balance sheet, the net profit item and the total comprehensive income item in the consolidated income statement. The current loss shared by the minority shareholders of the subsidiary exceeds the balance formed by the minority shareholders' share of the beginning owner's equity of the subsidiary, offsetting the minority shareholders' equity.

For subsidiaries acquired through business combination under the same control, their financial statements shall be adjusted based on the book value of its assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition of the subsidiaries) in the ultimate controlling party's financial statements.

For subsidiaries acquired through business combination not under the same control, their financial statements shall be adjusted based on the fair value of identifiable net assets on the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 all transactions from the disposal of equity investment in subsidiaries to the loss of control are not package transactions, accounting treatment shall be carried out according to the relevant policies for partial disposal of equity investment in subsidiaries without losing control before the loss of control. In case of loss of control, accounting treatment shall be carried out according to the general treatment method for disposal of subsidiaries.

c) Purchase of minority interests in subsidiaries

For the difference between the long-term equity investment newly obtained by the Company due to the purchase of minority equity and the share of net assets of subsidiaries continuously calculated from the purchase date (or combination date) according to the newly increased shareholding ratio, the capital stock premium in the capital reserve in the consolidated balance sheet shall be adjusted. If the capital stock premium in the capital reserve is insufficient to be offset, the retained earnings shall be adjusted.

d) Partial disposal of equity investment in subsidiaries without losing control

Without losing control, the difference between the disposal price obtained from the partial disposal of long-term equity investment in subsidiaries and the share of net assets of subsidiaries continuously calculated from the purchase date or merger date corresponding to the disposal of long-term equity investment shall be adjusted to the equity premium in the capital reserve in the consolidated balance sheet. If the equity premium in the capital reserve is insufficient to be offset, adjust the retained earnings.

8. Criteria for determining cash and cash equivalents

When preparing the cash flow statement, the Company's cash on hand and deposits that can be used for payment at any time are recognized as cash. Investments that meet the four conditions of short term (generally due within three months from the purchase date), strong liquidity, easy conversion to known amount of cash and small risk of value change are determined as cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

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

ii *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective. The financial assets held by the Group are equity instruments provided that the following conditions are met simultaneously:

- 1) The financial instrument shall not include the contractual obligation to deliver cash or other financial assets to other parties or exchange financial assets or financial liabilities with other parties under potentially adverse conditions.
- 2) In the future, the financial instruments must be settled with the issuer's own equity instruments. If it is a non-derivative instrument, the financial instrument should not include the contractual obligation to deliver a variable amount of its own equity instruments for settlement; if it is a derivative instrument, the issuer can only exchange a fixed amount of its own equity instrument for a fixed amount cash or other financial assets.

The Group's equity instrument investments are all classified as financial assets measured at fair value and their changes are included in profit or loss, except for financial assets that have been irrevocably designated as measured at fair value and the changes of which are included in other comprehensive income. The Group's policy on the above-mentioned designation is to designate equity instrument investments that are not for the purpose of obtaining investment income to be measured at fair value and their changes are included in other comprehensive income.

For financial assets with embedded derivatives, when determining whether the contractual cash flow is only for principal and interest payments, analyzing it as a whole.

(2) Classification and measurement of financial liabilities

Financial liabilities are classified as liabilities measured at amortized cost, except:

- a) Financial liabilities at FVPL: It includes financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and financial liabilities designated at the initial recognition as measured at fair value and whose changes are recorded into profit and loss.
- b) Financial liabilities that are recognized because the transfer of financial assets does not meet the conditions for derecognition or the continuous involvement method is applied for accounting. When the transfer does not meet the conditions for derecognition, the Group recognizes the financial liabilities according to the consideration received from the transfer, and recognizes all expenses arising from the liabilities in subsequent periods.
- c) Financial guarantee contracts and loan commitments.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(3) Subsequent measurement of financial instruments

a) *Financial assets or liabilities measured at amortized cost*

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) deducting accumulated provision for credit impairment (only applicable to financial assets).

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability in the expected duration into the book balance of the financial asset or the amortized cost of the financial liability. In determining the actual interest rate, the Group will estimate the expected cash flow on the basis of taking into account all contractual terms of a financial asset or financial liability (such as prepayments, rollover, call options or other similar options, etc.), but it shall not take into account expected credit losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost. If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

b) *Financial assets measured at fair value through other comprehensive income*

Debt instruments: The gains or losses from financial assets that are classified as fair value and whose changes are included in other comprehensive income, except for impairment losses or gains and exchange gains and losses, are included in other comprehensive income until the financial asset is 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(3) Subsequent measurement of financial instruments (continued)

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 profit and loss. 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 profit and loss. When the financial liability is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

(4) Impairment of financial assets

The Group according to the basis of expected credit losses, performs impairment accounting treatment on the following financial assets and recognize loss provisions:

- a) Financial assets measured at amortized cost and debt investment measured at fair value with changes recognized in other comprehensive income;
- b) Lease receivable;
- c) Contract assets;
- d) Financial guarantee contracts and loan commitments that the Group issued except financial liabilities at fair value through profit or loss.

Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among them, the cash flows of the financial assets purchased or originated by the Group with credit impairment shall be discounted at the effective interest rate adjusted by the credit of the financial assets.

The Group combines forward-looking information to assess expected credit losses and to recognize the associated loss provisions at each balance sheet date. The measurement of expected credit losses reflects the following elements: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(4) Impairment of financial assets (continued)

On the balance sheet date, the Group evaluates whether the financial assets measured at the amortized cost and the debt investments measured at fair value and whose changes are included in other comprehensive income have incurred credit impairment. When one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset that has experienced credit impairment. Evidence of credit impairment of a financial asset includes the following observable information:

- Major financial difficulties occur to the issuer or the debtor;
- Breach of contract by the debtor, such as default or late payment of interest or principal;
- The Group, out of economic or contractual considerations relating to the debtor's financial difficulties, gives the debtor concessions that would not be made under any other circumstances;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- Financial difficulties of the issuer or debtor lead to the disappearance of an active market for the financial asset.

An investment in a debt instrument measured at fair value and its change recorded in other comprehensive income shall recognize its loss provision in other comprehensive income and record impairment loss or gain into current profit and loss, and shall not reduce the book value of the financial asset listed in the balance sheet.

In the previous accounting period, the provision for loss has been measured according to the amount equivalent to the expected credit loss in the whole duration of the financial instrument, but on the current balance sheet date, the financial instrument no longer belongs to the situation of significant increase in credit risk since initial recognition. On the balance sheet date of the current period, the Group measures the loss provision of the financial instrument according to the amount equivalent to the expected credit loss in the next 12 months, and the reversal amount of the loss provision is included in the current profit or loss as impairment gain.

For the financial assets purchased or derived from which credit impairment has occurred, the Group shall, at the balance sheet date, recognize only the accumulated changes in the expected credit losses over the entire period since the initial recognition as provisions for losses. At each balance sheet date, the Group records the changes in expected credit losses throughout the period as impairment losses or gains in the current profit and loss.

The Group's judgment criteria for significant increase in credit risk, the definition of credit impaired assets which have occurred, and assumptions of ECL. For details, please refer to Note IX/1 of this report.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(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; (iii) the financial asset has been transferred, and 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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.

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

15. Long-term equity investments (continued)

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

If the transactions from the disposal of equity investment in subsidiaries to the loss of control are package transactions, each transaction shall be treated as a transaction for the disposal of equity investment in subsidiaries and the loss of control, and relevant accounting treatment shall be carried out by distinguishing individual financial statements from consolidated financial statements:

- i. In individual financial statements, the difference between each disposal price and the book value of the long-term equity investments corresponding to the equity disposed before the loss of control is recognized as other comprehensive income, which is transferred to the profit or loss of the current period when the control is lost.
- ii. In the consolidated financial statements, the difference between each disposal price and the share of net assets of the subsidiary corresponding to the disposal of investment before the loss of control is recognized as other comprehensive income, which is transferred to the profit or loss of the current period when the control is lost.

(5) Judgment criteria for joint control and significant impact

If the Company collectively controls an arrangement with other participants in accordance with relevant agreements, and the activity decision that has a significant impact on the return of the arrangement exists only with the unanimous consent of the participants sharing the control right, it is deemed that the Company and other participants jointly control an arrangement, which is a joint venture arrangement.

If the joint venture arrangement is reached through a separate entity, and the Company is judged to have rights to the net assets of the separate entity according to relevant agreements, the separate entity shall be regarded as a joint venture and accounted with the equity method. If it is judged that the Company does not have rights to the net assets of the individual entity according to relevant agreements, the individual entity shall be regarded as joint operation, and the Company shall recognize the items related to the share of interests in joint operation and conduct accounting treatment in accordance with the provisions of relevant accounting standards for business enterprises.

Significant influence means that the investor has the right to participate in the decision-making of the financial and operating policies of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. The Company judges that it has a significant impact on the investee through one or more of the following circumstances and comprehensively considering all facts and circumstances: 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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 Company 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.

The estimated useful lives, estimated residual value rate and depreciation 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

19. Borrowing costs (continued)

(2) Capitalization period of borrowing costs

The capitalization period refers to the period from the time point when the borrowing costs are capitalized to the time point when the capitalization is stopped. The period during which the capitalization of borrowing costs being suspended is not included.

When the assets eligible for capitalization are purchased, constructed or produced to reach the expected serviceable or marketable state, the capitalization of borrowing costs shall be stopped.

When some items of assets eligible for capitalization are completed and can be used separately, the capitalization of borrowing costs of such assets shall be stopped.

If each part of the asset purchased, constructed or produced is completed separately, but it cannot be used or sold until the overall completion, the capitalization of borrowing costs shall be stopped when the asset is completed as a whole.

(3) Period of suspension of capitalization

If the acquisition, construction or production of assets eligible for capitalization is interrupted abnormally for more than 3 consecutive months, the capitalization of borrowing costs shall be suspended; If the interruption is a necessary procedure for the acquisition, construction or production of assets eligible for capitalization to reach the expected serviceable state or marketable state, the borrowing costs will continue to be capitalized. The borrowing costs incurred during the interruption period shall be recognized as current profits or losses until the acquisition and construction or production activities of assets restart.

(4) Calculation method of capitalization amount of borrowing costs

The interest expenses of special loans (deducting the interest income obtained from the unused loan funds deposited in the bank or the investment income obtained from temporary investment) and their auxiliary expenses shall be capitalized before the assets purchased, constructed or produced that meet the capitalization conditions reach the expected usable or marketable state.

Calculate and determine the amount of interest that should be capitalized on the general borrowings based on the weighted average of the cumulative asset expenditures exceeding the portion of the special borrowings multiplied by the capitalization rate of the general borrowings occupied. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

Where there are discounts or premiums on loans, the amount of discounts or premiums that should be amortized in each accounting period shall be determined in accordance with the actual interest rate method, and the amount of interest in each period shall be adjusted.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 (excluding costs incurred for the production of inventories).

After the beginning of the lease term, the Company uses the cost model to carry on the follow-up measurement to the right-of-use assets.

If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, the Company shall calculate and draw depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine whether the ownership of the leased asset can be obtained at the end of the lease term, the Company shall make depreciation within the shorter of the lease term and the remaining service life of the leased asset. For the right-of-use assets with provision for impairment, depreciation shall be accrued according to the book value after deducting the provision for impairment in the future with reference to the above principles.

21. Intangible assets

Intangible assets 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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 expense and the present value of the expected future cash flow of the asset.

The signs of impairment are as follows:

- (1) The market price of assets has fallen sharply in the current period, and the decline is significantly higher than the expected decline due to the passage of time or normal use.
- (2) There is adverse impact of the Company, because of the changing of the economic, technological, legal environment which enterprise operates and the market in.
- (3) The market interest rate or other market investment return rate has increased in the current period, which affects the discount rate of the enterprise to calculate the present value of the expected future cash flow of the asset, and resulting in a substantial reduction in the asset's recoverable amount.
- (4) There is evidence that the asset has become obsolete or its entity has been damaged.
- (5) Assets have been or will be idled, terminated, or planned for disposal in advance.
- (6) The evidence in the internal report of the Company indicates that the economic performance of the asset has been lower or will be lower than expected, such as the net cash flow created by the asset or the realized operating profit (or loss) is much lower (or higher) than the expected.
- (7) Other signs that assets may have been impaired.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

25. Employee benefits (continued)

(3) Termination benefits

Termination benefits refer to the Company's termination of the labor relationship with employees before the expiration of the employee's labor contract, or the compensation given to employees to encourage employees to voluntarily accept reductions. When the Company cannot unilaterally withdraw the labor relationship termination plan or layoff proposal or recognize the costs and expenses related to the restructuring involving the payment of dismissal benefits, whichever is earlier, the liabilities arising from the compensation for the termination of labor relationship with employees shall be recognized and included in the current profits or losses.

The Company provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement welfare refers to the wages and social insurance premiums paid to employees who have not reached the retirement age stipulated by the state and voluntarily quit their jobs with the approval of the Company's management. The Company pays internal retirement benefits to employees who have retired from the date of the start of the internal retirement arrangements until the employees reach the normal retirement age. For early retirement benefits, the Company conducts accounting treatments in accordance with termination benefits. When the relevant confirmation conditions for termination benefits are met, the wages and social insurance premiums to be paid for early retirement employees during the period from the employee's stop of service to the normal retirement date being confirmed as liabilities are included in the current profit and loss at one time. Differences caused by changes in actuarial assumptions of early retirement benefits and adjustments to welfare standards are included in the current profits or losses when they occur.

(4) Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits except short-term salary, post-employment welfare and termination benefits.

The employees of the Group participate in the enterprise annuity plan established by the Group in accordance with the relevant policies of the national enterprise annuity system on the basis of participating in the social basic pension insurance. The expenses required for the annuity shall be paid jointly by the Group and the employees. The Company's total contribution is 8% of the employee's total salary for the previous year, and the employee's individual contribution is 2% of the employee's total salary for the previous year.

If the Group decides to terminate the labor relationship with the employee before the expiration of the employee's labor contract, or puts forward compensation suggestions to encourage the employee to accept the layoff voluntarily, if the Group has formulated a formal plan to terminate the labor relationship or put forward a voluntary layoff proposal and will implement it soon, at the same time, the Group cannot unilaterally withdraw the plan to terminate the labor relationship or layoff proposal. The estimated liabilities arising from compensation for the termination of labor relations with employees shall be recognized and included in the current profits or losses.

Regarding the internal retirement plan implemented by the Group, the dismissal benefit will be dealt same as termination benefit, because this part of employees no longer brings the economic benefit to the enterprise. When the early retirement plan meets the recognition conditions specified in the employee benefits standards, according to the provisions of the internal retirement plan, the period from the day when the employee stops providing services to the normal retirement date, the Group's planned retirement salary and social insurance premiums, etc., are confirmed as the estimated liabilities, which are included in the current profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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 estimated liabilities:

The obligation is the current obligation of the Company;

The fulfillment of the obligation is likely to cause economic benefits to flow out of the Company;

The amount of the obligation can be measured in a reliable way.

(2) Measurement method of estimated liabilities

The provisions of the Company are initially measured according to the best estimate of the expenses required to perform relevant current obligations.

When determining the best estimate, the Company comprehensively considers the risks, uncertainties, time value of money and other factors related to contingencies. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflow.

The best estimate shall be handled as follows:

If the required expenditure has a continuous range (or interval) and the possibility of various results within the range is the same, the best estimate is determined according to the middle value of the range, that is, the average of the upper and lower limits.

If the required expenditure does not have a continuous range (or interval), or although there is a continuous range, the possibility of various results within the range is different. If the contingency involves a single item, the best estimate shall be determined according to the most likely amount; If the contingency involves multiple projects, the best estimate shall be calculated and determined according to various possible results and relevant probabilities.

If all or part of the expenses required by the Company to pay off the estimated liabilities are expected to be compensated by a third party, the compensation amount shall be recognized separately as an asset when it is basically determined that it can be received, and the recognized compensation amount shall not exceed the book value of the provisions.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 expense of the lease liability in each period of the lease term according to the fixed discount rate and records it into the current profit and loss or relevant asset cost.

The amount of variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or relevant asset costs when actually incurred.

28. General risk reserve and transaction risk reserve

According to “Financial Rules for Financial Enterprises” and “Notice on the 2007 Annual Report of Securities company” (CSRC [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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

29. Revenue

The revenue of the Group is recognized when the customer obtains the control rights of the relevant commodities (referring to the commodities or services) by performing the performance obligations of the contract. To gain control over the relevant goods means that the customer can dominate the use of the goods and get almost all the economic benefits from them.

Performance obligation means the transfer of the Group's commitment to the customer that clearly distinguishes between goods or services. Both express commitments in the contract and commitments that the customer reasonably expects the Group to perform at the time the contract is entered into based on the Group's publicly announced policies, specific statements or past practices.

The Group evaluates the contract at the beginning of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation should be performed within a certain period of time or at a certain point. If one of the following conditions is met, the contract obligations shall be fulfilled within a certain period of time; otherwise, the performance of a contractual obligation at a certain point:

- The customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs.
- The customer can control the goods that are under construction during the Group's contract execution.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

29. Revenue (continued)

The specific accounting policies relating to the Group's main business to revenue as follow:

a) Handling fee and commission income

The handling fee income from buying and selling securities on behalf of customers shall be recognized on the trading day of securities trading.

The income from securities underwriting shall be recognized when the Company completes the performance obligations in the underwriting contract.

The income from the asset management business of the entrusted customer, when the entrusted management contract expires and is settled with the entrusting unit, the profit or loss that should be enjoyed by the Company is calculated according to the proportion specified in the contract and recognized as the current gain or loss. If the contract stipulates that the Company charges management fees and performance compensation fees in accordance with the agreed proportions, the management fees and performance compensation gains shall be confirmed in installments.

The income from issuance recommendation, financial consulting business and investment consulting business shall be recognized during the performance of the Company's performance obligations or at the time of completion of the performance obligations according to the terms of the contract.

b) Interest income

When the relevant income can be measured reliably and relevant economic benefits can be received, the interest income is recognized according to the time of fund utilization and the agreed interest rate. If there is little difference between the actual interest rate and the contractual interest rate, the interest income shall be calculated according to the contractual interest rate.

