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Central China Securities Co., Ltd.

(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name “中原证券股份有限公司” and carrying on business in Hong Kong as “中州证券”)
(Stock Code: 01375)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Central China Securities Co., Ltd. (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2023. This annual results announcement, containing the full text of the 2023 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results and has been reviewed by the audit committee under the Board.

The Company’s 2023 annual report will be published and available for viewing on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk, the website of the Shanghai Stock Exchange at www.sse.com.cn and the website of the Company at www.ccnew.com on or before 30 April 2024.

By order of the Board of
Central China Securities Co., Ltd.
LU Zhili
Chairman

Henan, the PRC
28 March 2024

As at the date of this announcement, 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.

IMPORTANT NOTICE

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

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

The annual financial statements for 2023 prepared by the Company in accordance with the China Accounting Standard for Business Enterprises have been audited by Da Hua Certified Public Accountants (Special General Partnership), with standard unqualified audit report issued to the Company.

Mr. Lu Zhili, head of the Company, Mr. Li Zhaoxin, the general manager and the person in charge of accounting affairs and Ms. Han Xihua, head of the accounting department, warrant that the financial statements set out in this report are true, accurate and complete.

The Company's profit distribution plan for 2023 as considered and approved at the twenty-fourth meeting of the Seventh Session of the Board is to distribute a cash dividend of RMB0.14 (tax inclusive) for every 10 shares. As of 31 December 2023, calculated based on the total share capital of the Company of 4,642,884,700 shares, the total cash dividend amounted to RMB65,000,385.80 (tax inclusive). No capital reserves will be converted into share capital and no bonus shares will be distributed by the Company. Such proposed profit distribution plan is subject to the approval of the shareholders' general meeting of the Company.

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

There was no appropriation of funds of the Company by the controlling shareholder(s) or its related/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.

MATERIAL RISK ALERT

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

The risks confronted by the Company mainly include: policy risk with adverse impact on the operation of securities companies due to changes in national macroeconomic policies and the regulatory measures, laws and regulations related to the securities industry, regulatory policies and trading rules, etc.; compliance risk of the Company being legally held accountable, subject to supervisory measures, given self-discipline penalties or suffering from loss of property or reputation arising from violation of laws, regulations or rules by the operation and management or licensed practices; market risk of loss of the Company's business due to unfavorable changes in market prices; credit risk resulting from losses due to defaults by financing parties, counterparties or issuers; operational risk resulting from losses caused by imperfect or faulty internal procedures, personnel, information technology systems and external events; liquidity risk that the Company cannot obtain sufficient funds in time at a reasonable cost to meet the maturing debts, fulfill other payment obligations and meet the capital needs of normal business; information technology risk of adverse impact on the Company's business due to software and hardware failures, security loopholes in the information technology systems and communication systems and insufficient emergency management capability of disaster recovery systems; reputational risk that the Company's actions or external events, and employees' violations of integrity regulations, professional ethics, business norms, industry rules and regulations, etc., leading to negative evaluations of the Company by investors, issuers, regulators, self-regulatory organizations, the public, the media, etc., thus damaging the Company's brand value and affecting its normal operations.

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

CONTENTS

Section 1	Definitions	4
Section 2	Company Profile and Key Financial Indicators	7
Section 3	Report of the Board of Directors	34
Section 4	Corporate Governance Report	81
Section 5	Significant Events	137
Section 6	Changes in Ordinary Shares and Information on Shareholders	149
Section 7	Information on Bonds Issued by the Company	155
Section 8	Financial Report	162
Section 9	Information Disclosure of Securities Company	363

DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

Annual report disclosed in other securities markets.

Other relevant materials.

SECTION 1 DEFINITIONS

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

DEFINITIONS OF COMMON TERMS

Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
Group	the Company and its subsidiaries
Board	the board of the Directors of the Company
Director(s)	Director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	Supervisor(s) of the Company
Hong Kong Listing Rules	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
Corporate Governance Code	Part II of Appendix C1 to the Hong Kong Listing Rules
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
this report	this annual report
SSE	Shanghai Stock Exchange
SSE Composite Index	composite stock price index of the SSE
SZSE	Shenzhen Stock Exchange
SZSE Component Index	component stock price index of the SZSE
Beijing Stock Exchange	Beijing Stock Exchange
Wind Info	Wind Information Co., Ltd. (萬得信息技術股份有限公司)
IPO	the initial public offering
A shares	domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the SSE
H shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Hong Kong Stock Exchange

SECTION 1 DEFINITIONS

Reporting Period/the Period	the period from 1 January 2023 to 31 December 2023
end of the Reporting Period/end of the Period	31 December 2023
PRC or China	the People's Republic of China
State Council	the State Council of the PRC (中華人民共和國國務院)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Ministry of Finance	the Ministry of Finance of the PRC (中華人民共和國財政部)
NDRC	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
CPCHPC	Henan Provincial Committee of the Communist Party of China (中國共產黨河南省委員會)
Henan Provincial Government	Henan Provincial People's Government (河南省人民政府)
Henan Bureau of the CSRC	Henan Branch of the China Securities Regulatory Commission (中國證券監督管理委員會河南監管局)
Henan SASAC	The State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
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)

SECTION 1 DEFINITIONS

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION ABOUT THE COMPANY

Chinese name of the Company	中原证券股份有限公司
Chinese abbreviation of the Company	中原证券
English name of the Company	CENTRAL CHINA SECURITIES CO., LTD.
English abbreviation of the Company	CCSC
Legal representative of the Company	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	8,651,125,530.23	8,107,804,569.34

Qualifications for each individual business of the Company

The business scope of the Company includes: securities brokerage; securities investment consulting; financial advisory related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities asset management; margin financing and securities lending; agency sale of securities investment funds; agency sale of financial products.

In addition, the Company also possesses the following business qualifications:

1. Business qualifications approved or authorised by the SFC:

Qualification for sponsoring institution for securities issuance and listing, qualification for IPO inquiry and placement business, qualification for stock lead underwriter business, qualification for sponsoring broker business, qualification for qualified investor business of block trading system, qualification for entrusted asset management business of NEEQ business, qualification for online securities entrustment business, qualification for open-end securities investment fund agency sales business, qualification for providing intermediary introduction business for futures companies, qualification for margin financing and securities lending business, qualification for bond pledge-style quotation repurchase business, qualification for financial advisory for merger and acquisition and restructuring of listed companies, and qualification for sponsoring institution for equity division reform.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

2. Business qualifications approved by the exchange:

Qualification for agreed repurchase securities trading business, IPO price inquiry and placement business, stock pledge repurchase business, recommendation business and transfer business of the National Equities Exchange and Quotations, stock option brokerage business of the SSE, Hong Kong Stock Connect business of the SSE, Hong Kong Stock Connect business under Shenzhen-Hong Kong Stock Connect of the Shenzhen Stock Exchange, Shanghai Stock Exchange membership, Shenzhen Stock Exchange membership, Shanghai Stock Exchange "SSE 50ETF" participation in brokerage business, Shanghai Stock Exchange treasury bond repurchase transaction qualification, warrant trading qualification, and first-class dealer qualification for the Integrated Electronic Platform for Fixed Income Securities of the SSE.

3. Business qualifications approved by the Securities Association of China:

Qualification for underwriting of private placement bonds for small and medium-sized enterprises, pilot qualification for Internet securities business, membership of the Securities Association of China, pilot qualification for OTC market business and qualification for IPO inquiry targets.

4. Business qualifications approved by the PBOC:

National interbank lending business qualification and interbank bond trading qualification.

5. Other business qualifications:

Qualification for foreign exchange business, qualification for agency sale of financial products (approved by the Henan CSRC), qualification for registration of securities pledge as an agent, qualification for securities refinancing and securities lending business, qualification for market-making business in the inter-institutional private equity product quotation system, qualification for underwriting of debt financing instruments of non-financial enterprises in the inter-bank market, qualification for settlement participant of China Securities Depository and Clearing Corporation Limited, qualification for sponsoring brokerage business in the agency system, and market-making business in the National Equities Exchange and Quotations.

6. The subsidiaries also have the following business qualifications:

Central China Futures Co., Ltd.: qualification for commodity futures brokerage business, qualification for financial futures brokerage business, qualification for futures trading consulting business and qualification for asset management business.

Central China International Securities Co., Ltd.: Qualification for securities trading business, advising on securities.

Central China International Financing Co., Ltd.: Qualification for securities trading business, advising on corporate finance.

Zhongding Kaiyuan Venture Capital Management Co., Ltd.: Private equity investment fund, private equity investment FOF fund, venture capital fund and venture capital investment FOF fund.

Henan Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.: Private equity investment fund, private equity investment FOF fund, venture capital fund and venture capital investment FOF fund.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

II. CONTACT PERSONS AND CONTACT METHODS

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

III. BASIC PROFILE

Registered address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China
Change of the Company's registered address	none
Office address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China
Postcode of the office 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

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

V. SHARES OF THE COMPANY

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

VI. OTHER INFORMATION OF THE COMPANY

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

On 25 October 2002, according to the CSRC's Reply Concerning Approval of Opening of Central China Securities Co., Ltd. (Zheng Jian Ji Gou Zi 2002 No. 326) (《關於同意中原证券股份有限公司開業的批覆》(證監機構字[2002]326號)), Henan Finance Securities Company Limited and the Securities branch of Anyang Trust & Investment Company Limited merged and reorganised into one, which later joined other qualified companies to form Central China Securities Co., Ltd. after increase in capital and share. The Company was registered with Henan Administration for Industry and Commerce on 8 November 2002, with a registered capital of RMB1,033.79 million. After incorporation, the Company, according to CSRC's reply concerning approval of opening, acquired the securities branch and securities services department (which were originally under Henan Securities) and other securities-related assets.

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

On 10 June 2008, Henan Investment Group was approved by the CSRC to receive 196,704,200 shares of the Company (accounting for 9.673% of the Company's registered capital) held by Henan Construction Investment Corporation and 715,253,600 shares of the Company (accounting for 35.173% of the Company's registered capital) held by Henan Economic and Technology Development Co., Ltd., after which Henan Investment Group holds 911,957,800 shares of the Company in aggregate (accounting for 44.846% of the Company's registered capital).

On 22 September 2011, the CSRC approved that Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund) was qualified to hold more than 5% of equity of Central China Securities Co., Ltd. as a shareholder and to receive 608,000,000 shares (accounting for 29.899% of the Company's registered capital) of the Company held by Xuji Group Corporation.

On 25 June 2014, the Company issued and listed 598,100,000 H Shares on the main board of the Hong Kong Stock Exchange with a par value of RMB1 per share at the allocation price of HK\$2.51 per H Share (stock abbreviation: 中州证券; stock code: 01375). According to the Reply Concerning Management and Transfer of State-owned Equities of Central China Securities Co., Ltd. (Guo Zi Chan Quan 2013 No. 1070) (《關於中原证券股份有限公司國有股權管理及國有股轉持有關問題的批覆》(國資產權[2013]1070號)) by State-owned Assets Supervision and Administration Commission of the State Council, after the Company completed this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, Pingmei Shenma, Anyang Economic Development, Jiangsu SOHO Holdings, Shenhua Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment transferred their respective 40,994,778 shares, 8,842,345 shares, 3,738,231 shares, 2,432,074 shares, 1,348,575 shares, 884,166 shares, 678,113 shares, 449,525 shares and 442,193 shares (59,810,000 shares in total) to National Council for Social Security Fund. On 28 October 2014, the Company completed the industrial and commercial change registration of registered capital at Henan Administration for Industry and commerce, and the registered capital increased to RMB2,631,615,700.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

On 3 August 2015, the Company completed the non-public issuance of 592,119,000 H shares, with a par value of RMB1 per share at the allocation price of HK\$4.28 per H share. On 14 August 2015, the Company completed the procedures of industrial and commercial change registration with Henan Administration for Industry and Commerce, with the share capital of the Company increased to RMB3,223,734,700.

On 18 November 2016, the Company issued no more than 700,000,000 shares ordinary share with a par value of RMB1 per share. According to the Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund (Cai Qi 2009 No. 94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Reply Concerning Proposal for Management of State-owned Equities and Transfer of State-owned Shares in Relation to the Issuance of A Shares by Central China Securities Co., Ltd. (Yu Guo Zi Chan Quan 2015 No. 26) (《關於中原證券股份有限公司發行A股國有股權管理方案及國有股轉持的批覆》(豫國資產權[2015]26號)) by the Henan SASAC, based on the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, Pingmei Shenma, Anyang Economic Development, Jiangsu SOHO Holdings, Shenhua Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment transferred their respective 47,979,175 shares, 10,348,840 shares, 4,375,124 shares, 2,846,433 shares, 1,578,336 shares, 1,034,804 shares, 793,645 shares, 526,112 shares and 517,531 shares (70,000,000 shares in total) to National Council for Social Security Fund.

On 3 January 2017, the Company's A shares were listed on the Shanghai Stock Exchange. On 16 February 2017, 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 RMB3,923,734,700.

From 12 February 2018, the Company repurchased certain H shares by means of on-market share buyback, which was completed on 18 May 2018. The Company has repurchased 54,664,000 H shares on a cumulative basis. On 11 July 2018, the Company completed the procedures of industrial and commercial change registration and obtained the business license reissued by the Henan Administration for Industry and Commerce. The registered capital changed to RMB3,869,070,700.

On 30 July 2020, the Company completed the non-public issuance of 773,814,000 A shares with a nominal value of RMB1 per share and at an issue price of RMB4.71 per A share. On 4 September 2020, the Company completed the procedures of industrial and commercial change registration with Henan Administration for Industry and Commerce, with the share capital of the Company increased to RMB4,642,884,700.

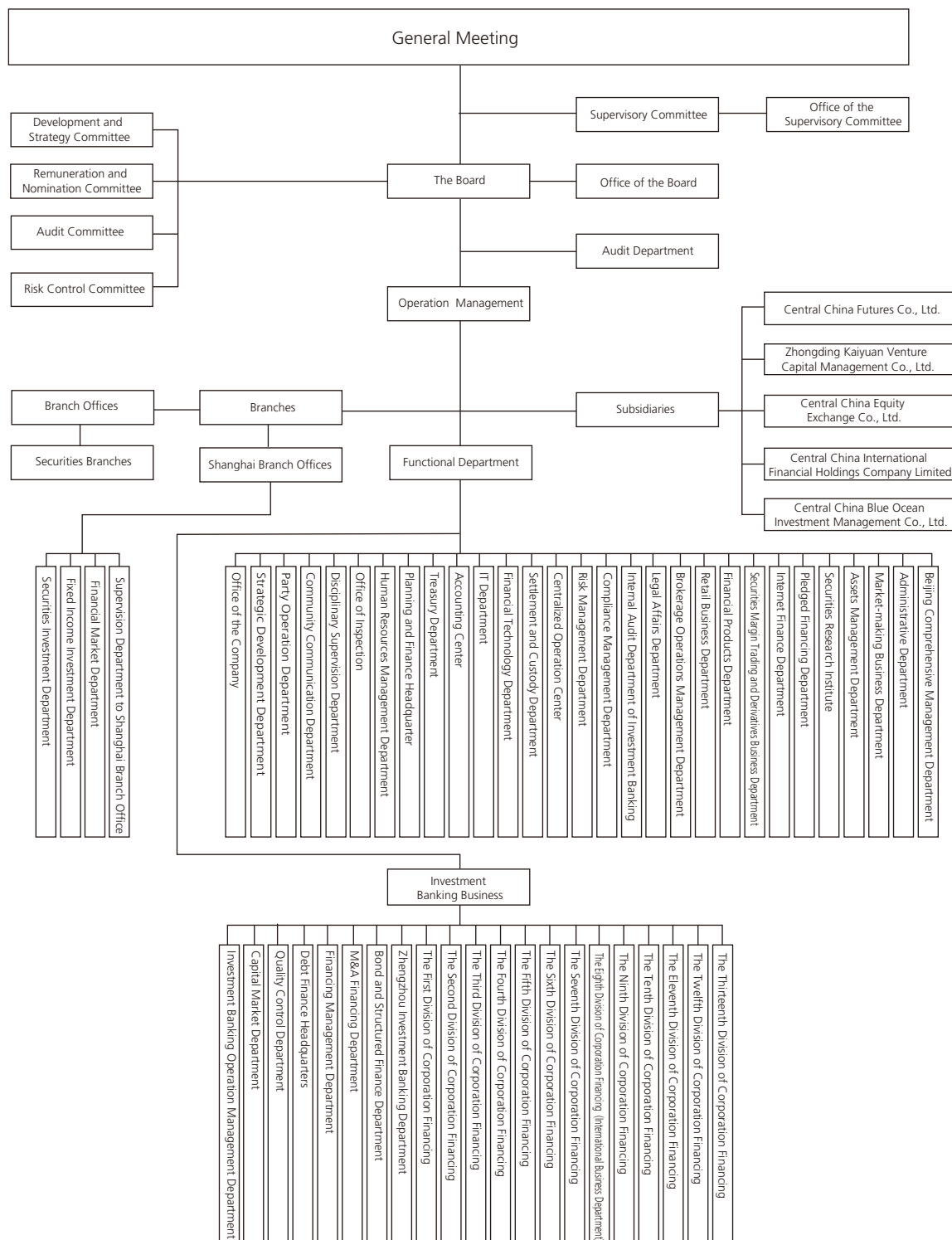
(II) Status of the Company's organizational structure

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

1. Organizational structure diagram of the Company

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



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

2. Major subsidiaries of the Company

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

(III) Number and network of other branches

As of the disclosure date of this report, the Company had 31 branch offices, as detailed below:

No.	Branch Offices	Address	Date of incorporation	Person in charge	Telephone
Non-securities brokerage branches:					
1	Central China Securities, Ltd. Shanghai Branch Office	22–23, Building T1, No. 1788 and 1800 Century Avenue, Free Trade Zone, China (Shanghai)	2/7/2009	Liu Hao	021–50588666
Securities brokerage branches in Henan Province:					
2	Central China Securities Co., Ltd. Zhengzhou Branch Office	3F, Business Building, Jingwei Apartment, No. 30 Weier Road, Jinshui District, Zhengzhou City, Henan Province	10/3/2011	Wang Tianpeng	0371–61916188
3	Central China Securities Co., Ltd. Nanyang Branch Office	Room 101, 1/F and Room 301, 3/F, Unit 1, Tower 15, Building 15, Yulongyuan, No. 366, North Section of Dushan Avenue, Nanyang City, Henan Province	20/5/2003	Dong Baojun	0377–63229828
4	Central China Securities Co., Ltd. Pingdingshan Branch Office	28th Floor, Building 1, Shop 101, Building 2, Jiatian Xintiandi, No. 26 Middle Jianshe Road, Xinhua District, Pingdingshan City, Henan Province	30/6/2015	Wang Nan	0375–4801728
5	Central China Securities Co., Ltd. Luohe Branch Office	No. 101, Building 7, Jinse Huaifu Junyuan, Huanghe Road, Yancheng District, Luohe City, Henan Province	9/6/2003	Lv Yaodong	0395–3183866
6	Central China Securities Co., Ltd. Puyang Branch Office	No. 203 Middle Jianshe Road, Puyang City, Henan Province	21/4/2014	Zhang Yunpeng	0393–8151517

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch Offices	Address	Date of incorporation	Person in charge	Telephone
7	Central China Securities Co., Ltd. Anyang Branch Office	Financial Securities Building, North Hongqi Road, Beiguan District, Anyang City, Henan Province	8/5/2003	Lu Wei	0372-2095699
8	Central China Securities Co., Ltd. Xinxiang Branch Office	No. 250 Renmin Road, Xinxiang City, Henan Province	29/4/2003	Wang Lin	0373-2068736
9	Central China Securities Co., Ltd. Hebi Branch Office	Southeast Corner, Intersection of Qibin Avenue and Xinghe Street, Qibin District, Hebi City, Henan Province	26/5/2004	Jie Jiwu	0392-3299909
10	Central China Securities Co., Ltd. Xuchang Branch Office	No. 669 Yingchang Avenue, Weidu District, Xuchang City, Henan Province	12/6/2014	Chen Lei	0374-2160177
11	Central China Securities Co., Ltd. Xinyang Branch Office	Room 101, 1/F and Room 201-204, 2/F, Annex Building, Building 3, Chenyu International Harbor, Xinliu Avenue, Yangshan New Area, Xinyang City, Henan Province	26/7/2006	Xu Hongjian	0376-6210378
12	Central China Securities Co., Ltd. Jiaozuo Branch Office	No. 1838 Middle Jiefang Road, Jiaozuo City, Henan Province	2/6/2003	Su Wenfeng	0391-3288118
13	Central China Securities Co., Ltd. Kaifeng Branch Office	1F, Building 1, Area C, Longcheng Jinxiu Garden, Jiyong Street, Kaifeng City, Henan Province	11/8/2006	Zhu Yan	0371-23899816
14	Central China Securities Co., Ltd. Yellow River Golden Triangle Demonstration Area Branch Office	2F, Building 4-6, Jinxiuhuating, Daling Road, Sanmenxia City, Henan Province	20/11/2013	Pang Haojie	0398-2830400
15	Central China Securities Co., Ltd. Shangqiu Branch Office	Jinsui International Trade Building, Northeast Corner to the Shang-shaped Sculpture (at the intersection of Nanjing Road and Shenghuo Avenue), Suiyang District, Shangqiu City, Henan Province	24/4/2014	Ding Qingming	0370-2580966

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch Offices	Address	Date of incorporation	Person in charge	Telephone
16	Central China Securities Co., Ltd. Zhoukou Branch Office	3F (facing the street), Office Building of Henan Netcom Zhoukou Branch, No. 81 Middle Section of Qiyi Road, Zhoukou City, Henan Province	26/4/2006	Song Fei	0394-8288680
17	Central China Securities Co., Ltd. Luoyang Branch Office	No. 30 West Kaixuan Road, Xigong District, Luoyang City, Henan Province	28/11/2013	Gao Jingxian	0379-63915178
18	Central China Securities Co., Ltd. Zhumadian Branch Office	No. 196 Jiefang Road, Zhumadian City, Henan Province	23/4/2003	Cheng Xiwen	0396-2989099

Securities brokerage branches outside Henan Province:

19	Central China Securities Co., Ltd. Beijing Branch Office	909, 9/F, Building 53, 14 Jiuxianqiao Road, Chaoyang District, Beijing	15/4/2004	Xia Qun	010-58671099
20	Central China Securities Co., Ltd. Shanghai 1st Branch Office	Rooms 301-318, No. 261 West Dalian Road, Hongkou District, Shanghai	29/8/2003	Shen Ruwei	021-65080598
21	Central China Securities Co., Guangzhou Branch Office	Room 2401, No. 395 Linjiang Avenue, Tianhe District, Office Guangzhou City, Guangdong Province (Location: Self-edited 02) (office only)	27/11/2014	Xiong Peili	020-87580229
22	Central China Securities Co., Ltd. Shenzhen Branch Office	Unit 04 & 05, 31/F, China Life Tower, No. 123 Fuhua 1st Road, Fu'an Community, Futian Subdistrict, Futian District, Shenzhen City, Guangdong Province	14/5/2015	Xiong Peili	0755-83801055
23	Central China Securities Co., Ltd. Sichuan Branch Office	No. 4, 2F, Block 13, No. 1000 Jincheng Avenue, Chengdu Hi-Tech Industrial Development Zone, Chengdu City, Sichuan Province	3/2/2017	Ren Li	028-86051566

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch Offices	Address	Date of incorporation	Person in charge	Telephone
24	Central China Securities Co., Ltd. Jiangsu Branch Office	Unit 08, Zone A, 5/F, Phase II, Xindi Center, Room 1, 168 Lushan Road, Jianye District, Nanjing City, Jiangsu Province	5/9/2017	Zhang Hanmin	025-83696336
25	Central China Securities Co., Ltd. Hainan Branch Office	Room 2007, 20F, Hainan Building, No. 5 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	12/9/2017	Mei Linjie	0898-66515090
26	Central China Securities Co., Ltd. Shandong Branch Office	Room 1001, 10F, First Avenue, No. 15982 Jingshi Road, Lixia District, Jinan City, Shandong Province	25/2/2011	Kong Qingli	0531-86962752
27	Central China Securities Co., Ltd. Shandong 1st Branch	District B, Jinlingshang Street, 16 Xianxialing Road, Office Laoshan District, Qingdao City, Shandong Province	4/2/2004	Ji Zhenduo	0532-88970289
28	Central China Securities Co., Ltd. Hunan Branch Office	Rooms 2554, 2555, 2556 & 2557, Building 2, Dongying Commercial Plaza, No. 730 Yuanda 1st Road, Furong District, Changsha City, Hunan Province	11/1/2011	Zhu Guojun	0731-84598699
29	Central China Securities Co., Ltd. Shaanxi Branch Office	3F, Block A, Fanmei Building, No. 1 Nanguanzheng Street, Beilin District, Xi'an, Shaanxi Province	19/4/2011	Ji Lijuan	029-86351800
30	Central China Securities Co., Ltd. Zhejiang Branch Office	Room 1702, 17/F, No. 37, Sanxin Road, Sijiqing Subdistrict, Shangcheng District, Hangzhou City, Zhejiang Province	10/8/2004	Li Kaihui	0571-28007760
31	Central China Securities Co., Ltd. Hubei Branch Office	Rooms 12, 13 and 14, 7F, Starlight, South Lake, Intersection of South Luoshi Road and Wenhui Road, Hongshan District, Wuhan City, Hubei Province	9/1/2014	Duan Ruixing	027-87737178