The financial assets held under resale agreements due in the current period, the difference between the resale price and the purchase price shall be recognized as the income in the current period; If there is no maturity in the current period, the interest accrued and withdrawn at the end of the period shall be recognized as the current income according to the amortized cost and the actual interest rate; if there is a small difference between the actual interest rate and the contractual interest rate, the income shall be recognized as the current income according to the contractual interest rate.

c) Investment income

The Group recognizes holding the dividends and cash dividends of financial assets and other equity instruments at fair value through other comprehensive income 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 the 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).

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

31. Government grants (continued)

When the Group receives a policy preferential loan subsidy, it is distinguished between cases in which the finance disburses the subsidy funds to the lending bank and cases in which the finance disburses the subsidy funds directly to the Group, and the accounting is treated according to the following principles:

- (1) If the treasury disburses the discounted funds to the lending bank, which provides the loan to the Group at the policy preferential interest rate, the Group uses the actual amount of the loan received as the recorded value of the loan and calculates the related borrowing costs based on the principal of the loan and the policy preferential interest rate (or uses the fair value of the loan as the recorded value of the loan and calculates the borrowing costs according to the effective interest rate method, the difference between the actual amount received and the fair value of the loan is recognized as deferred income. Deferred income is amortized over the life of the borrowing using the effective interest method, less related borrowing costs).
- (2) The treasury disburses the discounted funds directly to the Group, and the corresponding discount is offset against the related borrowing costs.

The Group's recognized government grants that are required to be returned are accounted for in the current period in which they are required as follows:

- a) If the book value of relevant assets is offset at initial recognition, the book value of assets shall be adjusted.
- b) Where a related deferred income exists, the carrying amount of the related deferred income is reduced and the excess is recognized in profit or loss in the current period.
- c) In other cases, they are recognized directly in profit or loss for the current period.

32. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognized according to the difference (temporary difference) between the tax basis of assets and liabilities and their book value. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when the asset is expected to be recovered or the liability is expected to be settled.

(1) Basis for recognition of deferred income tax assets

The Company recognizes the deferred income tax assets arising from the deductible temporary differences to the extent that it is likely to obtain the taxable income that can be used to offset the deductible temporary differences and carry forward the deductible losses and tax credits in subsequent years. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: 1) the transaction is not a business combination; 2) when the transaction occurs, it will not affect the accounting profit, taxable income or deductible loss.

For the deductible temporary difference related to the investment of associated enterprises, if the following conditions are met at the same time, the corresponding deferred income tax assets are recognized: the temporary difference is likely to be reversed in the foreseeable future, and the taxable income used to offset the deductible temporary difference is likely to be obtained in the future.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 expense on the lease liability at a fixed periodic rate (i.e., discount rate) for each period of the lease term and recognizes it in current profit or loss or the cost of the asset.

The Group has decided not to recognize right-of-use assets and lease liabilities for short-term leases (leases with lease terms of up to 12 months) and low-value asset leases. And the Group has charged the related lease payments to current profit or loss or the related cost of the asset on a straight-line basis over the various periods of the lease term.

(2) The Group as the lessor

Leased assets under operating leases are recognized as rental income by a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

34. Income tax

The balance sheet liability method is used for income tax accounting. Income tax expense includes current income taxes and deferred income taxes. Except that the current income tax and deferred income tax related to transactions and events directly included in shareholders' equity are included in shareholders' equity, and the book value of goodwill is adjusted by deferred income tax generated from business combination, the remaining current income tax and deferred income tax expenses or income are included in current profits or losses.

Current income tax is the amount due to the tax authorities for transactions and events occurring in the current period, as determined by the enterprise in accordance with tax regulations; deferred income tax is the difference between the amount of deferred income tax assets and deferred income tax liabilities that should be recognized under the balance sheet liability method at the end of the period relative to the amount originally recognized.

35. 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

35. Hedging Accounting (continued)

(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

- 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.

NOTES TO THE FINANCIAL STATEMENTS

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

35. Hedging Accounting (continued)

(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 absolute value 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.
- 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 above-mentioned 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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;
- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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.

(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 terminated 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

38. Significant accounting judgments and estimates (continued)

(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, the Company needs to make provision for impairment of goodwill.

If management revises the pre-tax discount rate used for discounting cash flows, and the revised pre-tax discount rate is higher than the currently used discount rate, the Company needs to accrue impairment provisions for goodwill.

If the actual gross profit margin or pre-tax discount rate is higher or lower than the management's estimate, the 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

There is no change in important accounting policies during the reporting period.

(2) Changes in accounting estimates

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

(1) Details

Item	30 June 2023			31 December 2022		
	Amount of original currency	Exchange rate ¹	RMB amount	Amount of original currency	Exchange rate	RMB amount
Cash on hand			114,362.15			179,929.41
RMB	53,567.53	1.0000	53,567.53	78,567.53	1.0000	78,567.53
HKD	61,428.47	0.9220	56,635.82	109,100.97	0.8933	97,456.62
CAD	760.00	5.4721	4,158.80	760.00	5.1385	3,905.26
Deposits in bank			11,905,573,061.43			10,202,115,473.84
Deposit account			2,046,334,212.01			1,552,535,154.13
RMB	1,963,841,630.42	1.0000	1,963,841,630.42	1,458,938,998.61	1.0000	1,458,938,998.61
USD	2,251,904.90	7.2258	16,271,810.92	4,781,724.30	6.9646	33,302,807.67
HKD	71,519,267.04	0.9220	65,939,333.83	66,237,769.17	0.8933	59,168,212.07
AUD	47,232.49	4.7992	226,678.21	47,232.49	4.7138	222,644.68
EUR	6,951.59	7.8771	54,758.38	120,909.37	7.4229	897,498.65
CAD	0.04	5.4721	0.22	0.04	5.1385	0.21
THB	0.15	0.2034	0.03	0.15	0.2014	0.03
JPY				90,100.00	0.0524	4,717.14
GBP				32.77	8.3941	275.07
Client' fund deposit			9,859,238,849.42			8,649,580,319.71
RMB	9,803,944,584.98	1.0000	9,803,944,584.98	8,525,573,125.77	1.0000	8,525,573,125.77
USD	731,099.82	7.2258	5,282,779.73	7,875,226.63	6.9646	54,847,824.77
HKD	54,243,567.87	0.9220	50,011,484.71	77,418,871.68	0.8933	69,155,955.54
EUR				0.05	7.4229	0.37
JPY				65,195.00	0.0524	3,413.26
Other cash and bank balances			13,521,231.56			9,334,601.14
RMB	13,521,231.56	1.0000	13,521,231.56	9,334,601.14	1.0000	9,334,601.14
Total			11,919,208,655.14			10,211,630,004.39

In which, details of margin trading business are shown in the table below:

Item	30 June 2023			31 December 2022		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate credit capital			8,448,439.99			35,720,268.49
RMB	4,476,959.36	1.0000	4,476,959.36	870,756.85	1.0000	870,756.85
HKD	4,307,556.16	0.9220	3,971,480.63	39,013,413.24	0.8933	34,849,511.64
Client credit capital			607,095,919.67			685,713,219.28
RMB	555,232,737.82	1.0000	555,232,737.82	567,868,839.66	1.0000	567,868,839.66
USD	443,283.80	7.2258	3,203,080.08	7,377,690.01	6.9646	51,382,659.84
HKD	52,777,827.90	0.9220	48,660,101.77	74,402,722.34	0.8933	66,461,719.78
Total			615,544,359.66			721,433,487.77

Note:

- 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

1. Cash and bank balances (continued)

(2) As of 30 June 2023, the Company's cash which deposited overseas were RMB127,884,440.88, and mainly due to deposits made by Hong Kong subsidiaries.

(3) As of 30 June 2023, the Group has a restricted bank deposits totaling RMB30,515,076.81, 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	22,268,076.81	21,055,406.26
Frozen	3,247,000.00	3,247,000.00
Bank acceptance deposit	5,000,000.00	
Total	30,515,076.81	24,302,406.26

2. Clearing settlement funds

Item	30 June 2023			31 December 2022		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate reserve funds			104,161,579.88			71,090,653.54
RMB	104,145,570.48	1.0000	104,145,570.48	64,730,574.45	1.0000	64,730,574.45
HKD	17,352.00	0.9220	15,998.20	4,508,530.01	0.8933	4,027,334.59
USD	1.55	7.2258	11.20	279,829.44	6.9646	1,948,900.91
EUR				51,059.02	7.4229	379,006.20
MYR				3,067.14	1.5772	4,837.39
Client's ordinary reserve funds			2,500,277,815.10			2,721,340,860.21
RMB	2,492,863,431.40	1.0000	2,492,863,431.40	2,714,073,509.07	1.0000	2,714,073,509.07
USD	857,309.37	7.2258	6,194,746.05	867,228.69	6.9646	6,039,900.93
HKD	1,322,846.10	0.9220	1,219,637.65	1,374,108.85	0.8933	1,227,450.21
Client's credit reserve funds			319,787,202.74			322,673,173.83
RMB	319,787,202.74	1.0000	319,787,202.74	322,673,173.83	1.0000	322,673,173.83
Total			2,924,226,597.72			3,115,104,687.58

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

3. Margin accounts receivable

(1) By categories

Item	30 June 2023	31 December 2022
Domestic		
Individual client	6,912,268,429.92	6,799,689,054.15
Institutional client	104,213,110.43	78,120,029.71
Less: provision for impairment	20,792,580.31	20,103,781.69
Subtotal	6,995,688,960.04	6,857,705,302.17
Overseas		
Individual client	64,690,414.64	63,722,957.70
Institutional client	162,946,191.10	148,850,808.41
Less: provision for impairment	53,694,404.65	53,393,716.45
Subtotal	173,942,201.09	159,180,049.66
Total	7,169,631,161.13	7,016,885,351.83

(2) Details of collateral

Collateral type	30 June 2023	31 December 2022
Cash	361,321,140.70	820,939,372.05
Stocks	20,125,894,539.75	21,031,867,862.41
Funds	317,783,761.88	300,626,362.48
Bonds	97,215,203.20	89,409,559.20
Total	20,902,214,645.53	22,242,843,156.14

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

4. Derivative financial instruments

(1) 30 June 2023

Item	Hedging instruments			Non-hedging instruments		
	Contractual value	Fair value Asset	Liability	Contractual value	Fair value Asset	Liability
Commodity futures	18,694,800.00		187,400.00	91,109,776.61	241,620.00	680,003.63
Less: Offsetting with temporary receipts and payments			187,400.00		241,620.00	680,003.63
Stock futures				55,485,300.00	44,120.00	
Less: Offsetting with temporary receipts and payments					44,120.00	
Interest rate swap				103,910,000,000.00		5,603,045.83
Less: Offsetting with temporary receipts and payments						5,603,045.83
National debt futures				7,052,314,514.38		2,619,694.96
Less: Offsetting with temporary receipts and payments						2,619,694.96
Income swap				39,463,949.42	703,163.60	
Stock index option				70,562,773.33	983,160.00	80,560.00
Over-the-counter option				250,449,980.15	2,676,241.19	1,319,743.08
Total	18,694,800.00			111,469,386,293.89	4,362,564.79	1,400,303.08

(2) 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 swap				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

Under the no-liability settlement system on the same day, the investment in Stock futures, Interest rate swap, Commodity futures and National debt futures under derivative financial assets and derivative financial liabilities is shown as the net amount after offsetting the relevant suspense payments.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

5. Refundable deposits

Item	30 June 2023			31 December 2022		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Trading margin			1,050,762,589.08			919,751,353.11
RMB	1,049,795,793.08	1.0000	1,049,795,793.08	918,817,196.11	1.0000	918,817,196.11
HKD	500,000.00	0.9220	460,990.00	500,000.00	0.8933	446,635.00
USD	70,000.00	7.2258	505,806.00	70,000.00	6.9646	487,522.00
Credit margin			6,864,406.88			8,314,504.15
RMB	6,864,406.88	1.0000	6,864,406.88	8,314,504.15	1.0000	8,314,504.15
Performance bonds			13,832,117.59			11,880,063.78
RMB	13,832,117.59	1.0000	13,832,117.59	11,880,063.78	1.0000	11,880,063.78
Total			1,071,459,113.55			939,945,921.04

6. Accounts receivable

(1) By categories

Item	30 June 2023	31 December 2022
Stock-pledged repurchase receivable	634,712,442.78	367,802,927.68
Settlement receivable	134,494.10	13,339,786.67
Management fee receivable	58,403,110.46	55,369,965.64
Fees and commission receivable	15,680,279.02	16,423,318.58
Margin financing client's receivable	7,256,799.89	7,261,781.35
Over-the-counter receivable	73,635,160.16	
Others	12,533,975.37	30,364,253.52
Less: Provision for bad debts (According to the simplified model)	666,701,359.83	402,882,034.59
Book value of accounts receivable	135,654,901.95	87,679,998.85

Note: Based on the result of court enforcement after the stock-pledged mortgage financier breached the contract, the Company transferred the unpaid repayment part to the accounts receivable. As of 30 June 2023, the balance of the stock-pledged repurchase receivable is RMB634,712,442.78, and the amount of bad debt provision is RMB626,241,864.12, the unaccrued amount of RMB8,470,578.66 represents cash settlement receivable by KEDI Project under the debt settlement Agreement.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

6. Accounts receivable (continued)

(2) By evaluation methods

Item	30 June 2023			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	673,788,985.25	83.98	662,681,470.24	98.35
Subtotal	673,788,985.25	83.98	662,681,470.24	98.35
Combination provision for bad debts				
Within 1 year	103,372,180.43	12.88	516,644.49	0.50
1-2 years	10,971,931.91	1.37	548,596.60	5.00
2-3 years	6,960,642.76	0.87	696,064.28	10.00
3-4 years	3,072,264.66	0.38	614,452.93	20.00
4-5 years	2,254,985.48	0.28	676,495.64	30.00
More than 5 years	1,935,271.29	0.24	967,635.65	50.00
Subtotal	128,567,276.53	16.02	4,019,889.59	
Total	802,356,261.78	100.00	666,701,359.83	

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	95.03
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	

(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 RMB2,942,192.95, mainly for the accrued receivable of asset management fee income.

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

7. Financial assets held under resale agreements

(1) By business

Item	30 June 2023	31 December 2022
Agreed repurchase securities	4,106,435.72	10,777,668.02
Stock-pledged repurchase	1,140,378,655.87	1,463,318,281.97
Bonds outright repurchase	70,001,118.33	
Bond-pledged repurchase	337,433,861.44	127,975,180.28
Less: Provision for asset impairment	201,011,492.40	460,643,117.72
Total	1,350,908,578.96	1,141,428,012.55

(2) By subjects

Item	30 June 2023	31 December 2022
Stocks	1,144,485,091.59	1,474,095,949.99
Bonds	407,434,979.77	127,975,180.28
Less: Provision for asset impairment	201,011,492.40	460,643,117.72
Book Value	1,350,908,578.96	1,141,428,012.55

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

7. Financial assets held under resale agreements (continued)

(3) Details of collateral

Collateral type	Fair value on 30 June 2023	Fair value on 31 December 2022
Stocks	2,238,067,295.80	2,633,161,013.78
Bonds	71,922,340.00	
Total	2,309,989,635.80	2,633,161,013.78
Including: collateral that can be sold or re-collateralized		
Collateral that has been sold or has been pledged again	71,922,340.00	

Note: For the Treasury bond reverse repo transaction operated through the exchange, because it is automatically matched by the exchange and guarantees the full value of the collateral, it is impossible to know the information of the counterparty pledge pool. Therefore, the fair value of the collateral mentioned above does not include the fair value of the collateral asset obtained by the exchange's Treasury bond reverse repo. As of 30 June 2023 and 31 December 2022, the amount of the above-mentioned exchange's Treasury bond reverse repo by the Company and the Company's subsidiaries was RMB337.421 million and RMB127.997 million, respectively.

(4) Stock-pledged repurchase by residual maturity

Remaining period	30 June 2023	31 December 2022
Within 1 month	175,028,767.05	135,044,383.56
1-3 months	180,032,136.88	65,023,397.30
3 months-1 year	535,308,847.86	732,950,481.48
More than 1 year	50,008,904.08	50,019,178.06
Over due	200,000,000.00	480,280,841.57
Total	1,140,378,655.87	1,463,318,281.97

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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	30 June 2023			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	940,378,655.87		200,000,000.00	1,140,378,655.87
Impairment allowance	1,803,650.52		199,200,565.00	201,004,215.52
Book value	938,575,005.35		799,435.00	939,374,440.35
The value of Collateral	2,224,170,540.80		799,435.00	2,224,969,975.80

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

8. Financial assets at fair value through profit or loss

(1) By categories

Item	30 June 2023			Initial cost		Total
	Classified into FVTPL	Fair value Designated as FVTPL	Total	Classified into FVTPL	Designated as FVTPL	
Bonds	18,639,228,019.75		18,639,228,019.75	18,859,348,404.01		18,859,348,404.01
Public Offering of Fund	2,324,965,658.44		2,324,965,658.44	2,335,328,087.26		2,335,328,087.26
Stocks/Equity	1,274,057,476.76		1,274,057,476.76	1,363,262,704.89		1,363,262,704.89
Bank financing products	40,587,499.12		40,587,499.12	40,000,000.00		40,000,000.00
Brokerage asset management products	43,137,511.11		43,137,511.11	50,776,377.00		50,776,377.00
Private funds and partnerships	1,282,677,234.88		1,282,677,234.88	1,131,972,217.51		1,131,972,217.51
Bills	2,918,943,059.49		2,918,943,059.49	2,916,773,998.31		2,916,773,998.31
Others	779,366,045.47		779,366,045.47	769,237,616.72		769,237,616.72
Total	27,302,962,505.02		27,302,962,505.02	27,466,699,405.70		27,466,699,405.70

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

8. Financial assets at fair value through profit or loss (continued)

(1) By categories (continued)

Item	31 December 2022			Initial cost		
	Classified into FVTPL	Fair value Designated as FVTPL	Total	Classified into FVTPL	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

(2) Securities lending in financial assets at fair value through profit or loss

As of 30 June 2023 and 31 December 2022, the balance of the Group's financial assets at fair value through profit or loss included RMB2,260,559.51 and RMB15,997,699.65 in securities lending, respectively.