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

As of the disclosure date of this report, the Company had 76 branches. They are in 9 provinces, autonomous regions and municipalities, including 66 in Henan Province, 2 in Shanghai, 1 in Tianjin, 1 in Zhejiang Province, 1 in Hunan Province, 2 in Jiangsu Province, 1 in Shandong Province, 1 in Hebei Province and 1 in Shanxi Province. See the following table for details:

No.	Securities branch	Address	Person in charge
Securities Brokerage Business Department in Henan Province:			
1	Central China Securities Co., Ltd. Zhengzhou Huanghe Road Securities Branch	2F, West Wing Building, No. 11 Huanghe Road, Jinshui District, Zhengzhou City, Henan Province	Chen Mingwei
2	Central China Securities Co., Ltd. Zhengzhou Tongbai Road Securities Branch	No. 43 Tongbai Road, Zhongyuan District, Zhengzhou City, Henan Province	Chang Hongxin
3	Central China Securities Co., Ltd. Zhengzhou Free Trade Zone Securities Branch	Room 202, Floor 5A, 138 Jingbei First Road, Zhengzhou Area (Zhengzhou Economic and Technological Development Zone (ETDZ)), Pilot Free Trade Zone, Henan Province	Wu Xinzhong
4	Central China Securities Co., Ltd. Zhengzhou Zijingshan Road Securities Branch	20F, Post Office Tower, No. 61 Zijingshan Road, Guancheng Hui District, Zhengzhou City, Henan Province	Jia Yingkui
5	Central China Securities Co., Ltd. Zhengzhou Jingsan Road Securities Branch	No. 25 Jingsan Road, Jinshui District, Zhengzhou City, Henan Province	Zhao Shengchang
6	Central China Securities Co., Ltd. Zhengzhou Weier Road Securities Branch	3F, Business Building, Jingwei Apartment, No. 30 Weier Road, Jinshui District, Zhengzhou City, Henan Province	Song Yitao
7	Central China Securities Co., Ltd. Zhengzhou Business Inner Ring Road Securities Branch	2F, No. 11 Business Inner Ring Road, Zhengzhou Section (Eastern Zhengzhou), Pilot Free Trade Zone, Henan Province	Xin Zhihong
8	Central China Securities Co., Ltd. Xinzheng Xinhua Road Securities Branch	No. 4-5, 1F, Building 1, Xinhua Community, Xinhua Road, Xinzheng City, Henan Province	Dong Lei
9	Central China Securities Co., Ltd. Xinmi East Avenue Securities Branch	No. 17 East Avenue, Xinmi County-level City, Zhengzhou City, Henan Province	Zhou Yuan
10	Central China Securities Co., Ltd. Gongyi Songshan Road Securities Branch	No. 119-8 Songshan Road, Gongyi City, Henan Province	Shi Jianguo

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
11	Central China Securities Co., Ltd. Zhongmou Guanghui Street Securities Branch	Shop on 1F (facing the street), Southeast of the intersection of Guanghui Street and Wansheng Road, Zhongmou County, Zhengzhou City, Henan Province	Chen Zhong
12	Central China Securities Co., Ltd. Dengfeng Shaolin Avenue Securities Branch	Shaolin Avenue, Dengfeng City (West Hall on 1F of Shaolin International Hotel), Henan Province	Qu Bo
13	Central China Securities Co., Ltd. Dengzhou Xinhua Road Securities Branch	No. 17 East Xinhua Road, Dengzhou City, Henan Province	Zhang Hui
14	Central China Securities Co., Ltd. Nanyang Renmin Road Securities Branch	No. 170 Renmin Road, Nanyang City, Henan Province	Zhao Xiaoyu
15	Central China Securities Co., Ltd. Nanyang Wuyi Road Securities Branch	East Wuyi Road, Guanzhuang District, Nanyang City, Henan Province	Wang Qingfeng
16	Central China Securities Co., Ltd. Xixia Renmin Road Securities Branch	Intersection of Baiyu Road and Renmin Road, Xixia County, Henan Province	Zhang Wandong
17	Central China Securities Co., Ltd. Pingdingshan Guangming Road Securities Branch	Shop 106+206, 1-2F, No. 6 Jinghua Jinyu Lanwan, Southwest Corner of Intersection of Guangming Road and Zhannan Road, Zhanhe District, Pingdingshan City, Henan Province	Li Jianguo
18	Central China Securities Co., Ltd. Pingdingshan Jianshe Road Securities Branch	37 Middle Jianshe Road (Renmin Plaza), Weidong District, Pingdingshan City, Henan Province	Zheng Wenchao
19	Central China Securities Co., Ltd. Ruzhou Chengyuan Road Securities Branch	1-2F, West side of the Chengyuan Road, Ruzhou City, Henan Province	Shi Lin
20	Central China Securities Co., Ltd. Baofeng Zhongxing Road Securities Branch	Shop 111, Dongcheng International Residential Community, Zhongxing Road, Chengguan Town, Baofeng County, Henan Province	Jiao Dezhi
21	Central China Securities Co., Ltd. Luohe Changjiang Road Securities Branch	No. 29 Changjiang Road, Yuanhui District, Luohe City, Henan Province	Wu Jun

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
22	Central China Securities Co., Ltd. Linying Yinghe Road Securities Branch	A6-8, Longting Shoufu Community, Middle Yinghe Road, Linying County, Henan Province	Zhao Jun
23	Central China Securities Co., Ltd. Puyang Kaizhou Road Securities Branch	1F, China Unicom Building, Southwest of the intersection of Zhongyuan Road and Kaizhou Road, Puyang City, Henan Province	Song Yuejin
24	Central China Securities Co., Ltd. Puyang Zhongyuan Road Securities Branch	No. 18 Zhongyuan Road, Puyang City, Henan Province	Zhang Yanjie
25	Central China Securities Co., Ltd. Qingfeng Chaoyang Road Securities Branch	No. 240 Chaoyang Road, Qingfeng County, Puyang City, Henan Province	Wang Xiangxin
26	Central China Securities Co., Ltd. Puyang County Yumin Road Securities Branch	East to Middle Yumin Road, Puyang County, Henan Province	Chang Shaoyong
27	Central China Securities Co., Ltd. Anyang Zhonghua Road Securities Branch	Building 7, Guangsha New Garden, Zhonghua Road, Anyang City, Henan Province	Jiang Hua
28	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	Southeast Corner of the Intersection of Meidong Road and Wenfeng Avenue, No. 413 Wenfeng Avenue, Longan District, Anyang City, Henan Province	Chen Limin
29	Central China Securities Co., Ltd. Linzhou Hongqiqu Avenue Securities Branch	Shops 102 & 103, Building 1, Ziyun Yueting, Southeast Corner of the Intersection of Zhenlin Road and Hongqiqu Avenue, Kaiyuan Subdistrict, Linzhou City, Anyang City, Henan Province	Wu Xinsheng
30	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	Shop 102, Building 8, Huangtong Shijicheng, Hua County New Area, Anyang City, Henan Province	Fu Hongbin
31	Central China Securities Co., Ltd. Tangyin Renmin Road Securities Branch	Area A of Shangri-La, Southwest Angle, Intersection of Renmin Road and Zhonghua Road, Tangyin County, Anyang City, Henan Province	Pei Haixia
32	Central China Securities Xinxiang East Renmin Road Securities Branch	Shop 1201, Building 1, Tianan Mingdi, No. 166 Muye Avenue (Middle), Hongmen Town, Hongqi District, Xinxiang City, Henan Province	Qiu Fei

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
33	Central China Securities Co., Ltd. Changyuan Shanhai Avenue Securities Branch	Shop 116, Building 11, Weihua Shijicheng, Shanhai Avenue, Changyuan County-level City, Xinxiang City, Henan Province	Shen Changjun
34	Central China Securities Co., Ltd. Hui County Gongcheng Avenue Securities Branch	North to East Gongcheng Avenue, Hui County, Henan Province	Zhang Xiaodong
35	Central China Securities Co., Ltd. Weihui Bigan Avenue Securities Branch	No. 152 Bigan Avenue, Weihui County- level City, Xinxiang City, Henan Province	Wei Dong
36	Central China Securities Co., Ltd. Xinxiang Pingyuan Demonstration Area Securities Branch	Shop 53, Commercial Street, Binhu Phase II, Longyuan Subdistrict, Pingyuan Urban- rural Integration Demonstration Area, Xinxiang City, Henan Province	Zhang Lefei
37	Central China Securities Co., Ltd. Xun County Huanghe Road Securities Branch	200m East to the North of the Intersection of Huanghe Road and Liyang Road, Xun County, Henan Province	He Yanjiang
38	Central China Securities Co., Ltd. Qi County Qihe Road Securities Branch	306 Qihe Road, Qi County, Henan Province	Jia Yuan
39	Central China Securities Co., Ltd. Xuchang Balong Road Securities Branch	Future East Coast Huacheng, South Balong Road, Xuchang City, Henan Province	Li Jianxin
40	Central China Securities Co., Ltd. Changge Chenshi Road Securities Branch	Intersection of Chenshi Road and Tianping Road, Changge City, Henan Province	Wang Jun
41	Central China Securities Co., Ltd. Yuzhou Fudong Road Securities Branch	Middle Fudong Road, Yuzhou City, Xuchang City, Henan Province	Wang Zhiquan
42	Central China Securities Co., Ltd. Yanling Cuiliu Road Securities Branch	1F, Street-Facing Building, West to 4F County Government, Cuiliu Road, Development Zone, Yanling County, Henan Province	Wei Ke
43	Central China Securities Co., Ltd. Xiangcheng Zhongxin Road Securities Branch	East Zhongxin Road, Xiangcheng County (opposite to the Bureau of Finance), Henan Province	Qiao Guangjun

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
44	Central China Securities Co., Ltd. Gushi Chongwen Road Securities Branch	Rooms 204 & 205, 2/F, Unit 1 and Rooms 101 & 102, 1/F, Unit 1, Tower (018)1-18, Building 18, District II, Richu Dongfang, Gushi County, Xinyang City, Henan Province	Li Mingbao
45	Central China Securities Co., Ltd. Guangshan Guanghui Avenue Securities Branch	Fortune Plaza at the Intersection of Guanghui Avenue and Guangming Avenue, Zishui Subdistrict, Guangshan County, Henan Province	Hu Haohan
46	Central China Securities Co., Ltd. Mengzhou West Hanyu Avenue Securities Branch	No. 292 West Hanyu Avenue, Mengzhou City, Henan Province	Zhen Rongxing
47	Central China Securities Co., Ltd. Qinyang North Jianshe Road Securities Branch	North Jianshe Road, Qinyang City, Henan Province	Ma Jie
48	Central China Securities Co., Ltd. Jiyuan City Jiyuan Avenue Securities Branch	Shop 14 of the Street Shops from West to East, Commercial and Residential Building 1, Area A, Jishui Garden, South side of Xueyuan Road, Jiyuan City, Henan Province	Yuan Fang
49	Central China Securities Co., Ltd. Lankao Yulu Avenue Securities Branch	East to North Yulu Avenue, Lankao County, Henan Province	Li Ming
50	Central China Securities Co., Ltd. Lingbao Hangu Road Securities Branch	Intersection of Hangu Road and Jingshan Road, Lingbao City, Henan Province	Li Jinfeng
51	Central China Securities Co., Ltd. Mianchi County Huanghe Road Securities Branch	Shop 06, Building 1, Xinhua International Community, Middle Huanghe Road, Mianchi County, Henan Province	Zhang Xueyun
52	Sanmenxia Xiaoshan Road Securities Branch	Shop on the first floor of No. 57 (Mingzhu Hotel) Middle Section of Xiaoshan Road, Hubin District, Sanmenxia City, Henan Province	Feng Bin
53	Central China Securities Co., Ltd. Shangqiu Nanjing Road Securities Branch	1F, Shop 110, Block C, Yingtian International Plaza, West Gui'de Road, South Nanjing Road, Suiyang District, Shangqiu City, Henan Province	Zhong Yahui