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

Item	Reasons for restriction	Book value on 30 June 2023	Book value on 31 December 2022
Bonds	Bond lending or repurchase as collateral	12,559,435,540.92	10,173,896,637.48
Bills	Bill transfer discount pledge, repurchase	2,918,943,059.49	
Bonds	Default on bonds	55,225,942.61	80,255,898.32
Brokerage asset management products	Undue underlying trust assets	1,196,100.00	1,196,100.00
Brokerage asset management products	Collective asset management plan lock-up period	2,000,000.00	
Public offered funds	Securities lending	2,260,559.51	15,997,699.65
Stocks	Restricted Shares	23,750,347.80	18,849,600.00

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

9. Financial assets measured at amortized costs

(1) Details

Item	30 June 2023			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	190,725,846.42		50,252,319.71	140,473,526.71
Private placement bonds	158,757,421.69		158,757,421.69	
Assets management plans	214,464,369.58		158,946,697.02	55,517,672.56
Total	563,947,637.69		367,956,438.42	195,991,199.27

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

(2) Financial assets measured at amortized costs-ECL

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
1 January 2023			363,946,996.16	363,946,996.16
Book value			363,946,996.16	363,946,996.16
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Increase				
Transfer back				
Write off				
Difference from foreign currency translation			4,009,442.26	4,009,442.26
30 June 2023			367,956,438.42	367,956,438.42

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

10. Financial assets at fair value through other comprehensive income

(1) By categories

Item	30 June 2023				Accumulative impairment of allowance
	Initial cost	Interest	Changes in fair value	Book value	
National bonds	281,442,476.70	5,209,005.50	780,103.30	287,431,585.50	
Local government bonds	194,426,491.44	2,678,194.25	165,968.56	197,270,654.25	300,519.76
Corporate bonds	190,073,327.64	3,263,562.01	-33,811,507.64	159,525,382.01	35,007,390.75
Others	79,595,681.88	1,560,297.89	761,558.12	81,917,537.89	193,399.48
Total	745,537,977.66	12,711,059.65	-32,103,877.66	726,145,159.65	35,501,309.99

Item	31 December 2022				Accumulated 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

(2) Financial instruments at fair value through other comprehensive income-ECL

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
1 January 2023	6,070,401.34		54,113,850.00	60,184,251.34
Book value				
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Increase	222,284.50			222,284.50
Transfer back	264,592.71			264,592.71
Write off				
Others	-5,380,983.14		-19,259,650.00	-24,640,633.14
30 June 2023	647,109.99		34,854,200.00	35,501,309.99

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 30 June 2023	Book value on 31 December 2022
Corporate debt	Pledged for repurchase financing	19,370,909.59	544,516,862.96
Local government debt	Pledged for repurchase financing	197,270,654.25	749,439,789.03
Other	Pledged for repurchase financing		343,312,689.99
National debt	Pledged for refinancing operations	43,295,518.85	59,950,235.37

11. Equity instrument at fair value through other comprehensive income

(1) By categories

Item	Closing balance	Opening balance
Membership of futures	1,400,000.00	
Total	1,400,000.00	

(2) Other instructions on equity instrument at fair value through other comprehensive income

According to the Implementation Rules for Financial Treatment of Futures Companies issued by China Futures Association (中國期貨業協會), the Company's subsidiaries list futures membership as equity instrument at fair value through other comprehensive income.

12. Long-term equity investments

(1) By categories

Item	30 June 2023	31 December 2022
Long-term equity investments based on equity method	1,578,753,457.02	1,613,305,804.32
Total	1,578,753,457.02	1,613,305,804.32
Less: Impairment loss	35,939,700.44	35,745,915.38
Net long-term equity investments	1,542,813,756.58	1,577,559,888.94

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

12. Long-term equity investments (continued)

(2) Investment in associates

Investee	Opening balance	Additional investment	Reducing investment	Investment gains and losses recognized under the equity method	Increase/decrease			Closing balance	Impairment provision period-end balance
					Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits		
Henan Asset Management Co., Ltd.	659,700,007.87			33,168,010.48				671,014,170.96	
Henan Central China Micro-Lending Co., Ltd.	441,932,053.58			-18,199,318.41		-1,853,847.39	-20,000,000.00	414,762,735.17	
Henan Shengrong Juayan Venture Capital Fund (Limited Partnership)	75,946,110.40			-2,292,365.02				73,653,745.38	
Henan Zhongping Financing Guarantee Co., Ltd.	55,673,803.65			-4,276,924.85				51,396,878.80	
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)	51,794,384.58			-2,010,757.38				49,783,627.20	
Minquan County Innovation Industry Investment Fund (Limited Partnership)	49,153,905.49			-8,430,191.75				40,723,713.74	
Luoyang Kaiyuan Technology Innovation Venture Capital Fund (Limited Partnership)	35,831,639.66			-123,784.11				35,707,855.55	
Henan Daiteca Cube Media Holdings Co., Ltd.	32,188,384.27			1,057,631.82				33,246,016.09	
Henan Lijing Environmental Protection Technology Co., Ltd.	30,304,315.57			1,126,498.72				31,430,814.29	
Xinxiang Zhongding Technology Achievement Transformation Fund (Limited Partnership)	21,808,223.63			-791,588.96				21,016,634.67	
CSJ Jiaotong Fund Management Co., Ltd.	19,557,165.38			166,318.07				19,723,483.45	
Henan Zhongjian Equipment Manufacturing Technology Research Center Co., Ltd.	19,021,635.71							19,021,635.71	
Zhongyuan Environmental Capital Technology Co., Ltd.	16,046,950.18			-84,046.70				16,046,950.18	
Zhengzhou Dafe Zhixin Technology Co., Ltd.	12,158,167.88			-867,534.20				12,074,121.18	
Luoyang Desheng Biotechnology Co., Ltd.	12,815,284.17							11,947,749.97	
Luoyang Guohong Industry Development Investment Fund (Limited Partnership)	11,258,919.11			-128,490.38				11,130,428.73	
Hebi Magnesium Trading Center Co., Ltd.	9,187,706.05			-98,066.31				9,089,639.74	
Henan Ruijiong Diamond Products Co., Ltd.	7,538,648.78							7,538,648.78	
Henan Jiaozhuang Rongmei Information Technology Co., Ltd.	3,985,571.54			3,090.50				3,988,662.04	
Hebi Jingkai Electronic Industry Development Fund Partnership (Limited Partnership)	1,993,267.03			-7,993.70				1,985,333.33	
Puyang Chuangying Industrial Investment Fund Co., Ltd.	1,731,183.28			-88,346.45				1,642,836.83	
Luohu Huarui Permanent Magnetic Material Co., Ltd.	1,500,000.00							1,500,000.00	3,389,755.50
Zhengzhou Majia Agricultural Technology Co., Ltd.	1,376,024.42			-29,425.33				1,346,599.09	
Zhengzhou Nongtao E-commerce Co., Ltd.	1,005,916.36							1,005,916.36	12,473,406.77

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For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

12. Long-term equity investments (continued)

(2) Investment in associates (continued)

Investee	Opening balance	Additional investment	Reducing investment	Investment gains and losses recognized under the equity method	Increase/decrease			Impairment provision period-end balance
					Other comprehensive income adjustment	Other changes in equity	Provision for impairment	
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	984,609.53			921.90			985,531.43	
Henan Investment Realistic Communication Co., Ltd.	810,672.34			-644.43			810,027.91	
Henan Dudu Computer Technology Co., Ltd.	240,000.00						240,000.00	492,987.23
Henan Zhongyuan Big Data Trading Center Co., Ltd.	2,015,338.48		2,015,338.48					5,059,488.46
Henan Ruide Pharmaceutical Technology Co., Ltd.								4,946,823.89
Shangcai Fengtuo Agriculture and Forestry Technology Co., Ltd.								6,223,126.03
2242257 Ontario Inc.								3,354,112.56
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	1,577,559,888.94		2,015,338.48	-1,906,946.49	-1,853,847.39	-28,970,000.00	1,542,813,756.58	35,939,700.44
Total								

The Group inspected the book long-term equity investment on 30 June 2023, 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 30 June 2023, the Group has accumulated a long-term equity investment impairment provision of RMB35,939,700.44.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

13. Investment properties

Item	Buildings and structures	Total
Original book value		
1. Opening balance	46,193,273.31	46,193,273.31
2. Increase	5,171,957.85	5,171,957.85
(1) Transferred in from fixed assets	5,171,957.85	5,171,957.85
3. Decrease	11,016.00	11,016.00
(1) Disposal or scrap	11,016.00	11,016.00
4. Closing balance	51,354,215.16	51,354,215.16
Accumulated depreciation and accumulated amortization		
1. Opening balance	19,072,108.59	19,072,108.59
2. Increase	3,542,587.40	3,542,587.40
(1) Accrual or amortization	623,863.19	623,863.19
(2) Transferred in from fixed assets	2,918,724.21	2,918,724.21
3. Decrease	1,395.36	1,395.36
(1) Disposal	1,395.36	1,395.36
4. Closing balance	22,613,300.63	22,613,300.63
Provision for impairment		
1. Opening balance		
2. Increase		
3. Decrease		
4. Closing balance		
Book value		
1. Closing book value	28,740,914.53	28,740,914.53
2. Opening book value	27,121,164.72	27,121,164.72

On 30 June 2023 and 31 December 2022, there is no provision for impairment of the Company's investment properties.

On 30 June 2023 and 31 December 2022, the Company has no investment properties that have not completed the property right certificate yet.

14. Fixed assets

(1) Book Value

Item	30 June 2023	31 December 2022
Original value of fixed assets	516,104,941.11	524,545,204.96
Less: Accumulative depreciation	327,149,136.61	333,793,922.68
Less: Provision for impairments		
Total	188,955,804.50	190,751,282.28

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

14. Fixed assets (continued)

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

Item	Buildings and structures	Electronic equipment	Transport facilities	Others	Total
Original book value					
1. Opening balance	158,278,328.85	322,973,756.94	21,280,313.98	22,012,805.19	524,545,204.96
2. Increase	420,170.00	17,128,427.75		426,858.46	17,975,456.21
(1) Acquisition	420,170.00	17,128,427.75		426,858.46	17,975,456.21
(2) Transferred in from investment properties					
3. Decrease	5,171,957.85	20,742,786.36		605,687.52	26,520,431.73
(1) Disposal or scrap		20,742,786.36		605,687.52	21,348,473.88
(2) Transferred out from investment properties	5,171,957.85				5,171,957.85
4. Difference by foreign currency translation		57,045.37	45,175.39	2,490.91	104,711.67
5. Closing balance	153,526,541.00	319,416,443.70	21,325,489.37	21,836,467.04	516,104,941.11
Accumulative depreciation					
1. Opening balance	66,097,477.58	233,499,545.32	18,879,567.62	15,317,332.16	333,793,922.68
2. Increase	2,176,000.08	13,196,142.94	345,993.25	721,370.33	16,439,506.60
(1) Accrual	2,176,000.08	13,196,142.94	345,993.25	721,370.33	16,439,506.60
(2) Transferred in from investment properties					
3. Decrease	2,918,724.21	19,685,027.93		580,097.45	23,183,849.59
(1) Disposal or scrap		19,685,027.93		580,097.45	20,265,125.38
(2) Transferred out from investment properties	2,918,724.21				2,918,724.21
4. Difference by foreign currency translation		52,970.76	44,594.72	1,991.44	99,556.92
5. Closing balance	65,354,753.45	227,063,631.09	19,270,155.59	15,460,596.48	327,149,136.61
Provision for impairment					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing book value	88,171,787.55	92,352,812.61	2,055,333.78	6,375,870.56	188,955,804.50
2. Opening book value	92,180,851.27	89,474,211.62	2,400,746.36	6,695,473.03	190,751,282.28

(3) The depreciation of the fixed asset recognized in the period is RMB16,439,506.60.

(4) On 30 June 2023, the Group has no fixed assets temporarily idle.

(5) On 30 June 2023, the Group has no fixed assets that have not completed the title certificate.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

15. Construction in progress

(1) Details

Item	30 June 2023			31 December 2022		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Office building construction	156,868,889.22		156,868,889.22	118,898,335.11		118,898,335.11
Total	156,868,889.22		156,868,889.22	118,898,335.11		118,898,335.11

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

16. Right-of-use assets

Item	Buildings and structures	Total
Original book value		
1. Opening balance	347,473,194.92	347,473,194.92
2. Increase	27,938,101.55	27,938,101.55
(1) Rent in	27,938,101.55	27,938,101.55
3. Decrease	23,826,460.20	23,826,460.20
(1) Lease expired	23,826,460.20	23,826,460.20
(2) Others		
4. Difference by foreign currency translation	906,782.77	906,782.77
5. Closing balance	352,491,619.04	352,491,619.04
Accumulative depreciation		
1. Opening balance	151,825,978.82	151,825,978.82
2. Increase	38,018,421.74	38,018,421.74
(1) Accrual	38,018,421.74	38,018,421.74
3. Decrease	23,856,988.06	23,856,988.06
(1) Lease expired	23,856,988.06	23,856,988.06
(2) Others		
4. Difference by foreign currency translation	331,609.79	331,609.79
5. Closing balance	166,319,022.29	166,319,022.29
Book value		
1. Closing balance	186,172,596.74	186,172,596.74
2. Opening balance	195,647,216.10	195,647,216.10

On 30 June 2023 and 31 December 2022, there is no provision for impairment of the Group's right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

17. Intangible assets

(1) Details

Item	Computer software	Seat fee	Land-use right	Others	Total
Original book value					
1. Opening balance	428,086,553.75	32,668,220.00	105,480,246.53	2,221,547.16	568,456,567.44
2. Increase	22,000,789.57				22,000,789.57
(1) Purchase	22,000,789.57				22,000,789.57
3. Decrease	1,116,630.12	957,929.00			2,074,559.12
(1) Disposal or scrap	1,116,630.12	957,929.00			2,074,559.12
4. Difference by foreign currency translation	8,613.00	9,699.00			18,312.00
5. Closing balance	448,979,326.20	31,719,990.00	105,480,246.53	2,221,547.16	588,401,109.89
Accumulative depreciation					
1. Opening balance	254,665,173.61	31,708,283.32	23,073,803.58	2,045,132.08	311,492,392.59
2. Increase	26,747,144.79	24,999.96	1,318,503.06	20,754.72	28,111,402.53
(1) Accrual	26,747,144.79	24,999.96	1,318,503.06	20,754.72	28,111,402.53
3. Decrease	1,116,630.12	515,950.00			1,632,580.12
(1) Disposal or scrap	1,116,630.12	515,950.00			1,632,580.12
4. Difference by foreign currency translation	8,613.00				8,613.00
5. Closing balance	280,304,301.28	31,217,333.28	24,392,306.64	2,065,886.80	337,979,828.00
Impairment allowance					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing balance	168,675,024.92	502,656.72	81,087,939.89	155,660.36	250,421,281.89
2. Opening balance	173,421,380.14	959,936.68	82,406,442.95	176,415.08	256,964,174.85

(2) The amortization amount of intangible assets was RMB28,111,402.53 in the current period.

(3) On 30 June 2023 and 31 December 2022, the Group has no significant intangible assets used as collateral or guarantee.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

17. Intangible assets (continued)

(4) Details of transaction seat fees

Item	Original balance	31 December 2022	Amortized or transferred	Accumulated amortization or roll-out	Difference from foreign currency translation	30 June 2023
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	66,666.68	24,999.96	458,333.28		41,666.72
Hong Kong Stock Exchange	876,200.00	893,270.00	441,979.00	441,979.00	9,699.00	460,990.00
Total	32,651,150.00	959,936.68	466,978.96	32,175,262.28	9,699.00	502,656.72

18. Deferred income tax assets and deferred income tax liabilities

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

Item	30 June 2023	31 December 2022
Deferred income tax assets		
Provision for impairment of assets	323,325,709.18	321,094,239.14
Employee benefits payable	106,110,249.58	76,638,039.92
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	100,558,625.04	121,683,405.77
To be carried forward underwriting income and expenditure	3,861,331.04	891,298.48
Accrued expenses	7,437,557.98	5,479,566.98
Change in fair value of financial assets at fair value through other comprehensive income	8,025,969.42	13,664,319.99
Changes in fair value of financial liabilities at fair value through profit or loss	1,756,586.10	491,152.13
Futures risk reserve	105,574.86	105,574.86
Others	45,658,691.35	42,388,590.80
Total	596,840,294.55	582,436,188.07
Deferred income tax liabilities		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	2,936,677.17	2,283,409.72
Others	30,758,921.77	33,664,504.51
Total	33,695,598.94	35,947,914.23

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

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

(2) Temporary difference items

Item	30 June 2023	31 December 2022
Deductible temporary differences		
Provision for impairment of assets	1,332,660,157.99	1,322,988,296.28
Employee benefits payable	424,440,998.30	306,552,159.68
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	455,470,849.78	543,709,381.12
To be carried forward underwriting income and expenditure	15,445,324.16	3,565,193.92
Accrued expenses	29,750,231.92	21,918,267.92
Changes in fair value of financial assets at fair value through other comprehensive income	32,103,877.66	54,657,279.96
Changes in fair value of financial liabilities at fair value through profit or loss	7,026,344.40	1,964,608.52
Futures risk reserve	422,299.44	422,299.44
Others	210,895,120.31	196,934,704.62
Total	2,508,215,203.96	2,452,712,191.46
Taxable temporary difference		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	11,746,708.66	9,133,638.88
Others	123,035,687.10	134,658,018.04
Total	134,782,395.76	143,791,656.92

- (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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

19. Goodwill

(1) Book Balance

Investee	31 December 2022	Increase		Decrease		30 June 2023
		Business combination	Others	Disposal	Others	
Central China Futures Co., Ltd.	7,268,756.37					7,268,756.37
Central China Financing International Co., Ltd.	15,060,738.91		484,057.24			15,544,796.15
Total	22,329,495.28		484,057.24			22,813,552.52

(2) Provision for impairment

Investee	31 December 2022	Increase		Decrease		30 June 2023
		Provision	Others	Disposal	Others	
Central China Financing International Co., Ltd.	3,726,752.89		119,779.09			3,846,531.98
Total	3,726,752.89		119,779.09			3,846,531.98

- 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.
- Goodwill of the Group arose from its acquisition of 100% of Central China International Financial Holdings Co., Ltd. (Original name: Pan Asia Corporate Finance Limited) in 2016 with a merger consideration HKD24,416,272.00. The recognition of fair value is HKD7,556,040.59 and the difference is HKD16,860,231.41, which is converted into goodwill at the exchange rate on 30 June 2023.
- The main cash flow generated by the above invested unit is independent of the other subsidiaries, and the Company separately manages the above subsidiaries. Therefore, each subsidiary is an asset group and the goodwill formed by the business combination with separately impairment test. The recoverable amount of the Company's goodwill is determined by the method of estimating the present value of future cash flows. The discount of cash flow is calculated using an appropriate discount rate and reflects the specific risks of the relevant asset group.