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
54	Central China Securities Co., Ltd. Yongcheng Zhongyuan Road Securities Branch	Intersection of Zhongyuan Road and Guangming Road, Dongcheng District, Yongcheng City, Henan Province	Zhang Zhongmin
55	Central China Securities Co., Ltd. Yucheng Songshan Road Securities Branch	1-2F, Shops 109-110, Building 5, Royal Pearl River, North to Songshan Road, Chengguan Town, Yucheng County, Henan Province	Jiang Yangyang
56	Central China Securities Co., Ltd. Zhecheng Weilai Avenue Securities Branch	Shop 116, West Garden, Jinsha Mansion, Weilai Avenue, Zhecheng County, Shangqiu City, Henan Province	Wei Jie
57	Central China Securities Co., Ltd. Luyi Zhenyuan Avenue Securities Branch	No. 428 Zhenyuan Avenue, Luyi County, Henan Province	Li Yong
58	Central China Securities Co., Ltd. Xihua Fengmu Road Securities Branch	Middle Fengmu Road, Xihua County, Henan Province	Zhang Yang
59	Central China Securities Co., Ltd. Shenqiu Jixiang Road Securities Branch	South of East Jixiang Road, Huaidian Town, Shenqiu County, Henan Province	Ma Guang
60	Central China Securities Co., Ltd. Luoyang Kaiyuan Avenue Securities Branch	Building 1, No. 260 Kaiyuan Avenue, Luoyang City, Henan Province	Zhang Ruiping
61	Central China Securities Co., Ltd. Luoyang West Zhongzhou Road Securities Branch	No. 26 West Zhongzhou Road, Jianxi District, Luoyang City, Henan Province	Wang Haiyun
62	Central China Securities Co., Ltd. Yichuan East Renmin Road Securities Branch	3F, Building 1, Shengfu Jiayuan, North of Renmin East Road, Binhe New District, Yichuan County, Luoyang City, Henan Province	Chen Yi
63	Central China Securities Co., Ltd. Xin'an Jianhe Avenue Securities Branch	No. 897, Jianhe Avenue, Xincheng District, Xin'an County, Luoyang City, Henan Province	Liu Shaohua
64	Central China Securities Co., Ltd. Yanshi Yingbin Road Securities Branch	Room 301, Building 1, Yuehai International, No. 41 Huaxia Road, Yiluo Subdistrict, Yanshi District, Luoyang City, Henan Province	Qiao Yongjun
65	Central China Securities Co., Ltd. Xiping Avenue Securities Branch	No. 158 Xiping Avenue, Xiping County, Henan Province	Li Guangxi

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
66	Central China Securities Co., Ltd. Shangcai Caidu Avenue Securities Branch	No. 21, West Section of Caidu Avenue, Chongyang Office, Shangcai County, Henan Province	Li Dawei
Securities brokerage branches outside Henan Province:			
67	Central China Securities Co., Ltd. Shanghai Mudanjiang Road Securities Branch	Unit C404, No. 318 Mudanjiang Road, Baoshan District, Shanghai	Zhou Dawei
68	Central China Securities Co., Ltd. Shanghai Hunan Road Securities Branch	1–2F, No. 2589 Hunan Road, Pudong New Area, Shanghai	Zhang Zhenming
69	Central China Securities Co., Ltd. Tianjin Zhangzizhong Road Securities Branch	Room 702, No. 2 Zhangzizhong Road, Haihe Huading Mansion, Hongqiao District, Tianjin	Liu Anjie
70	Central China Securities Co., Ltd. Zhangjiagang Jiannong Road Securities Branch	No. 18 Jiannong Road, Yangshe Town, Zhangjiagang City, Jiangsu Province	Zhu Sheng
71	Central China Securities Co., Ltd. Taicang Taiping South Road Securities Branch	No. 19–3 Taiping South Road, Chengxiang Town, Taicang City, Jiangsu Province	Gu Yajun
72	Central China Securities Co., Ltd. Jinan Yuhan Road Securities Branch	2F, South Tower, Building 1, No. 89, Yuhan Road, Shizhong District, Jinan City, Shandong Province	Yang Chen
73	Central China Securities Co., Ltd. Yiwu Yinhai Road Securities Branch	Room 710 & 711, 7/F, 399 Yinhai Road, Futian Subdistrict, Yiwu City, Jinhua City, China (Zhejiang) Free Trade Pilot Zone (Self-declaration)	Yang Jiaoteng
74	Central China Securities Co., Ltd. Shijiazhuang Zhongshan West Road Securities Branch	Shop 2A003, 2F Zhongdian Information Plaza, No. 356 Zhongshan West Road, Qiaoxi District, Shijiazhuang City, Hebei Province	Zhao Chenguang
75	Central China Securities Co., Ltd. Jishou Century Avenue Securities Branch	Room 106, Building 62, China Railway Real Estate Shijishanshui Phase II, Ganzhou Century Avenue, Jishou City, Hunan Province	Xiang Qingfeng
76	Central China Securities Co., Ltd. Yuncheng North Huaidong Road Securities Branch	1F, Tianyu Commercial Building, No. 9 North Huaidong Road, Yuncheng City, Shanxi Province	Tang Feng

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VII. OTHER RELEVANT MATERIALS

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

(I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	2023	2022	Increase/Decrease as compared with the corresponding period of last year	2021
			(%)	
Operating income	1,968,016,572.87	1,881,047,259.12	4.62	4,420,848,497.96
Net profit attributable to shareholders of the parent company	211,601,553.51	106,577,985.92	98.54	513,210,337.25
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	195,874,295.18	90,234,423.35	117.07	490,355,011.21
Net cash flows from operating activities	-467,298,168.05	2,002,498,853.10	-123.34	-956,413,909.29
Other comprehensive income	771,826.05	63,795,594.70	-98.79	-13,421,475.85

	As at the end of 2023	As at the end of 2022	Increase/Decrease for the end of the period as compared to the corresponding period of last year	As at the end of 2021
			(%)	
Total assets	51,701,683,772.46	50,182,639,547.46	3.03	53,748,323,524.71
Total liabilities	37,551,184,086.55	35,975,265,974.01	4.38	39,604,243,601.31
Accounts payable to brokerage clients	11,538,050,603.00	11,849,666,807.82	-2.63	12,571,797,812.48
Equity attributable to shareholders of the parent company	13,902,762,596.08	13,757,829,045.04	1.05	13,681,883,165.28
Total equity	14,150,499,685.91	14,207,373,573.45	-0.40	14,144,079,923.40
Total share capital	4,642,884,700.00	4,642,884,700.00	0.00	4,642,884,700.00
Net assets per share attributable to shareholders of parent company (RMB/share)	2.99	2.96	1.01	2.95

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Principal financial indicators

Principal financial indicators	2023	2022	Increase/Decrease as compared with the corresponding period of last year (%)	2021
Basic earnings per share (RMB/share)	0.05	0.02	150.00	0.11
Diluted earnings per share (RMB/share)	0.05	0.02	150.00	0.11
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.04	0.02	100.00	0.11
Weighted average return on net assets (%)	1.53	0.78	Increase by 0.75 percentage points	3.78
Weighted average return on net assets after deducting non-recurring profit and loss (%)	1.42	0.66	Increase by 0.76 percentage points	3.61

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

1. Weighted average return on net assets and earnings per share are calculated according to 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.

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	8,651,125,530.23	8,107,804,569.34
Net assets	14,553,560,936.80	14,188,442,636.17
Sum of various risk capital provisions	3,478,418,949.24	3,669,347,342.21
Total on-and-off balance sheet assets	43,026,689,654.91	39,335,402,702.63
Risk coverage rate (%)	248.71	220.96
Capital leverage rate (%)	19.06	18.79
Liquidity coverage ratio (%)	198.96	192.85
Net stable funding ratio (%)	150.69	158.54
Net capital/net assets (%)	59.44	57.14
Net capital/liabilities (%)	35.19	36.69
Net assets/liabilities (%)	59.20	64.21
Proprietary equity securities and its derivatives/net capital (%)	7.57	4.06
Proprietary non-equity securities and its derivatives/net capital (%)	290.44	275.13
Amount of financing (including securities lending)/net capital (%)	94.72	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

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

Earnings

Unit: Yuan Currency: RMB

Item	2023	2022	2021	2020	2019
Operating income	1,968,016,572.87	1,881,047,259.12	4,420,848,497.96	3,103,301,696.87	2,372,526,991.25
Operating cost	1,758,744,134.17	1,765,497,934.13	3,710,316,417.23	2,954,485,813.12	2,258,791,739.77
Profit before tax	212,248,563.49	113,199,663.56	718,215,361.99	144,030,392.15	116,117,612.82
Net profit attributable to shareholders of the parent company	211,601,553.51	106,577,985.92	513,210,337.25	104,302,038.78	58,222,745.44

Assets

Unit: Yuan Currency: RMB

Item	As at the end of 2023	As at the end of 2022	As at the end of 2021	As at the end of 2020	As at the end of 2019
Total assets	51,701,683,772.46	50,182,639,547.46	53,748,323,524.71	52,376,875,557.00	43,569,902,415.77
Total liabilities	37,551,184,086.55	35,975,265,974.01	39,604,243,601.31	38,190,399,466.49	33,072,115,962.00
Accounts payable to brokerage clients	11,538,050,603.00	11,849,666,807.82	12,571,797,812.48	10,555,230,551.25	8,895,066,941.34
Equity attributable to shareholders of parent company	13,902,762,596.08	13,757,829,045.04	13,681,883,165.28	13,368,714,617.90	9,671,208,012.75
Total Share capital	4,642,884,700.00	4,642,884,700.00	4,642,884,700.00	4,642,884,700.00	3,869,070,700.00

Key financial indicators

Item	2023	2022	2021	2020
Basic earnings per share (RMB/share)	0.05	0.02	0.11	0.02
Diluted earnings per share (RMB/share)	0.05	0.02	0.11	0.02
Weighted average return on net assets (%)	1.53	0.78	3.78	0.93

Item	As at the end of 2023	As at the end of 2022	As at the end of 2021	As at the end of 2020
Gearing ratio ⁽¹⁾ (%)	64.77	62.94	65.65	66.08
Net assets per share attributable to shareholders of parent company (RMB/share)	2.99	2.96	2.95	2.88

1. 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

X. PRINCIPAL FINANCIAL DATA FOR 2023 (BY QUARTER)

Unit: Yuan Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating income	463,516,307.36	582,248,501.38	431,334,445.05	490,917,319.08
Net profit attributable to shareholders of the listed company	70,497,329.89	96,784,878.09	40,542,007.95	3,777,337.58
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	63,800,558.77	92,240,753.32	38,599,834.14	1,233,148.95
Net cash flows from operating activities	-1,887,075,641.20	1,322,954,342.33	-627,422,319.51	724,245,450.33

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

Unit: Yuan Currency: RMB

Non-recurring profit and loss items	The amount of 2023	Note (if applicable)	The amount of 2022	The amount of 2021
Profits and loss on disposal of non-current assets, including the write-off of provision for impairment of assets	-1,610,620.77		-1,299,397.55	20,420,575.16
Government subsidies that are included in the current profit and loss, except for those that are closely related to the Company's normal business operations, in compliance with national policies and regulations, and in accordance with established standards, and have a continuing effect on the Company's profit or loss	20,830,183.98	Mainly due to the government subsidies	26,565,466.55	12,833,519.07
Other non-operating income and expenses other than the above items	1,991,815.30		-1,776,147.02	5,556,296.97
Less: amount of impact of income tax	5,302,844.63		5,872,480.50	11,092,326.41
Amount of impact of minority shareholders' equity (after tax)	181,275.55		1,273,878.91	4,862,738.75
Total	15,727,258.33		16,343,562.57	22,855,326.04