As of 30 June 2023, according to impairment test of the goodwill, an impairment provision of RMB3,846,531.98 was made based on the estimated recoverable amount, changes from last period are translation of foreign currency statements.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

20. Other assets

(1) Details

Item	30 June 2023	31 December 2022
Other receivables	336,709,576.17	472,684,886.33
Prepaid expenses	8,359,956.93	19,700,317.19
Long-term deferred expenses	50,687,956.76	48,723,419.51
Pending underwriting expenses	323,178.89	315,904.08
Entrusted Loan		
Commodity inventory	71,622,704.92	43,259,156.92
Clearing margin receivable	10,046,045.05	10,049,607.23
Futures membership		1,400,000.00
Others	14,168,744.67	7,496,191.75
Total	491,918,163.39	603,629,483.01

(2) Other receivables

1) Details

Item	30 June 2023	31 December 2022
Prepayments	99,579,413.33	226,954,318.59
Cash pledge	17,921,918.95	18,097,740.66
Equity transfer fund	26,474,975.10	26,474,975.10
Margins	218,894,172.96	225,815,100.82
Others	26,772,305.07	26,680,511.50
Less: Provision for bad debts	52,933,209.24	51,337,760.34
Book value	336,709,576.17	472,684,886.33

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

20. Other assets (continued)

(2) Other receivables (continued)

2) By evaluation methods

Item	30 June 2023			31 December 2022		
	Book balance	Provision for bad debts	Proportion (%)	Book balance	Provision for bad debts	Proportion (%)
Separate provision for bad debts	278,073,216.42	43,340,332.25	15.59	275,578,092.01	41,996,404.18	15.24
Subtotal	278,073,216.42	43,340,332.25		275,578,092.01	41,996,404.18	
Combination provision for bad debts						
Within 1 year	43,903,707.78	219,518.56	0.50	206,775,992.99	1,033,879.95	0.50
1–2 years	43,044,846.12	2,152,242.31	5.00	17,302,129.25	865,106.46	5.00
2–3 years	6,808,449.02	680,844.90	10.00	4,491,905.09	449,190.51	10.00
3–4 years	1,807,695.16	361,539.03	20.00	2,795,892.94	559,178.60	20.00
4–5 years	9,118,518.79	2,735,555.63	30.00	10,526,582.78	3,157,974.83	30.00
More than 5 years	6,886,352.12	3,443,176.56	50.00	6,552,051.61	3,276,025.81	50.00
Subtotal	111,569,568.99	9,592,876.99		248,444,554.66	9,341,356.16	
Total	389,642,785.41	52,933,209.24		524,022,646.67	51,337,760.34	

3) At the end of the period, there are no other receivables from related parties.

(3) Long-term deferred expenses

Item	31 December 2022	Increase	Amortized	Difference from foreign currency translation	30 June 2023
Decoration expenses, etc.	48,723,419.51	10,576,599.11	8,616,328.93	-4,267.07	50,687,956.76
Total	48,723,419.51	10,576,599.11	8,616,328.93	-4,267.07	50,687,956.76

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

20. Other assets (continued)

(4) Entrusted loans

Item	30 June 2023	31 December 2022
Entrusted loans	22,135,377.29	22,135,377.29
Less: Provision for impairment	22,135,377.29	22,135,377.29
Book value		

21. Securities lending business

Item	30 June 2023	31 December 2022
Securities lending	3,060,747.51	17,674,884.65
— Financial assets at fair value through profit or loss	2,260,559.51	15,997,699.65
— Securities received through refinancing	800,188.00	1,677,185.00
Total amount of securities received through refinancing	1,924,200.00	1,988,900.00

As of 30 June 2023, and 31 December 2022, the Company has no significant margin trading business contracts overdue.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

22. Detailed statement of provision for impairment of assets

(1) By changing details

Item	31 December 2022	Increase	Decrease		Others	Difference from foreign currency translation	30 June 2023
			Turn back	Transfer out			
Provision for impairment of margin accounts receivable	73,497,498.14	841,618.74				147,868.08	74,486,984.96
Provision for bad debts of accounts receivables	402,882,034.59	5,348,213.21			258,438,936.44	32,175.59	666,701,359.83
Provision for bad debts of other receivables	51,337,760.34	1,571,563.58				23,885.32	52,933,209.24
Provision for impairment of financial assets held under resale agreements	460,643,117.72	449,284.56	1,641,973.44		-258,438,936.44		201,011,492.40
Provision for impairment of financial assets at amortized costs	363,946,996.16					4,009,442.26	367,956,438.42
Provision for impairment of financial assets at fair value through other comprehensive income	60,184,251.34	222,284.50	264,592.71	24,640,633.14			35,501,309.99
Provision for impairment of other assets	9,967,776.77	97,560.41					10,065,337.18
Provision for impairment of entrusted loan	22,135,377.29						22,135,377.29
Subtotal of provision for impairment of financial instruments and other items	1,444,594,812.35	8,530,525.00	1,906,566.15	24,640,633.14		4,213,371.25	1,430,791,509.31
Provision for impairment of long-term equity investments	35,745,915.38					193,785.06	35,939,700.44
Provision for impairment of inventory	1,327.40	377,824.30	1,303.18	377,848.52			3,846,531.98
Provision for impairment of goodwill	3,726,752.89					119,779.09	3,846,531.98
Subtotal of provision for impairment of other assets	39,473,995.67	377,824.30	1,303.18	377,848.52		313,564.15	39,786,232.42
Total	1,484,068,808.02	8,908,349.30	1,907,869.33	25,018,481.66		4,526,935.40	1,470,577,741.73

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

22. Detailed statement of provision for impairment of assets (continued)

(2) Expected credit loss provisions for financial instruments and other items

Item	30 June 2023			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	20,808,938.10	74,310.90	53,603,735.96	74,486,984.96
Provision for bad debts of accounts receivable		4,019,889.59	662,681,470.24	666,701,359.83
Provision for bad debts of other receivables		9,592,876.99	43,340,332.25	52,933,209.24
Provision for impairment of financial assets held under resale agreements	1,810,927.40		199,200,565.00	201,011,492.40
Provision for impairment of financial assets at amortized costs			367,956,438.42	367,956,438.42
Provision for impairment of financial assets at fair value through other comprehensive income	647,109.99		34,854,200.00	35,501,309.99
Provision for impairment of other assets		97,560.41	9,967,776.77	10,065,337.18
Provision for impairment of entrusted loan			22,135,377.29	22,135,377.29
Total	23,266,975.49	13,784,637.89	1,393,739,895.93	1,430,791,509.31

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

23. Short-term loans

Item	30 June 2023	31 December 2022
Pledge loans		40,197,150.00
Credit loans		17,865,400.00
Guaranteed loans (Note 1)	7,878,026.53	8,012,466.67
Total	7,878,026.53	66,075,016.67

Note 1: Guaranteed loans details:

As of 30 June 2023, guaranteed loans are loans of RMB7,867,100 borrowed by subsidiary Yu Xin Investment Management (Shanghai) 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 5.00%.

24. Short-term financing instruments payable

Item	Par value(10K)	Start Date	Maturity	Issuing		Book balance of			Book balance of 30 Jun.2023
				amount(10K)	Coupon rate	31 Dec. 2022	Increase	Decrease	
20 Central China C1 (Note 1)	150,000	23 April 2020	3 years	150,000	4.08%	1,542,420,821.97	18,779,178.03	1,561,200,000.00	
21 Central China 01 (Note 2)	100,000	5 March 2021	3 years	100,000	4.03%		1,012,783,396.42		1,012,783,396.42
22 Central China S1 (Note 3)	100,000	11 July 2022	1 years	100,000	2.49%	1,011,870,136.98	12,347,671.23		1,024,217,808.21
23 Central China 02 (Note 4)	100,000	12 June 2023	368 days	100,000	2.61%		1,001,311,460.33		1,001,311,460.33
Income securities issued certificate (Note 5)	198,603.90	From 6 January 2023 to 30 June 2023	14~182 days	198,603.90	2.00%~6.00%	1,578,480,805.96	3,917,133,590.31	3,496,433,999.64	1,999,180,396.63
Total	648,603.90			648,603.90		4,132,771,764.91	5,962,355,296.32	5,057,633,999.64	5,037,493,061.59

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

24. Short-term financing instruments payable (continued)

- Note 1: 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 22 April 2020, the company issued bonds of RMB1.5 billion with a maturity of 3 years and a coupon rate of 4.08%.
- Note 2: According to the resolution of the third extraordinary general meeting in 2015 and approved by the China Securities Regulatory Commission 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 face value of not more than RMB3 billion to qualified investors. On 4 March 2021, the company issued a bond of 1 billion yuan with a maturity of 3 years and a coupon rate of 4.03%.
- Note 3: 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 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 [2022] No. 2533), the Company was allowed to publicly issue short-term corporate bonds with a total par value of no more than RMB5 billion. On 9 June 2023, the Company issued RMB1 billion of bonds with a maturity of 368 days and a coupon rate of 2.61%.
- Note 5: As of 30 June 2023, the Company's existing income securities issued certificate include Xinyi Series income securities of RMB23,352,000.00, Jinyi Series income securities of RMB864,009,000.00, Zunyi Series income securities of RMB648,678,000.00 and Rongyi Series income securities of RMB450,000,000.00. The term is 14 to 182 days, and the interest rate range is 2.00% to 6.00%.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

25. Due to banks and other financial institutions

(1) Categories

Item	30 June 2023	31 December 2022
Due to banks	1,100,074,666.67	1,200,279,361.15
Capital from refinancing	503,567,916.65	301,999,999.99
Total	1,603,642,583.32	1,502,279,361.14

(2) Residual maturity of capital from refinancing

Item	30 June 2023		31 December 2022	
	Balance	Rate	Balance	Rate
Within 1 month				
1-3 months	503,567,916.65	2.61%-2.65%	301,999,999.99	2.50%
3 months-1 year				
Total	503,567,916.65	2.61%-2.65%	301,999,999.99	2.50%

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

26. Financial liabilities at fair value through profit or loss

Item	Classified into FVTPL	30 June 2023	Total
		Fair value Designated as FVTPL	
Bonds (Note 1)	1,198,765,534.92		1,198,765,534.92
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (Note 2)	681,771,519.55		681,771,519.55
Total	1,880,537,054.47		1,880,537,054.47

Item	Classified into FVTPL	31 December 2022	Total
		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

Note 1: As of 30 June 2023, 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

27. Financial assets sold under repurchase agreements

(1) By categories

Item	30 June 2023	31 December 2022
Outright repurchase	70,375,916.78	238,125,757.20
Pledge-style repurchase	13,812,330,072.83	9,649,762,175.12
Total	13,882,705,989.61	9,887,887,932.32

(2) By subject categories

Item	30 June 2023	31 December 2022
Bonds	10,941,959,244.12	9,887,887,932.32
Bills	2,940,746,745.49	
Total	13,882,705,989.61	9,887,887,932.32

(3) Collateral information of financial assets sold under repurchase agreements

Item	Fair value on 30 June 2023	Fair value on 31 December 2022
Bonds	11,993,894,986.09	10,635,282,535.62
Bills	2,918,943,059.49	
Total	14,912,838,045.58	10,635,282,535.62

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

28. Accounts payable to brokerage clients

(1) Details

Item	30 June 2023	31 December 2022
General brokerage business		
Individual	10,685,811,151.77	9,923,945,568.29
Institution	1,231,157,975.20	1,064,790,501.50
Subtotal	11,916,969,126.97	10,988,736,069.79
Credit business		
Individual	832,646,603.68	841,013,361.36
Institution	14,611,784.02	19,917,376.67
Subtotal	847,258,387.70	860,930,738.03
Total	12,764,227,514.67	11,849,666,807.82

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

29. Employee benefits payable

(1) Categories

Item	31 December 2022	Increase	Decrease	30 June 2023
Short-term benefits	577,737,985.04	456,837,986.90	587,287,967.63	447,288,004.31
Post-employment benefit — defined contribution plans	76,584,705.36	67,815,321.65	118,174,488.07	26,225,538.94
Dismissal benefit	193,894.59	403,683.69	498,684.61	98,893.67
Total	654,516,584.99	525,056,992.24	705,961,140.31	473,612,436.92

(2) Short-term benefits

Item	31 December 2022	Increase	Decrease	30 June 2023
Wages, bonuses, allowances and subsidies	439,343,995.26	363,508,790.97	501,345,763.84	301,507,022.39
Welfare	62,886.21	20,281,703.34	20,344,589.55	
Social insurance contribution	2,087.72	26,654,498.61	26,654,498.63	2,087.70
Including: Medical insurance	1,853.62	19,716,607.26	19,716,607.28	1,853.60
Work-related injury insurance	39.00	412,072.71	412,072.71	39.00
Maternity insurance	195.10	1,120,058.02	1,120,058.02	195.10
Supplementary medical insurance		5,395,516.86	5,395,516.86	
Others		10,243.76	10,243.76	
Housing funds		30,729,115.53	30,729,115.53	
Labor union and employee education costs	138,329,015.85	15,663,878.45	8,214,000.08	145,778,894.22
Total	577,737,985.04	456,837,986.90	587,287,967.63	447,288,004.31

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

29. Employee benefits payable (continued)

(3) Post-employment benefit — defined contribution plans

Item	31 December 2022	Increase	Decrease	30 June 2023
Basic pension	3,902.40	37,959,024.28	37,948,329.31	14,597.37
Unemployment insurance	97.50	1,524,802.70	1,524,802.70	97.50
Enterprise annuity insurance	76,580,705.46	28,331,494.67	78,701,356.06	26,210,844.07
Total	76,584,705.36	67,815,321.65	118,174,488.07	26,225,538.94

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 30 June 2023, 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.

30. Taxes payable

Item	30 June 2023	31 December 2022
Enterprise income tax	37,083,510.27	81,116,239.86
Individual income tax	18,368,131.60	29,335,285.74
Value added tax	3,607,894.28	610,157.53
Urban maintenance and construction tax	166,427.09	179,072.05
Educational surcharge	216,929.36	225,803.55
Property tax	324,517.52	351,513.35
Land holding tax	54,240.60	59,963.70
Others	514,269.16	20,797.23
Total	60,335,919.88	111,898,833.01

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

31. Accounts payable

Item	30 June 2023	31 December 2022
Open-end fund liquidation	328,589,421.71	225,940,819.53
Securities liquidation	1,415,321.48	1,472,375.60
Bank custody fee	4,776,491.24	5,745,021.73
Over-the-counter payables	200,449,999.15	
Others	11,929,787.71	4,369,445.76
Total	547,161,021.29	237,527,662.62

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.

32. Contract liabilities

Item	30 June 2023	31 December 2022
Fee and commission advances	14,717,467.13	2,688,727.83
Trade advances	11,342,059.50	3,178,127.79
Total	26,059,526.63	5,866,855.62

33. Bonds payable

Item	Par value (10K)	Start Date	Maturity	Issuing amount (10K)	Coupon rate	31 December			30 June 2023 book balance
						2022 book balance	Increase	Decrease	
21 Central China 01 (Note 1)	100,000	5 March 2021	3 years	100,000	4.03%	1,032,934,216.17	7,365,783.83	1,040,300,000.00	
21 Central China C1 (Note 2)	110,000	22 October 2021	3 years	110,000	4.70%	1,110,196,388.82	25,637,534.24		1,135,833,923.06
22 Central China 01 (Note 3)	200,000	24 February 2022	3 years	200,000	3.20%	2,053,813,706.99	31,899,967.53	64,000,000.00	2,021,713,674.52
22 Central China C1 (Note 4)	50,000	17 October 2022	3 years	50,000	3.30%	503,435,616.43	8,182,191.76		511,617,808.19
23 Central China 01 (Note 5)	100,000	13 March 2023	3 years	100,000	3.68%		1,010,524,513.21		1,010,524,513.21
WENDING ZHONGYUAN (Note 6)	10,000 (US dollar)	22 March 2022	3 years	10,000 (US dollar)	4%	664,411,080.32	39,006,372.71	13,055,850.00	690,361,603.03
Total						5,364,791,008.73	1,122,616,363.28	1,117,355,850.00	5,370,051,522.01

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

33. Bonds payable (continued)

- 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 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 2: 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%.
- Note 3: According to the resolution of the 12th investment decision-making committee in 2021, 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 RMB2 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 4: According to the resolution of the first extraordinary 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 5: According to the resolution of the first extraordinary 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. 2533), the company can public issue subordinated bonds with a total amount of no more than RMB5 billion to qualified investors. On 10 March 2023, the company issued RMB1 billion of bonds with a maturity of 3 years and a coupon rate of 3.68%.
- 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 22 March 2022. The company provides joint and several liability guarantees.

34. Lease liabilities

Item	30 June 2023	31 December 2022
Lease liabilities	180,196,062.75	192,051,033.00
Including: Less than 1 year	71,702,367.02	71,635,265.19
Total	180,196,062.75	192,051,033.00

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

35. Provisions

Item	30 June 2023	31 December 2022
Pending litigation		1,186,481.49
Total		1,186,481.49

36. Other liabilities

(1) Details

Item	30 June 2023	31 December 2022
Other payable	199,828,174.13	345,541,387.79
Receipts in advance	25,547,010.69	20,957,634.77
Futures risk reserve	32,951,020.75	31,682,059.19
Investor protection fund	6,753,404.27	6,691,035.38
Others	2,637,385.64	1,590,141.72
Total	267,716,995.48	406,462,258.85

(2) Other payables

Item	30 June 2023	31 December 2022
Equity transfer payable	23,146,048.39	111,658,750.00
Warranty deposit (Note 1)	2,372,800.00	26,335,040.00
Withholding supervision fees, rent, utilities, etc.	65,467,061.04	36,469,012.45
Temporary receipts	47,836,063.31	47,565,295.31
Others	61,006,201.39	123,513,290.03
Total	199,828,174.13	345,541,387.79

Note 1: The book value of the pledged bulk commodity inventory set by the Company's subsidiaries for warehouse receipt pledge financing business is RMB2,966,000.00, 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

36. 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.

37. Share capital

Item	31 December 2022	Issued	Bonus shares	Increase/decrease Shares transferred from reserves	Other	Subtotal	30 June 2023
Total share capital	4,642,884,700.00						4,642,884,700.00

38. Capital reserve

Item	31 December 2022	Increase	Decrease	30 June 2023
Premium on share capital	6,575,416,411.00		35,121,903.43	6,540,294,507.57
Other capital reserves	-270,482,949.70			-270,482,949.70
Total	6,304,933,461.30		35,121,903.43	6,269,811,557.87

Note: The change in capital reserve — premium on share capital in the current period was formed by the acquisition of minority shareholders' equity in subsidiaries; According to the Property Rights Transaction Contract and relevant supplementary agreement signed by the Company and Henan Railway Construction Investment Group Co., LTD., the Company has completed the full payment of the equity transfer price by 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

39. Other comprehensive income

Item	31 December 2022	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	30 June 2023
				Less: Income tax	Total			
OCI to be reclassified subsequently to profit or loss	62,923,244.73	21,042,717.59	7,690,603.45	-532,384.77	13,884,498.91	13,884,498.91		76,807,743.64
Including: the change of the fair value of FVTOCI	-40,992,959.95	5,603,372.60	-16,950,029.69	5,638,350.57	16,915,051.72	16,915,051.72		-24,077,908.23
Credit impairment allowance of FVTOCI	45,138,188.49	-42,308.21	24,640,633.14	-6,170,735.34	-18,512,206.01	-18,512,206.01		26,625,982.48
Other comprehensive income convertible to profit or loss under the equity method	5,687,612.75	-1,853,847.39			-1,853,847.39	-1,853,847.39		3,833,765.36
Difference by foreign currency	53,090,403.44	17,335,500.59			17,335,500.59	17,335,500.59		70,425,904.03
Total	62,923,244.73	21,042,717.59	7,690,603.45	-532,384.77	13,884,498.91	13,884,498.91		76,807,743.64

40. Surplus reserve

Item	31 December 2022	Increase	Decrease	30 June 2023
Statutory reserve	733,288,595.79			733,288,595.79
Discretionary reserve	209,222,172.00			209,222,172.00
Total	942,510,767.79			942,510,767.79

41. General risk reserve

Item	31 December 2022	Increase	Decrease	30 June 2023
The funds for general risk provision	864,783,967.18	1,106,475.45		865,890,442.63
The funds for transactional risk provision	728,534,793.69			728,534,793.69
Total	1,593,318,760.87	1,106,475.45		1,594,425,236.32

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

42. Retained earnings

Item	Jan-June 2023	Jan-June 2022
Retained earnings at the closing of prior year	211,258,110.35	295,251,945.46
Adjusted		
Retained earnings at the beginning of the period	211,258,110.35	295,251,945.46
Add: Net profit attributable to owners of the parent company	167,282,207.98	-125,442,881.07
Less: Statutory reserve		
Discretionary reserve		
General risk reserve	1,106,475.45	904,672.80
Transaction risk reserve		
Distribution of common stock dividends	32,500,192.90	97,500,578.70
Others		
Balance at the end of current period	344,933,649.98	71,403,812.89

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

43. Net interest income

Item	Jan-June 2023	Jan-June 2022
Interest income	408,776,946.69	426,965,118.43
Including: Interest income from bank balances and clearing settlement funds	120,364,768.40	127,825,194.44
Interest income on margin accounts receivable	237,416,611.15	252,208,975.05
Interest income from financial assets held under resale agreements	28,911,236.23	29,039,723.75
Including: Interest income from agreed repurchase	264,701.40	268,371.91
Interest income from stock-pledged repurchase	26,235,957.96	27,763,486.18
Interest income from financial assets measured at amortized cost	350,000.00	21,479.45
Interest income from financial assets at fair value through other comprehensive income	19,758,596.05	17,869,724.71
Others	1,975,734.86	21.03
Interest expenses	334,227,194.55	394,624,963.03
Including: Interest expenses of loans		2,729,483.90
Interest expenses of short-term financing instruments payable	27,892,590.31	38,642,863.06
Interest expenses of due to banks and other financial institutions	7,732,193.19	7,072,896.21
Including: Interest expenses of refinancing interest	5,402,166.00	2,524,207.41
Interest expenses of financial assets sold under repurchase agreements	127,484,662.28	134,408,829.03
Interest expenses of accounts payable to brokerage clients	14,543,153.98	20,705,856.89
Interest expenses of bonds payable	143,709,159.32	179,691,161.30
Including: Interest expenses of subordinated bonds	52,672,545.54	80,407,299.06
Interest expenses of bond lending	5,891,953.75	2,908,898.80
Others	6,973,481.72	8,464,973.84
Net interest income	74,549,752.14	32,340,155.40

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

44. Net fee and commission income

(1) Details

Item	Jan-June 2023	Jan-June 2022
Securities brokerage services net income	223,478,180.60	272,942,616.49
— Securities brokerage services income	305,068,911.50	371,492,977.94
— Funds received as agent of stock exchange	298,237,230.10	360,298,638.73
Leasing of trading unit seats	15,408.99	105,574.95
Sales agent of financial products	6,790,355.31	10,962,461.94
— Securities brokerage services expenses	81,590,730.90	98,550,361.45
— Funds received as agent of stock exchange	81,571,463.72	98,519,575.00
Sales agent of financial products	34.80	17,918.63
Futures brokerage business net income	43,210,167.99	55,706,129.23
— Futures brokerage business income	69,847,581.76	89,384,242.81
— Futures brokerage business expenses	26,637,413.77	33,678,113.58
Investment bank business net income	24,912,750.46	119,991,988.96
— Investment bank business income	25,950,486.31	120,172,245.04
— Securities underwriting business	17,061,150.88	110,817,047.06
Sponsor business of securities	3,490,566.03	4,072,743.77
Financial advisory business	5,398,769.40	5,282,454.21
— Investment bank business expenses	1,037,735.85	180,256.08
— Securities underwriting business	1,037,735.85	141,509.43
Sponsor business of securities		
Financial advisory business		38,746.65
Asset management business net income	29,024,498.87	18,724,380.61
— Asset management business income	29,024,498.87	18,775,942.75
— Asset management business expenses		51,562.14
Fund management business net income	5,463,599.47	5,944,734.74
— Fund management business income	5,616,555.18	8,835,849.88
— Fund management business expenses	152,955.71	2,891,115.14
Investment consulting business net income	22,780,011.73	28,906,819.72
— Investment consulting business income	22,780,011.73	28,906,819.72
— Investment consulting business expenses		
Other fee and commission net income	5,822,522.61	7,076,166.62
— Other fee and commission income	5,827,336.54	7,076,166.62
— Other fee and commission expenses	4,813.93	
Total	354,691,731.73	509,292,836.37
Including: Total fee and commission income	464,115,381.89	644,644,244.76
Total fee and commission expenses	109,423,650.16	135,351,408.39

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

44. Net fee and commission income (continued)

(2) Net income from financial advisory business

Item	Jan-June 2023	Jan-June 2022
Net income from mergers and acquisitions financial advisory business — domestic listed company	188,679.24	
Net income from mergers and acquisitions financial advisory business — others	547,169.81	216,981.13
Others	4,662,920.35	5,026,726.43
Total	5,398,769.40	5,243,707.56

45. Investment income

(1) By categories

Item	Jan-June 2023	Jan-June 2022
Long-term equity investments income calculated by equity method	-1,906,946.49	15,450,238.48
Disposal income of long-term equity investment	-7,738.48	3,993,727.02
Financial instruments investment income	467,535,523.44	619,431,200.11
Including: Income generated during holding period	349,418,222.55	548,719,914.18
Including: Financial assets at fair value through profit or loss	335,176,046.37	385,608,918.71
Financial liabilities at fair value through profit or loss	14,242,176.18	163,110,995.47
Disposal income of financial instruments	118,117,300.89	70,711,285.93
Including: Financial assets at fair value through profit or loss	79,305,442.66	36,355,794.79
Financial assets at fair value through other comprehensive income	26,638,027.79	-13,610,651.11
Derivative financial instruments	28,340,456.86	43,938,787.85
Financial liabilities at fair value through profit or loss	-16,166,626.42	4,027,354.40
Total	465,620,838.47	638,875,165.61

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

45. 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		Jan-June 2023
Classified into financial assets measured at fair value through profit or loss	Holding period income	335,176,046.37
	Disposal income	79,305,442.66
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	14,242,176.18
	Disposal income	-16,166,626.42
Designated as financial liabilities measured at fair value through profit or loss	Holding period income	
	Disposal income	

46. Gains on changes in fair value

Item	Jan-June 2023	Jan-June 2022
Financial assets at fair value through profit or loss Including: Designated as financial assets measured at fair value through profit or loss	52,370,343.77	-472,361,093.45
Financial liabilities at fair value through profit or loss Including: Designated as financial liabilities measured at fair value through profit or loss	-5,061,735.87	842,714.35
Derivative financial instruments	1,895,002.75	8,868,031.66
Total	49,203,610.65	-462,650,347.44

47. Other operating income

Item	Jan-June 2023	Jan-June 2022
Commodity sales income	81,857,062.15	58,576,068.75
Rental income	1,426,658.58	1,600,171.28
Others	911,749.62	848,468.50
Total	84,195,470.35	61,024,708.53

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

48. Gains from assets disposal

Item	Jan-June 2023	Jan-June 2022
Non-current asset disposal income	-1,269.07	19,339.36
Including: fixed asset disposal income	-1,269.07	19,339.36
Total	-1,269.07	19,339.36

49. Other income

(1) Detail of other income

Item	Jan-June 2023	Jan-June 2022
Refund of withholding tax handling fee	8,880,550.18	3,534,551.32
Government grants	7,449,636.70	2,247,841.49
Total	16,330,186.88	5,782,392.81

(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 2023, which was included in other income in accordance with the relevant provisions of accounting standards, with an amount of RMB6,161,000.00.
- ② According to the document “Several Policies of Xi’an High-tech Zone to Support the Listing Development of Enterprises”, the Company received government subsidies in 2023, which were included in other income in accordance with the relevant provisions of accounting standards, and the amount was RMB943,396.23.
- ③ 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 RMB115,937.46 of job stabilization subsidy, which was included in other income in accordance with the relevant provisions of accounting standards.
- ④ 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), the Company and its subsidiaries received the return of government personal income tax fees in 2023, which were included in other income in accordance with the relevant provisions of accounting standards. The amount is RMB8,880,550.18.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

50. Taxes and surcharges

Item	Jan-June 2023	Jan-June 2022
City maintenance and construction tax	2,097,602.16	2,827,097.56
Educational surcharges	1,528,244.32	2,029,306.83
Others	1,527,860.37	1,456,817.35
Total	5,153,706.85	6,313,221.74

51. Business and administrative expenses

Item	Jan-June 2023	Jan-June 2022
Employee benefits	525,056,992.24	512,362,553.84
Electronic equipment operating fees	40,092,520.44	26,930,027.98
Depreciation of right-of-use assets	38,018,421.74	37,611,062.02
Amortization of intangible assets	28,111,402.53	23,014,741.21
Advertising expenses	16,920,561.81	18,344,040.15
Depreciation of fixed assets	16,439,506.60	15,434,337.41
Consulting fees	11,996,384.14	14,730,515.13
Amortization of long-term deferred expenses	8,616,328.93	6,416,864.49
Communication fees	8,559,902.57	7,876,622.57
Member fees	7,013,694.64	7,556,333.20
Travel expense	6,656,070.24	2,687,563.60
Securities investors protection funds	6,263,364.72	10,355,888.54
Information fee	6,193,793.99	6,220,816.76
Business entertainment expense	6,016,033.46	4,733,336.79
Others	36,529,527.91	36,393,055.80
Total	762,484,505.96	730,667,759.49

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

52. Expected credit losses

Item	Jan-June 2023	Jan-June 2022
Provision for bad debts	6,919,776.79	18,028,668.31
Provision for impairment of financial assets at amortized costs		17,395,560.00
Provision for impairment of financial assets at fair value through other comprehensive income	-42,308.21	9,052,982.23
Entrusted loan loss provision	841,618.74	-408,640.00
Provision for impairment of margin accounts receivable	-1,192,688.88	-3,480,063.76
Provision for impairment of financial assets held under resale agreements	97,560.41	119,985,509.67
Total	6,623,958.85	160,574,016.45

53. Other assets impairment losses

Item	Jan-June 2023	Jan-June 2022
Provision for impairment of inventory	376,521.12	299,163.12
Impairment loss of long-term equity investments		3,354,112.56
Total	376,521.12	3,653,275.68

54. Other operating costs

Item	Jan-June 2023	Jan-June 2022
Cost of commodity sold	81,045,826.42	57,036,517.26
Investment property depreciation	623,863.19	401,721.23
Others	133,754.02	42,000.00
Total	81,803,443.63	57,480,238.49

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

55. Non-operating income

(1) Details

Item	Jan-June 2023	Jan-June 2022	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	154,668.35	13,360.64	154,668.35
Government grants	500,000.00	2,163,717.12	500,000.00
Others	37,706.46	414,968.67	37,706.46
Total	692,374.81	2,592,046.43	692,374.81

(2) Notes of major government grants included in non-operating income

- ① According to the relevant provisions of "Announcement of the Zhengdong New Area Management Committee on Outstanding Contribution Units to the Financial Industry Development of Zhengdong New Area in 2021" (Zheng Dong Wen [2022] No. 29), The Company and its subsidiaries received the Outstanding Contribution Award in 2023, which was included in non-operating income in the amount of RMB500,000.00 in accordance with the relevant provisions of the accounting standards.

56. Non-operating expenses

Item	Jan-June 2023	Jan-June 2022	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	1,360,627.22	536,884.40	1,360,627.22
Others	584,693.62	361,351.27	584,693.62
Total	1,945,320.84	898,235.67	1,945,320.84

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

57. Income tax expenses

(1) Income tax expenses

Item	Jan-June 2023	Jan-June 2022
Current income tax expenses	38,546,264.07	77,139,022.46
Deferred income tax expenses	-14,206,050.26	-116,041,770.44
Total	24,340,213.81	-38,902,747.98

(2) Reconciliation of accounting profit to income tax expenses

Item	Jan-June 2023
Profit before tax	188,069,726.30
Tax at the applicable tax rate	47,017,431.57
Effect of different tax rates applicable to subsidiaries	784,568.57
Effect of prior income tax reconciliation	1,623,673.06
Effect of non-taxable incomes	-32,995,089.69
Effect of non-deductible costs, expenses and losses	5,845,096.57
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	1,577,411.14
Others	487,122.59
Income tax expenses	24,340,213.81

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

58. Earnings per share

Item	Jan-June 2023	Jan-June 2022
Net profit attributable to owners of the parent company	167,282,207.98	-125,442,881.07
Non-recurring net profit and loss attributable to owners of the parent company	11,240,895.89	5,345,411.78
Net profit attributable to owners of the parent company after deducting non-recurring gains and losses	156,041,312.09	-130,788,292.85
Weighted average number of ordinary shares outstanding	4,642,884,700.00	4,642,884,700.00
Basic earnings per share	0.04	-0.03
Basic earnings per share after deducting non-recurring gains and losses	0.03	-0.03

As of 30 June 2023, and 31 December 2022, the Company had no potential dilute ordinary shares, thus diluted earnings per share are the same as basic earnings per share.