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

XII. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Project name	Opening balance	Closing balance	Change during the Period	Amount of impact on the current profit
Financial assets at fair value through profit or loss	21,614,103,009.80	24,271,207,692.01	2,657,104,682.21	723,393,310.48
Financial assets at fair value through other comprehensive income	2,288,258,640.42	410,921,462.71	-1,877,337,177.71	94,728,212.58
Derivative financial assets	2,246.26	27,910,148.17	27,907,901.91	
Derivative financial liabilities	793,800.00	18,033,779.39	17,239,979.39	-3,772,580.51
Financial liabilities at fair value through profit or loss	1,525,542,658.61	1,389,611,181.03	-135,931,477.58	29,804,653.64
Total	25,428,700,355.09	26,117,684,263.31	688,983,908.22	844,153,596.19

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

XIII. OTHERS

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

Unit: Yuan Currency: RMB

Item	31 December 2023	31 December 2022	Change (%)
Cash and bank balances	9,977,189,628.79	10,211,630,004.39	-2.30
Clearing settlement funds	3,449,978,421.75	3,115,104,687.58	10.75
Margin accounts receivable	7,604,853,831.45	7,016,885,351.83	8.38
Financial assets at fair value through profit or loss	24,271,207,692.01	21,614,103,009.80	12.29
Accounts receivable	421,115,609.11	87,679,998.85	380.29
Derivative financial assets	27,910,148.17	2,246.26	1,242,416.37
Financial assets measured at amortised costs	120,370,451.85	195,991,199.27	-38.58
Equity instrument at fair value through other comprehensive income	1,400,000.00	0.00	N/A
Financial assets at fair value through other comprehensive income	410,921,462.71	2,288,258,640.42	-82.04
Construction in progress	189,352,396.39	118,898,335.11	59.26
Goodwill	7,268,756.37	18,602,742.39	-60.93
Due to banks and other financial institutions	3,297,906,994.48	1,502,279,361.14	119.53
Derivative financial liabilities	18,033,779.39	793,800.00	2,171.83
Short-term loans	0.00	66,075,016.67	-100.00
Short-term financing instruments payable	4,075,723,383.58	4,132,771,764.91	-1.38
Financial assets sold under repurchase agreements	10,602,387,479.57	9,887,887,932.32	7.23
Accounts payable to brokerage clients	11,538,050,603.00	11,849,666,807.82	-2.63
Taxes payable	26,436,859.31	111,898,833.01	-76.37
Accounts payable	873,013,344.30	237,527,662.62	267.54
Contract liabilities	7,881,833.37	5,866,855.62	34.35
Provisions	0.00	1,186,481.49	-100.00
Deferred income tax liabilities	20,759,933.82	35,947,914.23	-42.25
Bonds payable	4,721,201,165.26	5,364,791,008.73	-12.00

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Unit: Yuan Currency: RMB

Item	2023	2022	Change (%)
Net investment banking fees	91,944,011.98	267,706,018.37	-65.65
Investment income from associates and joint ventures	-23,173,922.62	54,930,970.97	-142.19
Gains on changes in fair value (loss stated with "-")	-96,656,528.14	-441,224,579.14	N/A
Gains on foreign exchange (loss stated with "-")	387,802.13	1,717,698.80	-77.42
Other operating income	300,815,779.22	96,212,588.29	212.66
Gains from asset disposal (loss stated with "-")	40,069.74	-125,883.14	N/A
Expected credit losses	55,036,615.40	145,845,397.69	-62.26
Other operating costs	297,911,523.67	87,315,259.57	241.19
Non-operating income	6,269,169.20	1,107,195.31	466.22
Income tax expenses	10,024,758.34	5,555,175.42	80.46
Profit and loss attributable to minority shareholders	-9,377,748.36	1,066,502.22	-979.30
Other comprehensive income after tax	771,826.05	63,795,594.70	-98.79

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Unit: Yuan Currency: RMB

Item	31 December 2023	31 December 2022	Change (%)
Cash and bank balances	8,550,531,169.86	8,810,109,545.75	-2.95
Clearing settlement funds	2,680,558,952.00	2,707,664,533.93	-1.00
Margin accounts receivable	7,477,731,878.81	6,857,705,302.17	9.04
Derivative financial assets	27,801,748.17	2,246.26	1,237,590.57
Refundable deposits	399,505,469.12	282,171,757.50	41.58
Accounts receivables	323,798,652.74	33,289,305.78	872.68
Financial assets at fair value through profit or loss	21,760,263,800.20	17,594,540,290.20	23.68
Financial assets at fair value through other comprehensive income	410,921,462.71	2,288,258,640.42	-82.04
Long-term equity investment	4,826,207,083.94	5,300,655,233.94	-8.95
Construction in progress	189,352,396.39	118,898,335.11	59.26
Other assets	261,409,676.97	445,684,977.56	-41.35
Short-term financing instruments payable	4,075,723,383.58	4,132,771,764.91	-1.38
Due to banks and other financial institutions	3,297,906,994.48	1,502,279,361.14	119.53
Derivative financial liabilities	18,033,779.39		N/A
Financial assets sold under repurchase agreements	10,601,958,426.84	9,649,762,175.12	9.87
Accounts payable to brokerage clients	9,736,870,859.14	10,291,667,620.82	-5.39
Taxes payable	17,144,733.87	100,155,562.06	-82.88
Accounts payable	858,784,459.23	234,716,609.05	265.88
Bonds payable	4,093,649,002.32	4,700,379,928.41	-12.91
Deferred income tax liabilities	438,286.06	1,753,022.22	-75.00
Provisions	0.00	1,186,481.49	-100.00

Item	2023	2022	Change (%)
Net fee and commission income	607,257,499.11	879,429,931.22	-30.95
Investment bank business net income	88,516,671.00	264,629,336.50	-66.55
Gains on changes in fair value (loss stated with "-")	87,437,291.09	-255,995,147.76	N/A
Gains on foreign exchange (loss stated with "-")	63,128.47	720,082.14	-91.23
Other operating income	11,005,460.31	7,111,537.24	54.76
Gains from assets disposal (loss stated with "-")	14,636.62	-124,871.33	N/A
Expected credit losses	19,643,966.02	93,885,781.83	-79.08
Non-operating income	2,767,015.09	1,107,194.39	149.91
Income tax expenses	36,425,597.84	1,160,723.25	3,038.18
Other comprehensive income after tax	-2,642,368.68	3,690,414.30	-171.60

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

I. REVIEW OF BUSINESS

(I) Business review

During the Reporting Period, the Group achieved operating revenue of RMB1.968 billion, with a year-on-year increase of 4.62%. Among them, the proprietary business achieved revenue of RMB552 million, representing an increase of RMB244 million, mainly due to the increase in income from investment business during the period; The futures business achieved revenue of RMB409 million, representing an increase of RMB197 million, mainly due to the increase in commodity sales income of Yuxin Investment, our subsidiary, during the period; The overseas business achieved revenue of RMB -32 million, representing an increase of RMB49 million, mainly due to the increase in income from changes in the fair value of financial products held by Central China International during the period; The head office and others achieved revenue of RMB -104 million, representing an increase of RMB38 million; The credit business achieved revenue of RMB409 million, representing a decrease of RMB35 million; The securities brokerage business achieved revenue of RMB652 million, representing a decrease of RMB65 million, mainly due to the decrease in income from securities agency business during the period; The investment management business achieved revenue of RMB -4 million, representing a decrease of RMB169 million, mainly due to the decrease in income from equity investments of subsidiaries; The investment banking business achieved revenue of RMB85 million, representing a decrease of RMB177 million, mainly due to the decrease in income from securities underwriting business during the period.

During the Reporting Period, the Group recorded an operating cost of RMB1.759 billion, with a year-on-year decline of 0.38%. Among them, the business and administrative expenses were RMB1.382 billion, representing a decrease of RMB126 million, mainly due to the decrease in labor costs; Credit impairment loss was RMB55 million, representing a decrease of RMB91 million, mainly due to the decrease in impairment provisions for financial assets held under resale agreements. The Company evaluates the credit risk of each business in accordance with the principle of prudence and sufficient provision, and makes provision for impairment through 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 stock-pledged repurchase 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 achieved net profit attributable to shareholders of the parent company of RMB212 million, representing an increase of RMB105 million, mainly due to the increase in investment business income and the decrease in business and administrative expenses and credit impairment losses compared with the same period last year.

During the reporting period, Yuxin Investment, our subsidiary, experienced an expansion of commodity business scale, and an increase in sales revenue and cost of sales, and a low gross profit margin.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(II) Major risks and uncertainties

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

(III) Material subsequent events

For material subsequent events, please refer to XIII. “EVENTS AFTER THE BALANCE SHEET DATE” under Section 8 “FINANCIAL REPORT” in this report.

(IV) Future development and forward-looking

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

(V) Environmental policies and performance

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

Following the Company’s requirements of lowered costs for better efficiency by minimizing waste, during the Reporting Period, the Company carried out electronic transformation of the investor park on the business site of its branches. That means displaying the information about the company’s qualification, basic knowledge of securities, complaints and rights protection channels and intensively pushing electronic publicity posters. Furthermore, the Company supports branches to maintain their own network information, employee information and more to minimize the consumption of paper resources in publicity.

In the office area, the Company advocates the use of environment-friendly office supplies for better awareness of green office. Instead of printing and photocopying, the Company uses email to send meeting agendas and documents to attendees in advance and prints on both sides of the paper whenever possible when using printers or photocopiers, which helps reduce paper consumption. The Company advocates less use of plastic products to reduce white pollution, and requires all employees to set short-time screensavers on office computers to quickly enter low-energy mode.

The Company stresses saving water and electricity. Specifically, the Company better uses lights and electrical equipment and saves water in its daily operation to reduce office energy consumption. The Company is equipped with infra-red taps and urinals to improve water efficiency, and puts up signs to remind employees to conserve water. The Company equips all the office spaces with LED energy-efficient lamps, and reminds employees at the power switch to save electricity, and make sure to turn off the light after work. In addition, the Company does more in lighting inspections in public areas, especially at night to arrange full-time personnel to inspect and turn off non-essential lighting.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

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

(VII) Material relationship with employees, customers and suppliers

The Company provides services for the various institutional and individual customers engaged in a number of industries. The Company's clients include large, small and medium enterprises, high-net-worth clients and retail customers. Major customers are located in mainland China. In 2023, the revenue contributed by the top five customers of the Company accounted for 11.97% of the operating revenue. The top 5 customers of the Company in total accounted for less than 30% of the operating revenue. No customer has a material relationship with the Company.

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

II. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

(I) Overall business performance

In 2023, the Company pressed ahead amid adversity and reinforced the driven power and profoundly perceived the core essences and fundamental requirements of the high-quality development, and realized the steady growth of operating results. To make this happen, we put in practice ten high-quality development measures addressing problems, including: determine the direction, strategy and six measures for high-quality development, refocus on the primary responsibility and principal operation, integrate business resources, transform the business matrix in depth, bolster functional weaknesses, advance management enhancement, provide strong organizational support, and optimize the capital allocation. We also attribute this to the correct leadership of the Party Committee of Henan Province and the People's Government of Henan Province as well as the great support from all stakeholders.

Prudential development of principal operation. The Company transformed the wealth management service in greater depth, made a good beginning to the investment advising service and recorded more than one million active users of the Caishengbao platform per month. For proprietary bonds trading, we kept the returns on investment at a relatively high level, benefiting from the prudent operation and advantages in professional team, expertise and management. The investment banking team worked on the project reserve, focused on project underwriting and recorded an equity and debt financing amount of more than RMB18 billion. Also, for the asset management service, we gradually optimized the product portfolio with an obvious increase in assets under management.

We carried out the business operation and planning in an orderly manner. The Company realized the overall management of the proprietary investment business. Zhongding Kaiyuan and Henan Kaiyuan realized the integrated operation, and the asset management and public fund preparation group attained the overall operation. Thus, we have forged an "N-nity" service matrix covering research, investment banking, investment and other business fields. We reduced the registered capital of two investment subsidiaries by RMB700 million, a move that has bolstered the net capital of the Company, reduced the leverage ratio and increased the operating income.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

We optimized the business structure. The Company prompted the subsidiaries to refocus on the primary responsibility and principal operation in every aspect. Central China Blue Ocean was committed to the follow-up investment on the STAR Market, Central China Equity Exchange focused on the investment in high-quality projects within Henan Province and expanded the funds under management, Central China Futures vigorously developed the brokerage business, developed the risk management service with prudence and exited the asset management service and proprietary financial investment service, and Central China International made the decision to vigorously develop the light capital business and exit the heavy-capital business in an orderly manner.