59. Items of the cash flow statement

(1) Other cash received related to operating activities

Item	Jan-June 2023	Jan-June 2022
Liquidation	102,591,548.06	
Government grants	16,830,186.88	7,946,109.93
Other operating income	84,195,470.35	61,024,708.53
Decrease in refundable deposits		74,274,945.11
Increase in margin receivables		39,265,052.00
Over the counter payables	200,449,999.15	
Others	38,151,948.12	37,160,485.55
Total	442,219,152.56	219,671,301.12

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

59. Items of the cash flow statement (continued)

(2) Other cash payments related to operating activities

Item	Jan-June 2023	Jan-June 2022
Liquidation		42,821,558.05
Increase in refundable deposits	131,515,774.20	
Decrease in other expenses	62,507,088.64	
Payment of business and administrative expenses	146,241,853.92	135,828,200.52
Other operating costs	81,179,580.44	57,078,517.26
Increase in inventory	28,363,548.00	
Changes in transfer funds payable	88,512,701.61	
Others	70,350,209.53	52,510,530.79
Total	608,670,756.34	288,238,806.62

(3) Other cash payments related to financing activities

Item	Jan-June 2023	Jan-June 2022
Cash payments for the acquisition of minority shares	110,520,406.50	
Cash payments to repay lease liabilities	44,464,986.32	36,425,342.56
Others		4,659,840.40
Total	154,985,392.82	41,085,182.96

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

60. Supplementary information on consolidated cash flow statement

(1) Supplementary information on consolidated cash flow statement

Item	Jan-June 2023	Jan-June 2022
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	163,729,512.49	-130,417,812.67
Add: Expected credit losses	6,623,958.85	160,574,016.45
Provision for impairment of other assets	376,521.12	3,653,275.68
Depreciation of investment properties and fixed assets	17,063,369.79	15,836,058.64
Right-of-use assets depreciation	38,018,421.74	37,611,062.02
Amortization amount of intangible assets	28,111,402.53	23,014,741.21
Amortization of long-term prepaid expenses	8,616,328.93	6,416,864.49
Losses on disposal of fixed assets, intangible assets and other long-term assets (or gains expressed with "-")	1,207,227.94	504,184.40
Losses on changes in fair value (or gains expressed with "-")	-49,203,610.65	462,650,347.44
Interest expenses	171,554,391.26	213,842,149.33
Exchange losses (or gains expressed with "-")	-1,174,487.59	-2,989,889.80
Investment losses (or gains expressed with "-")	-44,831,938.87	-23,724,518.55
Decrease in deferred income tax assets (or increase expressed with "-")	-11,953,734.97	-105,814,683.79
Increase in deferred income tax liabilities (or decrease expressed with "-")	-2,252,315.29	-10,227,086.65
Decrease of operating receivable (or increase expressed with "-")	-370,782,259.11	2,425,670,610.57
Increase of operating payable (or decrease expressed with "-")	-519,224,087.04	-450,470,393.53
Net cash flow from operating activities	-564,121,298.87	2,626,128,925.24
2. Significant investing and financing business not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets rented in under finance leases		
3. Net increase/(decrease) in cash and cash equivalents		
Closing balance of cash	14,808,492,856.01	16,040,493,724.23
Less: Opening balance of cash	13,297,323,968.54	14,870,067,135.88
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	1,511,168,887.47	1,170,426,588.35

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

60. Supplementary information on consolidated cash flow statement (continued)

(2) Cash and cash equivalents

Item	30 June 2023	30 June 2022
Cash	14,808,492,856.01	16,040,493,724.23
Including: Cash on hand	114,362.15	174,020.58
Bank deposits available for payment	11,871,208,254.27	12,999,491,738.18
Other cash	13,521,231.56	17,158,204.21
Clearing settlement funds	2,923,649,008.03	3,023,669,761.26
Cash equivalents		
Including: bond investment maturing within three months		
Cash and cash equivalents at the end of the period	14,808,492,856.01	16,040,493,724.23

61. Assets with restricted ownership or use rights

Item	Book value as of 30 June 2023	Reasons
Cash and bank balances	22,268,076.81	Risk reserve account for asset management business
	3,247,000.00	Frozen
	5,000,000.00	Deposit for banker's acceptance
Financial assets at fair value through profit or loss	12,559,435,540.92	Bond lending and repurchase financing as collateral
	2,918,943,059.49	Discounted Note
	55,225,942.61	Bond default
	23,750,347.80	Restricted share
	2,260,559.51	Securities financed
	2,000,000.00	Collective asset management plan lock-up period
	1,196,100.00	Undue underlying trust assets
Financial assets at fair value through other comprehensive income	216,641,563.84	Pledge for refinancing
	43,295,518.85	Pledge for repurchase financing

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

62. 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	43.00	2.00	2.00
Number of customers at the end of the period	50,613.00	2.00	18.00
Including: Individual clients	50,572.00		
Institutional clients	41.00	2.00	18.00
Entrusted funds at the beginning 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
Entrusted funds at the end of the period	7,352,249,466.70	26,000,000.00	1,033,148,264.81
Including: Own capital investment	8,500,019.44		176,022,342.61
Individual clients	4,814,462,255.56	10,000,000.00	
Institutional clients	2,529,287,191.70	16,000,000.00	857,125,922.20
Initial cost of main entrusted assets at the end of the period	6,698,279,002.06	27,533,026.97	1,000,640,000.00
Including: Stocks	597,350.00	16,658,166.94	
National debts			
Other bonds	3,609,885,561.33		
Funds	6,197,962.45		
Trust plans	2,385,500,000.00		767,000,000.00
Others	696,098,128.28	10,874,860.03	233,640,000.00
Net income of asset management business in the current period	28,670,502.52	353,996.35	

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

63. Foreign currency

Item	Original currency amount as of 30 June 2023	Exchange rate	RMB amount as of 30 June 2023
Cash and bank balances			137,847,640.65
Including: USD	2,983,004.72	7.2258	21,554,590.65
EUR	6,951.59	7.8771	54,758.38
HKD	125,824,263.38	0.9220	116,007,454.36
CAD	760.04	5.4721	4,159.02
AUD	47,232.49	4.7992	226,678.21
THB	0.15	0.2034	0.03
Clearing settlement funds			7,430,393.10
Including: USD	857,310.92	7.2258	6,194,757.25
HKD	1,340,198.10	0.9220	1,235,635.85
Refundable deposits			966,796.00
Including: USD	70,000.00	7.2258	505,806.00
HKD	500,000.00	0.9220	460,990.00
Accounts receivable			146,167.89
Including: HKD	145,875.29	0.9220	134,494.10
USD	1,615.57	7.2258	11,673.79
Other receivable			7,034,600.28
Including: HKD	6,846,156.86	0.9220	6,312,019.70
USD	100,000.08	7.2258	722,580.58
Accounts payable to brokerage clients			61,401,685.60
Including: USD	1,555,789.86	7.2258	11,241,826.37
HKD	54,404,498.18	0.9220	50,159,859.23
Accounts payable			397,271.08
Including: HKD	430,889.04	0.9220	397,271.08
Other payable			30,298,383.63
Including: HKD	28,831,473.53	0.9220	26,582,041.97
USD	514,315.60	7.2258	3,716,341.66
Bonds payable			690,361,603.03
Including: USD	95,541,240.01	7.2258	690,361,603.03
Financial assets sold under repurchase agreements			70,375,916.78
Including: HKD	76,331,283.52	0.9220	70,375,916.78

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

64. Overseas business entities

The consolidated statements of the Company from January to June 2023 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 (HK \$1: RMB0.921980); 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 HK \$1: RMB0.883958). 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 SCOPE OF CONSOLIDATION

1. Other reason for changes in the scope of consolidation

As of 30 June 2023, The Company's subsidiary invested in the established Henan Dingyu Xiangbei Equity Investment Fund Partnership (Limited Partnership), which can exercise control over it and is therefore included in the scope of consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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	RMB330M	51.36		Acquisition
Yuxin Investment Management (Shanghai) Co. Ltd	Ltd	Zhengzhou	Shanghai	Investment management	RMB160M		51.36	Investment establishment
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Ltd	Zhengzhou	Beijing	Private equity investment fund management	RMB680M	100.00		Investment establishment
Henan Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.	Ltd	Zhengzhou	Luoyang	Equity investment management	RMB100M		60.00	Investment establishment
Central China Blue Ocean Investment Management Co., Ltd.	Ltd	Zhengzhou	Xuchang	Alternative investment	RMB3,500M	100.00		Investment establishment
Central China Equity Exchange Co., Ltd.	Corporation	Zhengzhou	Zhengzhou	Regional equity market	RMB350M	36.00		Investment establishment
Central China International Financial Holdings Co., Ltd.	Ltd	Hong Kong	Hong Kong	Holding company	HKD1,800M	100.00		Investment establishment
Central China International Holdings Co., Ltd.	Ltd	Hong Kong	British Virgin Islands	Holding company	USD50,000		100.00	Investment establishment
Central China International Financial Group Ltd.	Ltd	Hong Kong	Cayman Islands	Holding company	HKD1,000M		100.00	Investment establishment
Central China Financing International Co., Ltd.	Ltd	Hong Kong	Hong Kong	Investment bank	HKD30M		100.00	Acquisition
Central China International Securities Co., Ltd.	Ltd	Hong Kong	Hong Kong	Securities business	HKD600M		100.00	Investment establishment
Central China International Investment Co., Ltd.	Ltd	Hong Kong	Hong Kong	Proprietary investment	HKD10M		100.00	Investment establishment
Central China International Futures Co., Ltd.	Ltd	Hong Kong	Hong Kong	Futures brokerage	HKD20M		100.00	Investment establishment
Wending Zhongyuan Company Limited	Ltd	Hong Kong	British Virgin Islands	Bond issuing entity	USD1		100.00	Investment establishment

a) Reasons why the shareholding ratio of subsidiaries is different from the voting ratio

According to the Property Rights Transaction Contract and relevant supplementary agreement signed by the Company and Henan Railway Construction Investment Group Co., LTD., as of June 30, 2023, the company has completed the full payment of the equity transfer price and enjoys the corresponding voting rights.

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 voting rights of Central China Equity Exchange Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

VIII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Composition of enterprise groups (continued)

b) Basis for controlling important structured entities included in the consolidation scope

As of 30 June 2023, 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 Kaiyuan Yucai Agricultural Venture Capital Fund (Limited Partnership), Anyang Purun High-tech Industry Investment Fund (Limited Partnership) and Henan Dingyu Xiangbei Equity Investment Fund Partnership (Limited Partnership). The Company can control them. Therefore, the above five partnerships are included in the scope of consolidation.

As of 30 June 2023, the details of important structured entities included in the consolidation scope are as follows:

Structured Entities Name	Total Share/ Registered Capital	Proportion of Shares Held by the Company on 30 June 2023 (%)	Direct/Indirect Investment
Henan Zhongyuan Science and Innovation Venture Capital Fund (Limited Partnership)	500,000,000.00	50.00	Indirect
Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership)	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
Henan Dingyu Xiangbei Equity Investment Fund Partnership (Limited Partnership)	200,000,000.00	30.80	Indirect

(2) Important non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit and loss attributable to minority shareholders in the current period	Dividends declared to be distributed to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period	Remarks
Central China Futures Co., Ltd.	48.64	2,806,927.73		37,096,197.43	
Central China Equity Exchange Co., Ltd.	64.00	-9,505,264.69		244,202,989.99	

Explanation that the shareholding ratio of minority shareholders of subsidiaries is different from the voting right ratio:

According to the Property Rights Transaction Contract and relevant supplementary agreement signed by the Company and Henan Railway Construction Investment Group Co., LTD., as of June 30, 2023, the company has completed the full payment of the equity transfer price and enjoys the corresponding voting rights.

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 voting rights of Central China Equity Exchange Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

VIII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(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	2,891,862,153.93	423,249,206.32
Total liabilities	2,434,253,093.90	39,402,906.92
Operating income	138,973,876.62	-10,799,886.07
Net profit	5,770,465.90	-14,851,976.08
Total comprehensive income	5,770,465.90	-14,851,976.08
Cash flow from operating activities	348,952,732.90	-10,543,449.71

Item	Opening balance/Previous 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	112,871,804.19	-62,989,468.79
Net profit	6,320,889.83	-54,419,631.07
Total comprehensive income	6,320,889.83	-54,419,631.07
Cash flow from operating activities	52,831,340.05	-3,556,692.10

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 policy
				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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 Henan Asset Management Co., Ltd
Total assets	36,555,141,520.62
Total liabilities	22,042,886,115.33
Minority Shareholders' equity	2,102,113,695.67
Equity attributable to owners of the parent company	12,410,141,709.62
Share of net assets based on shareholding percentage	1,241,014,170.96
Adjustment Item	
— Others	-570,000,000.00
The book value of the equity investment in the associate	671,014,170.96
Operating income	1,536,620,316.31
Net profit attributable to owners of the parent company	330,969,130.01
Net after-tax amount of other comprehensive income attributable to owners of the parent company	8,413,239.07
Total comprehensive income attributable to owners of the parent company	339,382,369.08
Dividends received from associated enterprises in the current period	20,000,000.00

(3) Aggregated financial information for immaterial joint ventures and associates

Item	Closing balance/ Current period incurred	Opening balance/ Previous period incurred
The total book value of the investments of the associates	871,799,585.62	917,859,881.07
The following items are sums which are calculated according to the proportion of shareholding		
Net profit	-35,074,956.97	15,450,238.48
Other comprehensive income		522,776.54
Total comprehensive income	-35,074,956.97	15,973,015.02

(4) Unconfirmed commitments related to joint venture investment

The Company has no unconfirmed commitments related to the joint venture investment that are required to be disclosed.

(5) Contingent liabilities related to investment in joint ventures or associates

The Company has no contingent liabilities related to investments in joint ventures or associates that are required to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 return related to product income enjoyed by the Company is not significant, so such structured entities are not consolidated.

As of 30 June 2023, 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 RMB6,366,954,683.53, the total assets of the single asset management plan are RMB58,505,228.31, the total assets of the special asset management plan are RMB1,003,742,207.36, and the total assets of the partnership are RMB1,054,160,000.01.

As of 30 June 2023, the Group's equity in structured entities not included in the scope of consolidated financial statements is classified as financial assets at fair value through profit or loss, financial assets measured at amortized costs, and management fees and commissions receivable included in accounts receivable. The relevant book value and maximum risk exposure are as follows:

Item	30 June 2023	31 December 2022
Financial assets at fair value through profit or loss	2,145,768,290.58	2,061,288,154.32
Financial assets measured at amortized costs and receivables	464,158,843.99	461,286,955.33
Total	2,609,927,134.57	2,522,575,109.65

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 management; (iii) Risk management headquarters, compliance management headquarters, legal affairs headquarters and audit headquarters; and (iv) Departments, branches and subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

Level 1: Board of directors and board of supervisors

The Board of Directors is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

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 Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, 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.

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, and litigation and arbitration management, responsible for the selection, management, and evaluation of the Company's legal consultants and 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

Level 4: Business and management departments, branch outlets and subsidiaries

The fourth level of risk control is the front-line risk control systems by business departments, branch outlets and subsidiaries. As independent risk management responsibility units, each 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.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 30 June 2023, and 31 December 2022, 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.

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For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

The Group's financial assets measured at the amortized cost projects are carried out through 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. Entrusted loans 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.

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".

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

(1) Expected credit loss measurement (continued)

Stage 1: The Company measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL; Stages 2 and 3: The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition and the Company has measured the loss allowance for such a financial instrument at an amount equal to the lifetime ECL.

For such financial assets classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modeling approach that incorporates key parameters, including probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). For credit-impaired financial assets classified under Stage 3, management assesses the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

The measurement of ECL adopted by management according to China Accounting Standards for Business Enterprises, involves judgments, assumptions and estimations, including: determination of the criteria for SICR; selection of the appropriate models and assumptions; establishment of the number and relative weightings of forward-looking scenarios for each type of product.

(2) Measuring ECL — inputs, assumptions and estimation techniques

The ECL 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).

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For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

(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 30 June 2023, 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 2023 and 30 June 2023, 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' judgment, 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

(7) Collateral and other credit enhancements

The Company employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantees. The Company determined the type and amount of collaterals according to the credit risk evaluation of counterparties. The collaterals under margin financing and purchase and resale agreements are primarily stocks, debt securities, funds etc. Management will exercise margin calls according to related agreements based on the market value fluctuation of collaterals, and monitor the changes in the market value of the collateral during the adequacy review of loss preparations.

(8) Maximum credit risk exposure

The Group's financing business customers have considerable asset quality. 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:

Item	Expressed in RMB'0000	
	30 June 2023	31 December 2022
Cash and bank balances	1,191,920.87	1,021,163.00
Clearing settlement funds	292,422.66	311,510.47
Margin accounts receivable	716,963.12	701,688.54
Refundable deposits	107,145.91	93,994.59
Accounts receivable	13,565.49	8,768.00
Financial assets held under resale agreements	135,090.86	114,142.80
Financial assets at fair value through profit or loss	2,370,393.94	1,791,841.98
Financial assets measured at amortized costs	19,599.12	19,599.12
Financial assets at fair value through other comprehensive income	72,614.52	228,825.86
Other assets	41,731.93	51,612.35
Total	4,961,448.42	4,343,146.71

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 30 June 2023:

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Entrusted loans			2,213.54	2,213.54
Margin accounts receivable	717,997.32	575.42	5,839.07	724,411.81
Financial assets at fair value through other comprehensive income	66,983.17		5,631.35	72,614.52
Financial assets measured at amortized costs			56,394.76	56,394.76
Financial assets held under resale agreements	135,192.01		20,000.00	155,192.01
Subtotal	920,172.50	575.42	90,078.72	1,010,826.64
Less: Provision for impairment	2,326.70	7.43	67,775.03	70,109.16
Total	917,845.80	567.99	22,303.69	940,717.48

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Liquidity risk (continued)

The financial liabilities held by the Group are analyzed as follows according to the maturity of undiscounted remaining contractual obligations:

Expressed in RMB'0000

	30 June 2023							Total
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	
Non-derivative financial liabilities								
Short-term loans				825.63				825.63
Short-term financing instruments payable		138,892.55	116,774.24	254,552.69				510,219.48
Due to banks and other financial institutions		110,019.23	50,667.44					160,686.67
Financial liabilities at fair value through profit or loss					68,177.16		119,876.55	188,053.71
Financial assets sold under repurchase agreements		1,388,515.45						1,388,515.45
Accounts payable to brokerage clients	219,393.70	1,057,029.05						1,276,422.75
Bonds payable			1,403.42	18,358.51	553,211.52			572,973.45
Accounts payable							54,716.10	54,716.10
Long-term borrowings								
Other liabilities							20,658.16	20,658.16
Total	219,393.70	2,694,456.28	168,845.10	273,736.83	621,388.68		195,250.81	4,173,071.40
	31 December 2022							
Non-derivative financial liabilities	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Short-term loans				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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Market risk

Market risk refers to the risk of loss of company operations due to adverse changes in market prices, including exchange rate risk, interest rate risk, price risk, etc. Since the Company's main holdings are proprietary investments, the price risk and interest rate risk of stocks and derivatives have a relative huge impact on the investment business.

In terms of market risk, the Company follows the principles of soundness and prudence, accurately defines, uniformly measures and prudently evaluates the market risk the Company bears. For the directional investment business, the Company adheres to a risk-controllable and moderate-scale risk management strategy, and assumes a moderate-scale risk position.

(1) Exchange rate risk

The fluctuation of exchange rate will bring certain exchange risk to the Group. As of 30 June 2023, 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 measured 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.