We advanced the cost reduction and benefit increase in depth. We adhered to the internal management and made the three-year action plan for cost reduction and benefit increase that focuses on the cost reduction and benefit increase from the structural perspective and implements the total cost accounting. We actively mobilized low-efficiency resources and carried out the low-cost financing with a preliminary effect. At the same time, we strengthened the recourse against risk projects and made an evident effect.

We reinforced the organizational support in every aspect. We refined the corporate governance architecture with multifaceted measures and inspired the endogenous drives. These measures included improving the performance evaluation mechanism against all staff and strengthening many fundamental organizational support infrastructures making the long-term effect. At the same time, we promoted the bottom-up consolidation of compliance, risk control, internal control, personnel, financial management, technical and other functions, and improved the intensive management.

In October 2023, the Company made a forward-looking and systematic development outline targeting a certain period in the future under the concept of “goal orientation” and found out the way towards high-quality development in the following five years. We set the development objective of “striving to become a modern investment bank delivering the first-class services in the core business universes and taking the lead in the regional market” and devised four strategies oriented to “professionalism, integration, platform and base”, which have further clarified the development strategy and path. Overall, we maintained a good momentum of moving ahead amid stability.

(II) Analysis of principal business

1. Securities brokerage business

Market environment

Dragged down by the global macro environment and other factors, 2023 witnessed the stock market shock down with ups and downs, and the capital market was marked by rapid industry rotation and evolving theme investment. Taking Shen Yi & Wanguo class I industries as the statistical benchmark, in 2023, a total of 9 industry indexes rose, while 22 industry indexes showed a downward trend. Amid large market fluctuations, insufficient liquidity of funds and weak willingness to enter incremental funds have led to irrational declines in the market. As of the end of the Reporting Period, the SSE Composite Index closed at 2,974.93 points, down 3.70% from the end of last year, the SZSE Component Index 9,524.69 points, down 13.54% from the end of last year, and the ChiNext Index 1,891.37 points, down 19.41% from the end of last year. The stock-based transaction volume in the Shanghai and Shenzhen Stock Exchanges reached RMB239.95 trillion, representing a year-on-year decrease of 3.09%. (Source: Wind Info)

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Operational measures and performance

In 2023, the Company's securities brokerage business focused on its main responsibilities and main businesses, focused on consolidating the foundation and enhancing advantages, adjusting the structure to promote transformation, and making up for shortcomings and stabilising the market share, actively promoted digital transformation and empowerment, accelerated the construction of the investment advisory service system, promoted the upgrading of management capabilities, the transformation of operation models and the improvement of service empowerment, consolidated the customer base, improved service efficiency, and helped the Company's high-quality development.

In terms of retail customer services, with the construction of an online and offline integrated wealth management system as the starting point, the Company meticulously planned and organised a number of themed marketing activities such as "good start" and "Stable Inventory for Increase, Improving Quality for Better Efficiency", so as to promote the steady growth of the number of customers and customer assets and consolidate the customer base. As of the end of the Reporting Period, the total number of securities brokerage customers was 2,989,100, representing an increase of 13.63% as compared with the previous year. At the same time, the Company actively developed the buyer investment advisory business, initially completed the construction of the investment advisory product system, the construction of the investment advisory team, the construction of the investment advisory platform, and the launch of investment advisory products, and made substantial breakthroughs in investment advisory services; In terms of high-net-worth customer services, the Company took the opportunity of holding the first "Central Securities Cup" private equity competition to continuously improve the Company's private equity institution service capabilities, help the front line introduce private equity institutions to open accounts, and continuously improve the ecological chain of private equity agency sales; In addition, in the face of the overall poor market conditions, the Company increased the sales of ETF funds. The Company achieved initial sales of RMB180 million throughout the year, and the scale of retained funds increased from RMB2,071 million to RMB3,147 million, representing an increase of 52%. The annual sales of public funds reached RMB3,342 million, representing a year-on-year increase of 3.76%.

The digital operation capability of the Company's wealth management business continued to improve, and the average number of monthly active users of Caishengbao(财升宝) APP remained stable at more than million. In the comprehensive ranking of the four major Internet operation indicators, including DAU and MAU, the Company ranked 24th among securities firms. (Source: Qianfan.analysis.cn, www.gsdata.cn)

Outlook for 2024

In 2024, the Company will firmly grasp the historical opportunity of deepening reform in the capital market, actively implement the "four major strategies", take customer demand as the guide, deeply explore customer value demands, rely on the Company's full business chain system, accelerate the improvement, integration and upgrading of various platform functions such as products, talents, channels and technology, explore the form of online and offline integrated operation and management structure, deepen the adjustment of the organisational structure of the headquarters and branches and the optimisation of personnel structure and capabilities, establish a more complete customer hierarchical and classified service system, and build a service relationship management mechanism with customer wealth needs as the core; Strengthen internal coordination, improve the ability of professional asset allocation, thoroughly connect the customer resources of securities, asset management and futures business, establish a cooperation mechanism for the promotion of stocks, products and futures business, and build an integrated business model of "One Customer" internally and "One Central China" externally; We will further scientifically plan the career development path of front, middle and back-office personnel, actively explore new service models of the investment advisory team, accelerate the talent development system integrating business practise and professional training, continuously improve the professional quality and business level of front-line management and investment advisory personnel, promote branches to form a professional operation team with reasonable division of labour and coordination and effectiveness, and effectively build a new wealth management business model and core competitiveness with professional

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

services as the core; In the direction of base construction, the Bank will explore the regional outlet management model, build a outlet structure that adapts to positioning and functions, matches benefits and costs, and has a service carrying capacity comparable to the overall business scale, and make every effort to promote the development of key regions, put the acceleration of the transformation of core areas in Zhengzhou in a more prominent position. At the same time, the Bank will explore the outlet operation layout based on first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen as the centre and radiate the surrounding areas, further build a wealth management business ecology of “technology-driven, professional support, and integrated linkage”, truly cultivate the core competitiveness of wealth management centred on customer needs, build a new business model with professional services as the core, comprehensively improve service efficiency, and improve and optimise customer experience with higher quality services.

2. Investment banking business

Market environment

In 2023, the registration system reform saw full implementation, and the regulator tightened the IPO rhythm in a staged manner, which put more demands on the comprehensive strength of securities and investment banks in terms of quality customer expansion, practice quality, internal control level and sales pricing ability. In 2023, 236 enterprises completed their initial offering either in the SSE and the SZSE, raising a total of RMB341.806 billion, down 40.07% year on year. The refinancing fund raised by listed companies was RMB777.087 billion, down 29.42% year on year. Since the beginning of 2023, a total of 77 companies have completed their initial public offerings on the Beijing Stock Exchange, raising RMB14.733 billion. The fund raised from the New Third Board market totaled RMB41.071 billion, down 15.42% year on year. The total amount of bonds issued by various institutions was RMB71.04 trillion, up 15.44% year on year. (Source: Wind Info)

Business measures and performance

In 2023, standing up to the difficulties, the Company’s investment banking business seized the opportunities such as the full implementation of the registration system and the Henan Provincial Five-Year Listing Multiplication Action (河南省五年上市倍增行動) to continue the “N-nity” financial service model. This is how we have accelerated the transformation to meet the comprehensive service needs of customers in the whole life cycle and improve the level of integrated financial services. We fulfilled the responsibilities of the “gatekeeper” of the capital market by following the regulatory requirements and dynamics to improve the investment banking system. We worked to consolidate the responsibilities of the “three lines of defense” and worked out rectification measures for the issues found and raised by external inspection through the establishment of rules and systems. This is how we have improved the quality of practice.

During the Reporting Period, the Company completed 1 IPO joint lead underwriting project, 3 refinancing lead underwriting projects of listed companies, and the main underwriting amount of equity on the SSE and SZSE accumulated RMB1.656 billion in the year; 12 corporate creditor lead underwriting projects (including joint lead underwriting), 1 corporate creditor lead underwriting project, 1 asset securitization lead underwriting project, and the total amount of bond main underwriting for the year was RMB7.075 billion, an increase of 41.27% year on year; 172 tranches of bond distribution projects, and the total distribution amount for the year was RMB9.189 billion, an increase of 83.49% year on year. In addition, the Company completed 4 targeted placement projects on the NEEQ, raising RMB56 million in total. As of the end of the Reporting Period, the Company ranked 42nd in terms of the total revenue of equity underwriting and sponsorship, 44th in terms of equity underwriting amount, 21st in terms of convertible bond underwriting amount, and 26th in terms of the additional accepted number of sponsorship projects. The Company was rated B in the “evaluation on the practicing ability of securities companies’ corporate bond business” in 2023. (Source: Wind Info)

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Outlook for 2024

In 2024, the Company's investment banking business will continue to deepen its investment banking transformation. First, we will improve the system and enhance the effectiveness of the internal control management system, and, taking the opportunity of building an institutional customer service system, coordinate all aspects of the institutional business resources, and accelerate the transformation from the traditional "small team" model, in which contracting is the core competence, to the "group army" model, in which we can meet the needs of enterprises for full-life-cycle integrated services. Second, we will comprehensively enhance the professional competence level of the investment banking line, build a reasonable talent development echelon, and effectively improve the quality of investment banking project practice. Third, we will, focusing on the four strategic requirements of the Company, enhance our business presence in Henan, give full play to the advantages of talents in Shanghai and Beijing, and, placing equal emphasis on businesses inside and outside the province, promote the dual-wheel drive of "management + profession", and vigorously improve the level of practice, so as to serve the development of the real economy, and become an expert in corporate finance and a partner in the process of corporate growth. We will take the "N-nity" initiative as the starting point to be a part of the construction of Henan Province's "7+28+N" industrial chain group, serve the Henan Provincial Government's "Five-year Multiplication Action of Enterprise Listing (企業上市五年倍增計劃)" by offering "one policy for one enterprise" all-round, targeted services. This is how we will enhance the brand influence, service capability and business scale in the region. We will work to look for high-potential growth enterprises, science and innovation enterprises that meet the needs of national economic structural transformation, and new economic projects with good development prospects across the country, forming a national development pattern focusing on the core regional market in Henan.

3. Investment management business

(1) Assets management

Market environment

In 2023, the improving regulatory policies furthered the stable and standardized development of broker assets management. Leading securities companies with advantages in active management capabilities, investment research and product systems and platform effects have accelerated the establishment of asset management subsidiaries and actively deployed the public offering business. The business and service systems have been increasingly improved. Small and medium-sized securities companies have explored unique development paths based on their own resource endowment and capabilities, and the trend of differentiated development has gradually become prominent. According to the latest data released by the Asset Management Association of China, as of the end of the Reporting Period, the private asset management business of securities and futures institutions totaled RMB12.41 trillion (excluding National Social Security Fund and enterprise annuities), representing a decrease of RMB1.9 trillion compared with the same period last year. By product type, the surviving products were mainly under single assets management plans, with a scale of 53.08%; by investment type, both the number and scale of fixed income products took the lion's share, with 44.26% and 73.82% respectively. (Source: Asset Management Association of China)

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Business measures and performance

In 2023, The asset management business earnestly implemented the Company's strategy of differentiated and characteristic development, actively adapted to the development of the industry and the needs of residents for wealth allocation, newly launched and established fixed-income products and hybrid FOF products, and built a basic product system covering currencies, fixed income, indices and FOF to meet the diversified needs of customers in terms of product investment scope, duration and income characteristics. The preparation work of the public fund management company has been progressing in an orderly manner, and the official application documents have been submitted to the CSRC in October 2023.

As of the end of the Reporting Period, the total assets under management of the Company amounted to RMB3.663 billion, including 1 large collective asset management scheme in the amount of RMB2.090 billion, 6 collective asset management schemes in the amount of RMB1.537 billion, 1 single asset management scheme in the amount of RMB36 million.

Outlook for 2024

In 2024, the asset management business will strengthen the integration and coordination of relevant resources of the Company and shape professional capabilities in asset discovery, risk pricing and product creation to create long-term value for customers, while working to steady the development of business. We will implement the Company's integration strategy, deeply integrate into the wealth management system with retail customers as the main group, and establish and improve the customized product management model serving corporate institutional customers. We strengthened the application of technology empowerment, promoted the digital transformation of product creation, operation management and asset allocation services, and focused on improving management efficiency. The Company will strengthen the professional construction of the investment and research team, intensify the introduction of outstanding personnel in the industry, actively improve the quantitative research and analysis capabilities, increase the research and development of trading strategies, and establish a strategy-based research and development, investment and risk control system. Relying on the advantages of the Company's full business chain resources, the Company will expand brokerage customers based on customer needs, inherit the genes of investment banking to strengthen advantageous assets, and refine the characteristic track based on the advantages of securities companies to seek business breakthroughs and transformation.

(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 2023, China's equity investment market as a whole presented a downward trend. In terms of capital raising, the number and total scale of newly raised funds reached 6,980 or RMB1,824.471 billion, down by 1.1% and 15.5% year on year, respectively, of which foreign currency funds remained contracted in terms of number and size, with a total of 77 newly-raised foreign currency funds or RMB108.870 billion, down by 32.5% and 56.4% year on year, respectively. In terms of investment, 9,388 cases occurred in the investment market in 2023, down 11.8% year on year. The investment amount disclosed was RMB692.826 billion, down by 23.7% year on year. Among them, state-owned investment institutions have maintained a high degree of activity by participating in a number of large-scale financing cases, which guided market funds into semiconductors, new energy, automotive and other fields. In terms of withdrawal, a total of 3,946 cases occurred in China's equity investment market in 2023, down by 9.6% year on year. Amid a gradual slowdown in the issuance of new shares in the SSE and the SZSE, the number of A-share IPO cases of invested enterprises totaled 1,348, down by 38.3% year on year. In terms of annual returns, the average issuance return multiple of Chinese enterprises in domestic and foreign markets was lowered simultaneously, and the cases of excess return significantly reduced. (Source: Zero2IPO Data)

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Business measures and performance

In 2023, ZDKY Venture Capital extensively approached intended partners and set up China's first special fund "Dingyu Xiangbei Fund (鼎豫向北基金)" and "Weihui Industrial Fund (衛輝產業基金)" in the Beijing Stock Exchange, with the annual increase in subscription management scale of RMB800 million. The Company invested in 3 high-quality enterprises inside and outside the province, with a total scale of RMB43.0320 million. ZDKY Venture Capital continued to implement the "N-nity (N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.

As of the end of the Reporting Period, ZDKY Venture Capital and its subsidiaries managed a total of 16 private funds, with a private fund management scale of RMB6,299.5 million.

Outlook for 2024

In 2024, ZDKY Venture Capital will seize the opportunity of various cities in Henan to set up funds and accelerate the development of the industrial chain. To that end, it will strengthen cooperation with provincial mother funds and municipal platforms to increase the fund size by promoting the establishment of funds such as the Luoyang Yibin Technology Innovation Fund and the Guide Fund for Intelligent Upgrading of Henan Provincial Coal Mining Enterprise. It will promote high-quality investment and operation. That will mean focusing on the main business and responsibility as well as the Henan Province's "7+28+N" industrial chain group and the Henan Provincial Government's Five-year Multiplication Action of Enterprise Listing (企業上市五年倍增行動) to take further the "N-nity" service for serving the real economy.

(3) Alternative investment

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

Market environment

In 2023, due to the uncertainties at home and abroad, the downward trend of the equity investment market continued, and the fund-raising, investment amount and scale of the VC and PE fields declined significantly, with a strong wait-and-see atmosphere in the market. In terms of investment, the market investment is still focused on the field of science and technology innovation, with semiconductor and electronic equipment, information technology, and biomedical attracting most of the market attention. In terms of exits, the pace of IPOs has slowed down, the number of new issuances has gradually decreased, and the exit channels for projects of investment institutions have narrowed, resulting in a significant year-on-year decrease in the number of exit cases.

Business measures and performance

In 2023, CCBO formulated the program of focusing on the main responsibility and main business and clarified the direction of business development and key work, taking into account the law of development of the industry and its own situation; enhanced the post-investment management of existing projects and the liquidation of inefficient assets to optimize the asset structure and enhance asset quality; strengthened the synergy with the Company's research institute and investment bank, strengthened its business presence in Henan through the "N-nity" service system, and explored hardcore technology companies with high-growth attributes for prudent investment. During the year, investments were made in two high-tech enterprises with an investment amount of RMB14 million. We exited from 19 investment projects of different types, recovered an investment amount of RMB341,501,500, further optimizing the asset structure. As of the end of the Reporting Period, CCBO had 47 projects under investment with a total scale of RMB2.535 billion.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Outlook for 2024

In 2024, CCBO will, focusing on its main responsibilities and main business and the core regional market in Henan, deepen its business transformation, implement the Company's "integrated strategy", work with the research institutes and investment banks to better support the development of real enterprises, push forward risk resolution, optimize the asset structure, and build assets to match the size of the company; and, by benchmarking against first-class brokerage firms, improve the investment and research capabilities and level, and establish a professional investment team.

4. Proprietary trading

Market environment

In 2023, the policy environment and funds were relatively loose in response to the weakening momentum of the global economic recovery, the unstable foundation of Chinese economic repair, less-than-expected demand, and insufficient confidence in growth. In terms of equity investments, the market trend rose first and then fell and most of the major stock indexes fell affected by internal and external factors such as the US interest rate hike, exchange rate depreciation, and the Palestinian-Israeli conflict. In terms of bond investments, the bond market as a whole showed a bull market, with "M-shaped" yields. As of the end of the Reporting Period, the Chinabond new comprehensive wealth (gross value) index rose 4.68% from the beginning of the period. (Source: Chinabond.com.cn)

Business measures and performance

In 2023, in terms of proprietary trading, the Company, stretching its edges in talents, profession and management, adjusted its investment strategies. Specifically, we worked to optimize its capital allocation and seize the opportunities for the incremental supply of local debt. This has helped launch the online over-the-counter business and transform our profit model. In terms of the fixed income investment business, the Company was well informed about the interest rate market conditions, which laid a solid foundation for bond income investment. We worked on the potential of the credit bond market to seize market opportunities, and expand the scale of fixed income investment. Despite the market fluctuations, through flexible adjustment of the position structure, we avoided the sharp withdrawal of income. This stabilized the fixed income investment return. In terms of equity investments, the Company has always kept "neutral" and worked to prevent the downside risks of the equity market. Meanwhile, we worked to expand the OTC derivatives business, transform investment methods, and yielded more investment returns.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Outlook for 2024

In 2024, for the proprietary trading business, the Company will prioritize “stability” and “expansion” in parallel. That will mean stretching our good experience in fixed-income investment by coordinating equity and its derivatives. This is how we will improve the Company’s own capital efficiency for better development of other business. In terms of fixed-income investment, we will give full play to the advantages of our fixed-income business, enhance the deployment in FICC business, further enrich the varieties of bond investment and optimize the revenue structure; continue to improve and optimize our investment strategies in light of market changes, study and judge the bond market, improve our trading ability in interest rate bond varieties, strengthen our investment ability in credit varieties, and improve the timing and scale of credit bond allocation; actively expand the bond sales business, focus on Henan, promote economic development, and actively apply for market-making qualification by leveraging our business advantages. In terms of equity investment, we will accelerate the introduction of outstanding investment personnel and optimize the development of equity investment and its derivatives; strengthen close cooperation with research institutes, enhance our investment research capabilities, promote investment direction transformation, and explore diversified and non-directional investment management models, promoting the shift of equity investment from a purely subjective long stock investment strategy to a risk-neutral trading-based investment strategy that takes into account allocation and capital intermediation business, so as to improve the scientificity and effectiveness of decision-making; prudently develop our OTC derivatives business, gradually enhance the design and issuance of income certificates, provide quotes and risk management for bonds, commodities and interest rate OTC options, customize cash management, income swaps and floating note products for clients, and provide investment and financing solutions for financial institutions.

5. Credit business

Market environment

In 2023, the overall performance of the capital market showed a downward trend, with the main annual indexes ending lower. In this context, the policy adjustment of the margin ratio for financing and securities lending has played a positive role in growing the margin balance. As of the end of the Reporting Period, the balance of margin financing and securities lending in the Shanghai and Shenzhen stock exchanges amounted to RMB1.65 trillion, up 7.17% year on year. The overall size of stock-pledged repurchase business market operated smoothly, with the interest rate of financing funds falling slightly. (Source: Wind Info)

Business measures and performance

In 2023, for the Company’s margin financing and securities lending business, in terms of risk management and control, the Company launched the concentration of the groups of rechargeable margin, dynamically adjusted the groups of rechargeable margin securities based on factors such as securities liquidity and market value of securities, established a dynamic management mechanism for large margin financing and securities lending customers, optimised the early warning and risk disposal mechanism, and promoted the continuous development of risk management and control in the direction of refined management. In terms of customer service, the Company actively explored innovative service models, enriched service content, and conducted in-depth training services at branches to help customers understand the basic knowledge and trading strategies of margin financing and securities lending, and steadily promoted the increase of the customer base of margin financing and securities lending. Adhering to the positioning of “service synergy”, the stock-pledged repo business deepened the cooperation with the Company’s wealth management, investment banking and other business lines, utilized the comprehensive resources and information advantages of the Company to explore high-quality customers; actively reduced large contracts to mitigate business concentration; and actively resolved risky projects, with the balance of defaulted projects declining significantly, and professional capacity and asset quality steadily improving.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

As of the end of the Reporting Period, the balance of margin financing and securities lending reached RMB7.408 billion, up 8.81% from the end of the previous year. The balance to be repurchased of the Company's stock-pledged repurchase business was RMB1.580 billion, down 26.16% from the end of the previous year. Of which, the balance to be repurchased under on-balance sheet stock-pledged repurchase business was RMB901 million, representing a year-on-year decrease of 38.31%, and the average maintenance guarantee ratio was 208%; the balance 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 2024

In 2024, the Company's margin financing and securities lending business actively responded to changes in the market environment, strengthened digital applications, built a customer service system for margin financing and securities lending, dynamically divided customer groups, provided differentiated services, and improved customer service perception; The Bank continuously optimised the risk management and control system, improved the quality of business management and control such as collateral, underlying securities and concentration, and helped customers to control risks through experience sharing and pressure demonstration, so as to ensure that the risk control level matches the business scale. The stock-pledged repurchase business will, adhering to the positioning of "service synergy", strengthen team building, improve professional capabilities and risk control levels, strictly enforce the quality of access, and strengthen continuous management, in order to ensure prudent and stable business operation.

6. Futures business

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

Market environment

In 2023, the complex and volatile global economic landscape and ongoing geopolitical conflicts posed severe challenges to the security of the global industrial chain and supply chain. The new varieties in China accelerated listing and the activity in the futures market was enhanced. The accumulated transaction volume in China's futures market was 8.501 billion lots, up 25.60% year on year. The accumulated transaction amount was RMB568.51 trillion, up 6.28% year on year. Meanwhile, the differentiation of competition in the futures industry has intensified, and the leading enterprises have taken measures such as reducing fees and increasing the return ratio to seize market share, and the competition has become increasingly fierce, leaving the survival of small and medium-sized futures companies more difficult. (Source: China Futures Association)

Business measures and performance

In 2023, as for the futures brokerage business, Central China Futures insisted on the working idea of "serving industries and developing institutions", and focused on building four major industry segments of coal chemical, ferrous and non-ferrous metals and agricultural products. The Company continued enhancing original research capabilities, industry influence and resource integration, and accumulated comparative advantages in industry services in the region. By making these efforts, the Company provided integrated risk management solutions for industry customers, and effectively scaled up the futures brokerage business and increased the proportion industry customers. The risk management subsidiary used futures, options, swaps and other futures derivatives to play the function of risk undertaking, transfer and hedging and help SMEs cope with the risk of large fluctuations in raw material prices.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, Central China Futures acquired 2,892 new customers, and served a total of 36,900 customers, among which institutional customers increased 11.87% year on year. The average daily margin of customers was RMB2.206 billion, an increase of 35.14% year on year, among which the average daily margin of institutional customers was RMB1.039 billion, accounting for 47.1%; the turnover was 38.4201 million lots, an increase of 42.36% year on year, and the turnover was RMB3,219.273 billion, an increase of 8.99% year on year.