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For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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	30 June 2023						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	1,191,909.43					11.44	1,191,920.87
Clearing settlement funds	292,422.66						292,422.66
Margin accounts receivable	50,924.00	197,969.53	468,069.59				716,963.12
Derivative financial assets						436.26	436.26
Refundable deposits						107,145.91	107,145.91
Accounts receivable						13,565.49	13,565.49
Financial assets held under resale agreements	58,391.78	18,012.18	53,696.98	4,989.92			135,090.86
Financial assets at fair value through profit or loss	31,868.77	14,732.28	710,949.68	1,056,112.56	377,445.34	539,187.62	2,730,296.25
Financial assets at amortized costs	19,599.12						19,599.12
Financial assets at fair value through other comprehensive income			2,536.83	70,077.69			72,614.52
Other assets						34,569.66	34,569.66
Subtotal of financial assets	1,645,115.76	230,713.99	1,235,253.08	1,131,180.17	377,445.34	694,916.38	5,314,624.72
Short-term loans			787.80				787.80
Short-term financing instruments payable	138,774.92	116,185.03	248,789.36				503,749.31
Due to banks and other financial institutions	110,007.47	50,356.79					160,364.26
Financial liabilities at fair value through profit or loss				68,177.16		119,876.55	188,053.71
Financial assets sold under repurchase agreements	1,388,270.60						1,388,270.60
Accounts payable to brokerage clients	1,057,029.05					219,393.70	1,276,422.75
Derivative financial liabilities						140.03	140.03
Bonds payable		762.72	8,081.06	528,161.37			537,005.15
Accounts payable						54,716.10	54,716.10
Long-term borrowings							
Other liabilities						20,658.16	20,658.16
Subtotal of financial liabilities	2,694,082.04	167,304.54	257,658.22	596,338.53	534,841.64	414,784.54	4,130,167.87
Interest rate sensitivity gap	-1,048,966.28	63,409.45	977,594.86	534,841.64	377,445.34	280,131.84	904,325.01

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For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Market risk (continued)

(2) Interest rate risk (continued)

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							
Other liabilities						35,118.24	35,118.24
Subtotal of financial liabilities	2,179,761.69	105,983.71	305,886.43	597,451.31	422,752.77	302,768.71	3,491,851.85
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

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For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 manages price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of stocks, bonds, funds, convertible bonds, derivatives and collective asset management plans by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax and other comprehensive income before income tax, while a negative result indicates otherwise.

Expressed in RMB'0000

Item	30 June 2023		31 December 2022	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
Increase by 10%	36,598.55	7,261.45	36,638.31	22,882.59
Decrease by 10%	-36,598.55	-7,261.45	-36,638.31	-22,882.59

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For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

4. Operational risk

Operational risk is the risk of loss to the Group due to the imperfection or failure of personnel, internal procedures and systems, as well as the impact of external events.

The Group emphasizes the matching of business scale, profit and risk management ability, and does not sacrifice the control of operational risk for the pursuit of profit. The Group emphasizes to carry out the business of various securities companies under the premise of sound control of operational risks. In the case of cost permitting, the Group will continue to strengthen the operational risk management system and implement the internal control system to achieve the controllability of operational risk under the established business income.

5. Compliance risk

Compliance risk refers to the risk that the company will be investigated for legal responsibility, take regulatory measures, be given disciplinary actions, and suffer property loss or business reputation loss due to the violation of laws, regulations and norms by the company or its staff's business management or practice behavior.

The company tracks laws, regulations and guidelines in a timely manner, continuously improves the compliance management system in combination with the actual situation of the company, and supervises all units to formulate and revise their internal management systems and improve business processes in a timely manner; Actively carry out the construction of compliance culture and improve the self-discipline mechanism; Conduct compliance reviews of company systems, major decisions, new products, new business plans, etc.; Provide compliance advice and consultation for the management and various units, and supervise and inspect the compliance of business management activities; Strictly implement compliance assessment and accountability mechanisms, and effectively play the role of assessment guidance and accountability warning; Comply with internal and external reporting obligations as required; According to the company's anti-money laundering system, organize and promote all units 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 ability. Through compliance consultation, compliance review, compliance inspection, compliance monitoring and other channels, timely identify, assess and manage relevant compliance risks in the company's operation and management, run compliance management through decision-making, implementation, supervision, feedback and other links, and incorporate it into the whole process of the company's operation and management.

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 30 June 2023 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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	2,157,131,303.90	20,428,155,744.38	4,717,675,456.74	27,302,962,505.02
(1) Bond investment	1,208,190,402.05	17,375,811,675.09	55,225,942.61	18,639,228,019.75
(2) Equity investment	714,349,981.41	105,499,788.67	454,207,706.68	1,274,057,476.76
(3) Public fund	234,590,920.44	2,090,374,738.00		2,324,965,658.44
(4) Bills			2,918,943,059.49	2,918,943,059.49
(5) Others		856,469,542.62	1,289,298,747.96	2,145,768,290.58
Derivative financial assets	983,160.00		3,379,404.79	4,362,564.79
Financial assets at fair value through other comprehensive income	153,552,458.92	516,279,181.21	56,313,519.52	726,145,159.65
Total assets	2,311,666,922.82	20,944,434,925.59	4,777,368,381.05	28,033,470,229.46
Financial liabilities at fair value through profit or loss		1,198,765,534.92	681,771,519.55	1,880,537,054.47
Derivative financial liabilities	80,560.00		1,319,743.08	1,400,303.08
Total liabilities	80,560.00	1,198,765,534.92	683,091,262.63	1,881,937,357.55

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 financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

The fair value of financial instruments purchased in the inactive market is determined by valuation technology. These valuation techniques make full use of available observable market data and do not rely on entity specific estimates as much as possible. If all the main input parameters required to measure an instrument at fair value can be observed, the instrument is included in the second level.

Bond investment:

Bond investment shall be quoted by the valuation system of bond registration and settlement institutions. For bonds traded in the inter-bank bond market, including government bonds, corporate bonds, commercial bills, special financial bills, central bank bills and other fixed income bonds, the quotation of the valuation system of bond registration and settlement institutions adopts the observable input value reflecting the market conditions as the fair value.

Equity investment:

The fair value of stocks listed on the National SME share transfer system is based on the closing price on the balance sheet date. Due to the low transaction frequency, it is adjusted according to the valuation technology. The adjustment is based on the potential maximum loss, which is the confidence level determined according to the changes of interest rate, stock price and exchange rate in a certain period. The above parameters are observable.

Public fund:

The fair value of public funds shall be determined according to the net asset value of the fund on the balance sheet date. The net asset value of the fund is usually determined based on the fair value and related expenses of the underlying investment (debt instruments in the portfolio or publicly traded equity instruments), or valued by a third party (such as a registrar and clearing institution) according to the discounted cash flow model.

Others:

Other financial assets invested by the Company are mainly collective asset management products, fund financial products, private equity funds and bank financial products. The fair value is determined by the net value of the product corresponding to its share or by using valuation techniques. The observable input values required by the valuation technology include the market price and interest rate of the investment target. These are observable inputs.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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)

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
Financial assets at fair value through profit or loss				
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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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

(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 of 30 June 2023, the valuation technology used by the Group for the above continuous level 3 fair value measurements has not changed.

(2) Unobservable input value information

For the third level financial instruments, the fair value is determined by valuation method (such as discounted cash flow model and other similar technologies). The third level of fair value measurement classification is generally determined by the importance of non-observable input parameters to the measurement of overall fair value. The following table lists the relevant valuation techniques and input parameters of the main financial instruments at the third level:

Financial assets/ financial liabilities	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Relationship between unobservable input parameters and fair value
Financial assets at fair value through profit or loss				
— Bank financial products	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 higher the future cash flow, the higher the fair value;
— Asset management products of securities companies			— The discount rate corresponding to the expected risk level;	— 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 higher the future cash flow, the higher the fair value;
			— The discount rate corresponding to the expected risk level;	— 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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
Financial assets at fair value through profit or loss				
— 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;
— Financial liabilities at fair value through profit or loss	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;
— Bills	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;	— The delivery price agreed with the counterparts;	— The higher the future cash flow, the higher the fair value; — The lower the discount rate, the higher the fair value;

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

X. FAIR VALUE (continued)

6. The movement of Level 3 financial instruments

Item	1 January 2023	Increase	Decrease	30 June 2023
Financial assets at fair value through profit or loss	1,851,465,599.75	2,866,209,856.99		4,717,675,456.74
Financial liabilities at fair value through profit or loss	718,581,188.74		36,809,669.19	681,771,519.55
Financial assets at fair value through other comprehensive income	89,606,629.46		33,293,109.94	56,313,519.52
Derivative financial assets		3,379,404.79		3,379,404.79
Derivative financial liabilities		1,319,743.08		1,319,743.08

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

7. For the continuous fair value measurement project, if the conversion between various levels occurs in the current period, the reasons for the conversion and the policies for determining the conversion time point

The above continuous fair value measurement items of the Company have not been converted between different levels in the current period.

8. Changes in valuation technology in the current period and reasons for changes

The fair value valuation technology of the Company's financial instruments has not changed in the current period.

9. Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: margin accounts receivable, financial assets held under resale agreements, accounts receivable, financial assets measured at amortized cost, short-term loans, accounts payable, short-term financing instruments payable, due to banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, bonds payable and long-term loans, equity instrument investment without quotation in the active market and whose fair value cannot be reliably measured.

There is little difference between the book value and fair value of the above financial assets and liabilities not measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED TRANSACTIONS

1. Parent company of the Company

As of 30 June 2023, 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	Limited liability company (wholly state-owned)	Zhengzhou City	Investment management	Liu Xinyong	914100001699542485

Note 1: As of the end of the reporting period, Henan Investment Group held 822,983,847 A shares of the Company, 46.733 million H shares of the Company directly through its wholly owned subsidiary Dahe Paper (Hong Kong) Co., Ltd. and 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.

2. Joint ventures and associates of the Company

For important joint ventures or associates of the Company, see Notes 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 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
Henan Liying Environmental Protection Technology Co., Ltd.	Associates of subsidiaries
Zhengzhou Dahe Zhixin Technology Co., Ltd.	Associates of subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 Xinchan Software Co., Ltd.	Ultimately controlled by the same controlling party	91410100MA3X691D21
Henan Asset Management Co., Ltd.	Ultimately controlled by the same controlling party	91410000MA448PJU6H
Henan Asset Fund Management Co., Ltd.	Ultimately controlled by the same controlling party	91410100MA456R9R3R
Henan Ancai Gaoke 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
Henan Talent Group Co., Ltd.	Ultimately controlled by the same controlling party	91410105MA3X6PQ842
Henan Tiandi Hotel Co., Ltd.	Ultimately controlled by the same controlling party	91410100594892586U
Bohai Industrial Investment Fund Management Co., Ltd.	Non-controlling shareholder	911200007178678241
Anyang Iron & Steel Group Co., Ltd.	Non-controlling shareholder	91410000706780942L
Anyang Steel International Trading Co., Ltd.	Subsidiaries of non-controlling shareholder	91410500172267086K
Anyang Iron & Steel Co., Ltd.	Subsidiaries of non-controlling shareholder	914100007191734203
Jiangsu Suhao Private Equity Fund Management Co., Ltd.	Subsidiaries of non-controlling shareholder	91320000672504885X
Zhongyuan Bank Co., Ltd.	Joint venture of affiliated enterprise groups	9141000031741675X6
Bank of Zhengzhou Co., Ltd.	Joint venture of affiliated enterprise groups	914100001699995779
Henan Huaqi Energy Conservation and Environment Protection Venture Capital Co., Ltd.	Joint venture of affiliated enterprise groups	91410000071384697T
Henan Yicheng New Energy Co., Ltd.	Joint venture of affiliated enterprise groups	914102002681294387
Henan Zhongjin Huirong Private Equity Fund Management Co., Ltd.	Joint venture of affiliated enterprise groups	91410100MA44AMW06L
Henan Zhongzhi Guoyu Fund Management Co., Ltd.	Joint venture of affiliated enterprise groups	91410100MA45DE4E88
Henan South-to-North Water Diversion Counterpart Cooperation Industry Investment Fund (Limited partnership)	Joint venture of affiliated enterprise groups	91410000MA40EF1J3Q
Zhengzhou Zhongyuan International Aviation Holding Development Co., Ltd.	Joint venture of affiliated enterprise groups	91410100MA40XF1874
Puyang Emerging Industry Investment Fund Partnership (Limited Partnership)	Joint venture of affiliated enterprise groups	91410900MA9MD7935Y
Zhumadian ChangLongshan Agriculture and Animal Husbandry Co., Ltd.	Subsidiaries of associates	91411700330214925R
Henan Longfengshan Agricultural Development Co., Ltd.	Subsidiaries of associates	914117000547097794
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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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	Jan-June 2023	Jan-June 2022
Bohai Industrial Investment Fund Management Co., Ltd.		148,342.83
Henan Investment Group and its subsidiaries and associates	70,165.71	82,310.75
Zhongyuan Asset Management Co., Ltd.	17,469.92	
Jiangsu Suhao Private Equity Fund Management Co., Ltd.	15,259.14	
Henan Railway Construction Investment Group Co., Ltd.	56,814.04	
Anyang Steel International Trading Co., Ltd.		8,807.25
Directors, supervisors and senior managers of the Company and Henan Investment Group and their close family members	21,114.38	17,315.13

(2) Related transaction balance

Name of related party	Current account	Transaction content	30 June 2023	31 December 2022
Henan Investment Group Co., Ltd.	Accounts receivables	Income from asset management business	2,942,192.95	2,639,923.94
Luoyang Desheng Biotechnology Co., Ltd.	Accounts receivables	Financial advisory fee	70,000.00	170,000.00
Henan Railway Construction Investment Group Co., Ltd.	Contractual liabilities	Financial advisory fee	83,903.77	
Henan Railway Construction Investment Group Co., Ltd.	Other receivables	Advance payment for the purchase of equity		115,031,443.50
Zhengzhou Dahe Zhixin Technology Co., Ltd.	Contractual liabilities	Equity custody fees	1,624.99	
Henan Coal Storage and Distribution Trading Center Co., Ltd.	Agent for buying and selling securities	Futures Brokerage	146,919.81	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	3,259,039.61	3,166,000.39
Henan Asset Fund Management Co., Ltd.	Financial assets at fair value through profit or loss	Private equity investment fund	10,037,851.94	12,021,851.83
Henan Liyang Environmental Protection Technology Co., Ltd.	Financial assets at fair value through profit or loss	Purchase stock	9,000,000.00	
Zhongyuan Asset Management Co., Ltd.	Financial assets at fair value through profit or loss	Purchase bonds	36,628,648.74	35,190,397.17
Henan Investment Group and its subsidiaries and associates	Agent for buying and selling securities	Securities Brokerage	37,111,478.20	18,219,494.97
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	2,845,449.60	2,779,006.94
Anyang Iron & Steel Group Co., Ltd.	Agent for buying and selling securities	Securities Brokerage		0.09
Anyang Iron & Steel Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	419,551.05	387.59
Zhongyuan Asset Management Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	3,559.08	9,184.88
Henan Railway Construction Investment Group Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	2,189,352.11	15,765.61

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

4. Related party transactions (continued)

(2) Related transaction balance (continued)

Name of related party	Current account	Transaction content	30 June 2023	31 December 2022
Henan Investment Group associates	Bank deposit	Bank balance	3,348,864.26	3,133,056.18
Henan Investment Group associates	Bonds payable	Subscription of corporate bonds	144,560,681.12	305,822,609.89
Henan Investment Group associates	Financial assets at fair value through profit or loss	Purchase bonds		99,299,031.51
Henan Investment Group associates	Contractual liabilities	Financial advisory fee	170,000.00	

(3) Other related party transactions

Name of related party	Transaction content	Jan-June 2023	Jan-June 2022
Henan Investment Group Co., Ltd.	Financial advisory fees, asset management business income and other income	379,499.06	308,755.41
Henan Dahe Cailifang Media Holding Co., Ltd.	Expenses	377,358.48	698,113.19
Henan Talent Group Co., Ltd.	Expenses	148,113.20	
Henan Tiandi Hotel Co., Ltd.	Expenses	119,184.91	
Anyang Iron & Steel Group Co., Ltd.	Pledge registration fee		32,547.17
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
Anyang Steel International Trading Co., Ltd.	Income from the sale of goods	4,519,469.03	16,533,628.32
Henan Xinchuan Software Co., Ltd.	Expenses		25,663.72
Henan Asset Fund Management Co., Ltd.	Fund investment income	-1,983,999.89	
Zhongyuan Asset Management Co., Ltd.	Bond investment income	1,412,607.20	3,420,721.91
Zhengzhou Dahe Zhixin Technology Co., Ltd.	Equity custodian fee income	4,874.95	
Henan Railway Construction Investment Group Co., Ltd.	Purchase equity	225,551,850.00	

Name of related party	Transaction content	Jan-June 2023	Jan-June 2022
Henan Investment Group associates	Income from bank deposits and financial products	4,811.70	6,351.91
Henan Investment Group associates	Interest expense of pledged repurchase		305,243.08
Henan Investment Group associates	Securities investment income	2,709,398.23	4,425,821.46
Henan Investment Group associates	Interest expense on subordinated debt payable	5,266,071.23	6,500,131.50
Henan Investment Group associates	Underwriting fees income	15,723.58	

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

4. Related party transactions (continued)

(4) Guarantee for subsidiaries

As of 30 June 2023, the Company has provided guarantee for the issuance of overseas bonds of not more than US\$100 million by the overseas wholly-owned subsidiary Wending Zhongyuan Company Limited, with a guarantee amount of RMB722,580,000.00 (US\$100,000,000.00)

(5) 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 January to June 2023, the benefits (before tax) paid and payable by the Company to key management personnel are as follows:

Expressed in RMB'0000

Item	Jan-June 2023	Jan-June 2022
Benefits of key management personnel (before tax)	1,650.12	1,945.77

2) Loans and advances to key management personnel

At the end of the reporting period, the Company did not make loans and advances to the members of the board of directors, the board of supervisors and other senior managers.

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	30 June 2023	31 December 2022
Contracted but not paid	486,826,694.73	519,485,968.89
Total	486,826,694.73	519,485,968.89

In addition to the above undertakings, as of 30 June 2023, the Company has no other major commitments that should be disclosed.

2. Significant contingencies

The Company has no significant contingencies that need to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XIII. EVENTS AFTER THE BALANCE SHEET DATE

1. Significant non adjustment events

(1) Termination of the issuance of shares to specific targets and withdrawal of application documents

22 July 2023, taking into account the capital market environment and other factors such as the actual situation of the Company and financing arrangements, the Company decided to terminate the issuance of shares to specific targets after careful analysis and argumentation, and applied to the Shanghai Stock Exchange to withdraw the relevant application documents. On 2 August 2023, the Company received the "Decision on Terminating the Review of the Issuance of Shares of Zhongyuan Securities Co., Ltd. to Specific Targets" (SSE Shangshen (Refinancing) [2023] No. 542) issued by the Shanghai Stock Exchange.

(2) Public issuance of subordinated corporate bonds to professional institutional investors

Registered with the China Securities Regulatory Commission (CSRC License [2022] No. 2213), the Company is permitted to publicly issue subordinated corporate bonds of not more than RMB4 billion to professional investors. On 18 August 2023, the issuance of 23 Zhongyuan C1 (code 115809) bonds was completed, with an actual issuance scale of RMB500 million and a coupon rate of 3.7%, and it was listed on the Shanghai Stock Exchange from 23 August 2023.

2. 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.

XIV. OTHER SIGNIFICANT EVENTS

1. Annuity plan

Central China Securities Co., Ltd. participates 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

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 operating segment is merged with one or more other operating segments with similar economic characteristics and meeting the conditions for operating 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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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	Closing balance/current amount ²									
	Securities brokerage business	Proprietary trading business	Investment banking business	Credit business	Investment management business	Futures business	Overseas business	Headquarters and others	Offset	Total
1. Operating income	32,927.80	34,811.63	2,303.38	20,728.41	3,173.74	13,897.39	1,536.41	-4,835.03	32.75	104,576.48
Net fee and commission income	23,846.65		2,221.44	789.31	1,944.48	5,965.02	235.37	648.86	-181.96	35,469.17
Investment income (or less: losses)		42,327.79			6,064.41	-439.92	1,214.30	-2,746.65	142.15	46,562.08
Gains on changes in fair value (or less: losses)		8,789.22			-5,170.73	-203.55	1,057.36	448.06		4,920.36
Gains on foreign exchange (or less: losses)	7.38						90.36	19.71		117.45
Other operating income	804.79	705.41	94.34		4.24	8,271.78	0.97	235.19	-64.28	10,052.44
Net interest income	8,268.98	-17,010.79	-12.40	19,939.10	331.34	304.06	-1,061.95	-3,440.20	136.84	7,454.98
2. Operating cost	30,531.32	9,402.41	7,715.90	1,960.21	2,132.45	13,149.02	2,415.23	18,436.25	-98.58	85,644.21
3. Operating profit	2,396.48	25,409.22	-5,412.52	18,768.20	1,041.29	748.37	-878.82	-23,271.28	131.33	18,932.27
4. Total assets	1,068,607.77	2,511,052.16	1,286.75	893,359.56	461,225.76	289,186.22	141,835.84	305,663.89	-45,853.03	5,626,364.92
5. Total liabilities	1,154,927.09	1,710,574.02	4,457.18	56,495.14	67,860.99	243,425.31	85,853.14	936,736.35	-46,657.86	4,213,671.36
6. Supplementary information										
(1) Depreciation and amortization	3,774.34	983.08	409.32	11.08	244.46	316.19	415.72	3,085.39	-58.77	9,180.81
(2) Capital expenditure	3,068.66	31.17	17.19	168.63	77.78	183.59	0.28	6,864.27		10,411.57

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 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions

(1) Margin business

The Group's margin business scale is as follows, on 30 June 2023 and 31 December 2022:

Item	30 June 2023	31 December 2022
Margin accounts receivable	7,244,118,146.09	7,090,382,849.97
Margin bonds receivable	2,260,559.51	15,997,699.65
Total	7,246,378,705.60	7,106,380,549.62

(2) Securities lending

The specific types and fair values of bonds borrowed by the Company on the inter-bank and exchange bond market trading platforms are as follows:

Item	Fair value on 30 June 2023	Fair value on 31 December 2022
National bonds	1,330,434,781.20	164,449,700.00
Policy-based financial bonds	2,662,773,925.10	3,154,100,970.00
Local government bonds		
Total	3,993,208,706.30	3,318,550,670.00

As of 30 June 2023, 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 RMB3,991,371,800.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(3) Security of customer funds

As of 30 June 2023, the Company has deposited customer transaction settlement funds in commercial banks with depository qualifications, which is in compliance with the requirements for the security of customer transaction settlement funds as set out in the "Customer Transaction Settlement Fund Management Measures" (China Securities Regulatory Commission Order No. 3), the third-party depository of customer transaction settlement funds and other relevant regulations, to safeguard the safety of customer funds, and the problem of misappropriation of client funds does not exist.

(4) Assets and liabilities measured at fair value

Item	31 December 2022	Gains and losses		30 June 2023
		from changes in fair value for the current period	Cumulative changes in fair value included in equity	
Financial assets at fair value through profit or loss (without derivative financial asset)	21,614,103,009.80	52,370,343.77		27,302,962,505.02
Derivative financial instruments	-791,553.74	1,895,002.75		2,962,261.71
Financial assets measured at fair value through other comprehensive income	2,288,258,640.42		22,553,402.29	726,145,159.65
Equity instruments at fair value through other comprehensive income				1,400,000.00
Financial liabilities at fair value through profit or loss	1,525,542,658.61	-5,061,735.87		1,880,537,054.47

Note: There is no inevitable cross-check relationship in this table.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(5) Basic classification table for the measurement of financial assets

Item	30 June 2023				
	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
Cash and bank balances	11,919,208,655.14				
Clearing settlement funds	2,924,226,597.72				
Margin accounts receivable	7,169,631,161.13				
Derivative financial assets				4,362,564.79	
Refundable deposits	1,071,459,113.55				
Accounts receivable	135,654,901.95				
Financial assets held under resale agreements	1,350,908,578.96				
Financial assets at fair value through profit or loss				27,302,962,505.02	
Financial assets measured at amortized cost	195,991,199.27				
Financial assets at fair value through other comprehensive income		726,145,159.65			
Equity instruments at fair value through other comprehensive income			1,400,000.00		
Other assets	347,391,327.26				
Total	25,114,471,534.98	726,145,159.65	1,400,000.00	27,307,325,069.81	

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XIV. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(5) Basic classification table for the measurement of financial assets (continued)

Item	31 December 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	483,536,760.01					
Total	23,192,201,935.52	2,288,258,640.42		21,614,105,256.06		

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 liabilities

Item	30 June 2023			
	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	7,878,026.53			
Derivative financial liabilities		1,400,303.08		
Short-term financing instruments payable	5,037,493,061.59			
Due to banks and other financial institutions	1,603,642,583.32			
Financial liabilities at fair value through profit or loss		1,880,537,054.47		
Financial assets sold under repurchase agreements	13,882,705,989.61			
Accounts payable to brokerage clients	12,764,227,514.67			
Accounts payable	547,161,021.29			
Bonds payable	5,370,051,522.01			
Long-term borrowings				
Other liabilities	39,704,425.02			
Total	39,252,864,144.04	1,881,937,357.55		

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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 liabilities (continued)

Item	31 December 2022			
	Financial assets measured at amortized cost	The change of fair value through profit or loss		
		Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Short-term loans	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		

(7) Foreign currency financial assets

Item	31 December 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	30 June 2023
Financial assets					
Financial assets at fair value through profit or loss	1,280,555,401.55	63,566,497.25			1,014,413,824.80
Account receivable	14,589,173.35				146,167.89
Financial assets measured at amortized cost					
Subtotal	1,295,144,574.90	63,566,497.25			1,014,559,992.69

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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	30 June 2023			31 December 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	5,739,655,803.95	213,448,720.01	5,526,207,083.94	5,514,103,953.95	213,448,720.01	5,300,655,233.94
Total	5,739,655,803.95	213,448,720.01	5,526,207,083.94	5,514,103,953.95	213,448,720.01	5,300,655,233.94

(2) Investment in subsidiaries

Investee	31 December 2022	Increase	Decrease	30 June 2023	Provision for impairment in the current period	Balance of impairment provision
Central China Futures Co., Ltd.	188,061,592.08	225,551,850.00		413,613,442.08		
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.	126,875,000.00			126,875,000.00		
Total	5,514,103,953.95	225,551,850.00		5,739,655,803.95		213,448,720.01

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Net interest income

Item	Jan-June 2023	Jan-June 2022
Interest income	392,328,341.98	412,272,153.84
Including: Interest income from cash and bank balances and clearing settlement funds	108,970,426.99	114,984,399.73
Interest income from margin accounts receivable	229,804,903.99	249,304,024.09
Interest income from financial assets held under resale agreements	28,647,019.07	28,948,517.87
Including: Interest income from agreed repurchase	264,701.40	268,371.91
Interest income from stock pledge repurchase	26,235,957.96	27,763,486.18
Interest income from financial assets at fair value through other comprehensive income	19,758,596.05	17,869,724.71
Others	5,147,395.88	1,165,487.44
Interest expenses	314,922,930.39	382,702,804.37
Including: Interest expenses of short-term financing instruments payable	27,892,590.31	38,642,863.06
Interest expenses of due to banks and other financial institutions	7,732,193.19	7,072,896.21
Including: Refinancing interest expenses	5,402,166.00	2,524,207.41
Interest expenses on financial assets sold under repurchase agreements	123,079,936.37	133,957,244.38
Interest expenses of accounts payable to brokerage clients	14,543,147.60	20,705,849.50
Interest expenses of bonds payable	129,546,106.95	172,469,982.65
Including: Interest expenses of subordinated bonds	52,672,545.54	80,407,299.06
Interest expenses of bond lending	5,891,953.75	2,908,898.80
Others	6,237,002.22	6,945,069.77
Net interest income	77,405,411.59	29,569,349.47

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Net fee and commission income

(1) Details

Item	Jan-June 2023	Jan-June 2022
Securities brokerage services net income	221,593,355.15	270,898,531.16
— Securities brokerage services income	302,823,479.50	369,323,607.69
— Funds received as agent of stock exchange	296,109,250.73	357,857,098.69
Leasing of trading unit seats	15,408.99	105,574.95
Sales agent of financial products	6,375,616.20	10,962,461.94
— Securities brokerage services expenses	81,230,124.35	98,425,076.53
— Funds received as agent of stock exchange	81,210,857.17	98,394,290.08
Sales agent of financial products	34.80	17,918.63
Investment bank business net income	24,197,178.83	118,325,212.67
— Investment bank business income	25,234,914.68	118,466,722.10
— Securities underwriting business	16,699,162.45	110,817,047.06
Sponsor business of securities	3,490,566.03	2,830,203.77
Financial advisory business	5,045,186.20	4,819,471.27
— Investment bank business expenses	1,037,735.85	141,509.43
— Securities underwriting business	1,037,735.85	141,509.43
Sponsor business of securities		
Financial advisory business		
Asset management business net income	13,982,484.13	8,865,064.78
— Asset management business income	13,982,484.13	8,916,626.92
— Asset management business expenses		51,562.14
Investment consulting business net income	22,780,011.73	28,906,819.72
— Investment consulting business income	22,780,011.73	28,906,819.72
— Investment consulting business expenses		
Other fee and commission net income	5,801,767.89	7,114,990.61
— Other fee and commission income	5,806,581.82	7,114,990.61
— Other fee and commission expenses	4,813.93	
Total	288,354,797.73	434,110,618.94
Including: Total fee and commission income	370,627,471.86	532,728,767.04
Total fee and commission expenses	82,272,674.13	98,618,148.10

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Investment income

(1) Classification details

Item	Jan-June 2023	Jan-June 2022
Long-term equity investments income calculated by cost method		
Financial instruments investment income	409,418,855.83	429,768,431.63
Including: Income generated during holding period	288,272,444.38	343,214,198.72
Including: Financial assets at fair value through profit or loss	304,608,455.89	351,072,654.19
Financial liabilities at fair value through profit or loss	-16,336,011.51	-7,858,455.47
Disposal income of financial instruments	121,146,411.45	86,554,232.91
Including: Financial assets at fair value through profit or loss	76,559,003.61	32,265,076.23
Financial assets at fair value through other comprehensive income	26,638,027.79	-13,610,651.11
Derivative financial instruments	34,116,006.47	63,872,453.39
Financial liabilities at fair value through profit or loss	-16,166,626.42	4,027,354.40
Total	409,418,855.83	429,768,431.63

(2) Detailed statement of investment income of financial instruments measured at fair value through profit or loss

Financial instruments measured at fair value through profit or loss	Jan-June 2023
Financial assets classified as financial assets measured at fair value through profit or loss	
Income during holding period	304,608,455.89
Income from disposal	76,559,003.61
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	-16,336,011.51
Income from disposal	-16,166,626.42
Financial liabilities designated to be measured at fair value through profit or loss	
Income during holding period	

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

5. Business and administrative expenses

Item	Jan-June 2023	Jan-June 2022
Employee benefits	466,388,241.78	458,758,020.98
Electronic equipment operating fee	35,861,081.30	22,244,620.60
Depreciation of right-of-use assets	31,042,430.17	29,217,107.35
Amortization of intangible assets	27,419,468.58	22,220,247.73
Advertising expenses	16,102,252.80	16,750,663.48
Depreciation of fixed assets	15,281,930.30	14,262,410.16
Amortization of long-term deferred expenses	8,033,916.54	5,505,036.06
Communication fee	7,186,888.54	6,845,591.28
Member fee	6,906,094.86	7,408,372.52
Securities investors protection funds	6,263,364.72	10,355,888.54
Information fee	5,934,768.22	5,669,373.24
Consulting fee	5,764,535.10	10,644,643.11
Travel expenses	5,377,311.06	2,331,893.09
Property management fee	4,760,151.89	4,291,373.35
Business entertainment expenses	4,695,059.51	4,085,002.29
Water and electricity	3,896,094.24	4,026,899.24
Exchange facility usage fees	2,802,213.64	1,676,937.73
Security precautionary fees	1,548,228.56	1,532,652.18
Rental fees	1,260,746.54	2,749,442.33
Others	12,530,855.42	9,447,178.94
Total	669,055,633.77	640,023,354.20

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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	Jan-June 2023	Jan-June 2022
1. Adjusting net profit to cash flow from operating activities:		
Net profit	176,017,348.48	24,266,468.73
Add: Expected credit losses	5,885,697.02	133,945,730.60
Provision for impairment of other assets		
Accumulated depreciation of investment properties and fixed assets	15,877,575.13	14,815,259.70
Depreciation of right of use assets	31,042,430.17	29,217,107.35
Amortization of intangible assets	27,419,468.58	22,220,247.73
Amortization of long-term deferred expenses	8,033,916.54	5,505,036.06
Losses on disposal of fixed assets, intangible assets and other long-term assets (income is represented with "-")	760,501.30	497,529.36
Losses on changes in fair value (income expressed with "-")	-90,457,957.52	125,305,532.57
Interest expenses	160,702,450.62	216,076,783.40
Exchange losses (or gains expressed with "-")	-270,871.95	-439,017.61
Investment losses (or gains expressed with "-")	-46,396,623.84	-4,259,073.60
Decrease in deferred income tax assets (or increase expressed with "-")	-8,940,098.88	-97,379,827.77
Increase in deferred income tax liabilities (or decrease expressed with "-")	905,236.74	759,588.93
Decrease of operating receivables (or increase expressed with "-")	-628,775,649.21	3,072,096,228.85
Increase of operating payable (or decrease expressed with "-")	-283,206,819.09	-380,179,518.71
Net cash flow from operating activities	-631,403,395.91	3,162,448,075.59
2. Major 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 under finance lease		
3. Net change in cash and cash equivalents:		
Closing balance of cash	12,914,290,145.80	14,263,370,014.26
Less: opening balance of cash	11,487,978,273.17	13,041,401,477.73
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase of cash and cash equivalents	1,426,311,872.63	1,221,968,536.53

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2023 to 30th June, 2023 (The currency is in RMB except otherwise stated)

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	-1,207,227.94	
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)	16,830,186.88	
Other non-operating income and expenses other than the above items	-546,987.16	
Other profit and loss items conforming to the definition of non-recurring profit and loss		
Less: income tax impact	3,768,992.95	
Influence amount of minority shareholders' equity (after tax)	66,082.94	
Total	11,240,895.89	

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	1.21	0.04	0.04
Net profit attributable to common shareholders of the Company after deducting non-recurring profits or losses	1.13	0.03	0.03

Central China Securities Co., Ltd.

30 August 2023

SECTION 9 INFORMATION DISCLOSURE OF SECURITIES COMPANY

I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

(I) Administrative licensing of branch offices and securities branches during the Reporting Period

Relocated branch offices	Relocated securities branches
4	2

1. Administrative licensing of the relocation 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. Zhengzhou Branch Office	Central China Securities Co., Ltd. Zhengzhou Branch Office	3F, Business Building, Jingwei Apartment, No. 30 Weier Road, Jinshui District, Zhengzhou City	10 January 2023
2	Central China Securities Co., Ltd. Nanyang Branch Office	Central China Securities Co., Ltd. Nanyang Branch Office	Room 101, 1F and Room 301, 3F, Unit 1, Building 15, Block 15, Yulongyuan (玉龍苑), No. 366 North Dushan Avenue, Nanyang City	12 April 2023
3	Central China Securities Co., Ltd. Xinyang Branch Office	Central China Securities Co., Ltd. Xinyang Branch Office	Room 101, 1F and Room 201 to Room 204, 2F, Annex Building of Building 3, Chenyu Guoji Gangwan (辰宇國際港灣), Xinliu Avenue, Yangshan New District, Xinyang City, Henan Province	13 February 2023
4	Central China Securities Co., Ltd. Zhejiang Branch Office	Central China Securities Co., Ltd. Zhejiang Branch Office	Room 1702, 17F, No. 37 Sanxin Road, Sijiqing Street, Shangcheng District, Hangzhou City, Zhejiang Province	19 May 2023

2. Administrative licensing of 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. Nanyang East Fanli Road Securities Branch	Central China Securities Co., Ltd. Nanyang Renmin Road Securities Branch	No. 170 Renmin Road, Nanyang City	3 March 2023
2	Central China Securities Co., Ltd. Yiwu North Chouzhou Road Securities Branch	Central China Securities Co., Ltd. Yiwu Yinhai Road Securities Branch	Rooms 710 and 711, 7F, No. 399 Yinhai Road, Futian Street, Yiwu City, Jinhua City, Free Trade Zone, China (Zhejiang)	19 May 2023



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