Outlook for 2024

In 2024, Central China Futures will take the Company's "four major strategies" as the guide, promote reform and transformation, focus on its main responsibilities and main businesses, and adjust and optimize its business structure, organizational structure, resource allocation, etc. It will comprehensively integrate into the Company's "N-nity (N位一體)" comprehensive financial service system, and strengthen linkage in channels, marketing activities, service products, outlet construction, etc.; integrate into the Henan Province's "7+28+N" industrial chain, explore the construction of regional industrial service bases in Central China, industrial and financial service bases in Central China, industrial service alliances in Central China and other industrial service agglomeration ecosystems, and strengthen industrial services; leverage technology empowerment, continuously optimize the Company's APP mobile application products, improve retail customer service products and service projects, enhance the strength of the online operation service team, and promote the incremental profit of online retail business; concentrate the risk management subsidiary on the combination of futures and cash, focus on the resources of four trader factories and advantageous varieties, enhancing research expertise, and carry out basis trade and cum rights trade business to improve returns.

7. Overseas business

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

Market environment

In 2023, affected by global macroeconomic, geopolitical and more, the Hang Seng Index fell by approximately 13.8% throughout the year, and the Hang Seng TECH Index fell by approximately 8.8% throughout the year, which was a relatively subdued performance amongst the major markets in the world. During the Reporting Period, Hong Kong's stock market raised a total of HK\$150.712 billion, down 40.70% from the last year, and its initial public offerings raised HK\$46.295 billion, down 55.74% from the last year, ranking sixth in the world, with 73 IPOs completed throughout the year and 222 newly listed bonds. (Source: the Hong Kong Stock Exchange)

Business measures and performance

In 2023, Central China International implemented the strategic positioning of "window" and "intermediary" platforms, continued to promote business transformation, joined the Hong Kong Stock Exchange to hold the exchange meeting between Henan and Hong Kong capital markets in Zhengzhou, and participated in and completed 4 IPO listing projects, 3 financial advisory projects, 1 consulting advisory project and 2 bond issuance projects throughout the year. A total of HK\$259 million was recovered from existing projects, effectively mitigating potential risks.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

As of the end of the Reporting Period, the number of customers of Central China International's securities business was 8,675, with total assets under custody at HK\$4.296 billion, representing an increase of 2.41% year on year. The accumulative trading volume of agency stocks and bonds amounted to HK\$2.108 billion, ranking 262nd among 559 members of the Hong Kong Stock Exchange, 65 over that of last year. The total subscription amount of the public fund consignment business was approximately HK\$882 million, an increase of approximately 2.72 times year on year. The balance of the margin financial business was approximately HK\$140 million.

Outlook for 2024

In 2024, Central China International will earnestly implement the Company's "four major strategies", actively cultivate securities brokerage and investment banking businesses, strictly control the scale of capital-intensive businesses, insist on reducing costs and increasing efficiency, and improve business performance. Based in the Henan market, the Company closely cooperated with other business lines of the Company, gave full play to the window role of Central China International, and offered better services for Henan enterprises to go global.

8. Other business

(1) Regional equity market business

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

Market environment

In 2023, the General Office of the Ministry of Industry and Information Technology of China and the China Securities Regulatory Commission issued the Circular on Organizing and Carrying out the "One Chain for One Month" Investment and Financing Roadshow Activities for Specialized, Advanced, Special and New Enterprises to accurately serve the financing needs of enterprises. The NEEQ issued the Guidelines for Public Stock Transfer and Listing Review of the National SME Share Transfer System Application and Review of Innovative Enterprises in Regional Equity Markets (Trial), which marked the official beginning of the institutional docking between the New Third Board and the regional equity market. The Department of Industry and Information Technology of Henan Province, the Department of Finance of Henan Province and other four departments jointly issued the Circular on the Work Program of Accelerating the Shareholding Reform of Industrial Enterprises Above Scale in Henan Province, which clarified "the commission of Equity Exchange Co. to build a comprehensive service platform for shareholding reform".

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Business measures and performance

In 2023, Equity Exchange Co. focused on the Company's long-term goal of high-quality development, gave full play to various service functions of the regional equity market, and served the development of the real economy of Henan Province. Equity Exchange Co. implemented the requirements of the CSRC, signed the "green channel" regulatory cooperation memorandum with the NEEQ, became the first batch of signing units, and went through the "fast track" of innovative enterprises in the regional equity market of Henan Province to enter the open market. 7 enterprises were listed on the New Third Board and 1 enterprise on the Growth Enterprise Board throughout the year. Equity Exchange Co. topped off the pilot construction of blockchain innovation application by CSRC and Henan Province by establishing a digital trusted base for enterprises and their equity services, which enabled enterprises to achieve "T+0" timely reporting of business data, and equity registration and custody, listing, trading, investment and financing docking, policy docking and other business processes and results have been put on the blockchain. Equity Exchange Co. continuously improved its market financing. That meant exploring the creation of exclusive scientific and creative financial products and diversifying investment and financing docking activities to poor local financial resources for optimized market financing services and expand the scale of various financing for enterprises. Equity Exchange Co. worked to excel in equity registration and custody services. To do that, it continued to tap into the "third-party supervision" and "professional services" advantages to enhance the credibility of registration and custody and explore new forms of custody business. Equity Exchange Co. continued to offer services to lower markets by cooperating with Luoyang City to carry out the pilot of comprehensive financial services in Henan Province. This has helped offer good counseling in enterprise incubation, financing and listing counseling and improve the efficiency and level of service across the board.

As of the end of the Reporting Period, the cumulative number of listed enterprises was 10,272, which was basically the same as that at the end of last year. The total financing was RMB26.098 billion, up 12.46% from the end of last year. There were 492 enterprises under custody, with 84.226 billion shares under custody, up 3.36% and 0.88% respectively from the end of the previous year.

Outlook for 2024

In 2024, Equity Exchange Co. will stay on course for the development orientation of serving the real economy and SMEs. Equity Exchange Co. will work on the "specialized, advanced, special and new" sector. Specifically, it will work to dock investment and financing by selecting high-quality enterprises to strengthen counseling. It will do its best to grow the "reserve army" of high-quality enterprises for the sound development of SMEs and promote the implementation of the Company's professional strategy. Using the favorable opportunity of blockchain pilot construction and participation in the construction of government service platforms and systems, Equity Exchange Co. will stretch its professional and resource advantages to promote data sharing and collaborative efficiency. This is how it will empower industry supervision, standardize the development of regional equity markets, and help the implementation of the Company's platform-based strategy. Equity Exchange Co. will give full play to the role of the Shanghai Stock Exchange, the Beijing Stock Exchange and the Henan Base of NEEQ, deepen comprehensive financial services in local cities, help transfer enterprises to another board for listing, and accelerate the implementation of the Company's integration strategy.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

2023 witnessed the accelerating global major changes not seen in a century, where geopolitical conflicts continued, the Fed maintained interest rate hikes, the international economic recovery was sluggish, and unstable and uncertain factors continued to accumulate. These left the global politics and economy in turmoil. In China, the national economy has picked up due to the fading impact of the pandemic, increased policy support and continuous technological progress. However, there are also issues such as insufficient domestic demand and a complex and severe external environment. In terms of trading in the secondary market, affected by a combination of factors, the A shares rose first and then fell and most of the major stock indexes fell. The Shanghai Composite Index closed at 2,974.93 points, down 3.70% from the end of last year. The Shenzhen Component Index closed at 9,524.69 points, down 13.54% from the end of last year. The GEM index closed at 1,891.37 points, down 19.41% from the end of the previous year. The stock trading volume of the Shanghai and Shenzhen Stock Exchanges was RMB239.95 trillion, down 3.09% year on year, of which telecom services, energy, technical hardware and equipment, and media industries rose the most, and consumer services, real estate, household and personal products, food and main supplies retail industries lagged behind. In terms of market financing, the number of IPOs and the amount of funds raised decreased year on year, and 313 A-share listed companies raised a total of RMB356.539 billion through IPOs, down 26% and 39%, respectively. IPO enterprises were mainly concentrated on manufacturing, and the top three industries were machinery and equipment (59), electronics (43) and basic chemical industry (30). (Source: Wind Info)

According to the data released by SAC, 141 securities companies in the industry realized operating income of RMB224.507 billion in the first half of 2023, a year-on-year increase of 9.03%. Among which, net income from brokerage clients related to securities brokerage business (including leasing of trading unit seats) amounted to RMB52.303 billion, and net income from investment advisory business amounted to RMB2.469 billion, which together accounting for 24.40% of the total revenue; net income from securities underwriting and sponsorship business related to investment bank business amounted to RMB25.537 billion, and net income from financial advisory business amounted to RMB2.705 billion, which together accounting for 12.58% of the total revenue; income from securities investment (including fair value changes) amounted to RMB74.817 billion, accounting for 33.33% of the revenue; net interest income amounted to RMB28.087 billion, accounting for 12.51% of the revenue; net income from asset management business amounted to RMB10.963 billion, accounting for 4.88% of the revenue. The third-quarter financial data disclosed by listed securities companies show that 43 listed securities companies realized a year-on-year increase of 1.87% in total operating income and a year-on-year increase of 6.46% in total net profit attributable to the parent company in the first three quarters, an increase that was further narrowed compared with the first half of the year. Further analysis shows that the operating results of most securities companies in the first three quarters were better than those of the same period last year, and the rebound in results was mainly due to the significant rebound in proprietary business, but the four businesses of brokers, investment banking, asset management and credit were affected by market fluctuations and the overall profitability of the industry declined. The above sets of data reveal that the industry's source of revenue still relies mainly on securities investment business and securities brokerage business, which are highly correlated with market conditions. (Sources: website of Securities Association of China, Wind Info)

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the deepening of capital market reforms continued. On 17 February 2023, the formal implementation of the full registration system for stock issuance and the launch of relevant supporting systems have, on the one hand, promoted the staggered and complementary development of the multilevel capital market, thereby more accurately servicing the high-quality development of the real economy; on the other hand, they also put forward higher requirements for the return to the position of due diligence of various market players, increasing the pressure on securities companies to perform their duties as the "gatekeeper". The Political Bureau meeting of the CPC Central Committee on 24 July 2023 put forward the idea of "activating the capital market and boosting investors' confidence". Subsequently, the CSRC has completely implemented the central government's major policy objectives in the capital market, and launched a series of policy combinations with integrated measures for investment, financing, and trading. The Central Financial Work Conference held on 30 October 2023 emphasized that finance is the bloodline of the national economy, and that it is necessary to deeply grasp the political and humanity nature of financial work, and explicitly proposed to "give better play to the function of capital market hub". The CSRC also proposed in early November 2023 that it would release the "Action Plan for Capital Market Investment Reform" around "promoting the formation of long-term capital". This aims to promote the positive interaction between medium-and long-term capital and the capital market as a whole, for the purpose of continuing to enliven the capital market, boosting investors' confidence, and striving to build a modern capital market with Chinese characteristics that is standardized, transparent, open, energetic and resilient. Overall, the focus of the comprehensive deepening of capital market reform in 2023 gradually shifted from the financing side to the investment and trading side. That means boosting investors' confidence and being investor-oriented have become the top priority for the development of the capital market at present and for a period of time in the future.

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

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

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

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

The Company's futures business covers futures brokerage business, futures trading advisory business and risk management business. The Company is in return for transaction and delivery fees through the futures brokerage business, transaction advisory fees through the futures transaction advisory business, and income by establishing risk management subsidiary to conduct base trading and OTC derivative and other risk management business.

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

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

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

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

V. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Focus on regional development advantages

Long committed to the Henan market, the Company has deeply integrated itself into the overall picture of the local economic and social development, established a large business portfolio and forged a sound operation network. With a good profound development foundation in the regional market, the Company will faster focus on Henan, vigorously strengthen the functions as a strategic carrier in the local capital market and turned the province from a "base" into the "general base" for the high-quality development in deepening services for scientific and technological innovation and the development of the real economy.

(II) Advantages in integrated platform

By establishing the integrated operating mode of "One Customer" internally and "One Central China" externally, the Company has optimized the organizational structure and actively promoted the synergy of various business resources in depth and established an overall resource sharing mechanism. We have improved the retail and institutional service pipelines and enhanced the customer service capacity in an all-round manner. We have strengthened the in-depth fusion between business and technology and built comprehensive service platforms. We have optimized the customer experience and upgraded the service quality and benefit. We have actively served Henan Province's decision to accelerate the "7+28+N" industrial chain system, seized the development opportunity brought by the Henan Provincial Government's Five-year Multiplication Action of Enterprise Listing and realized our own high-quality development in serving the high-quality development of the real economy.

(III) Advantage of A+H listing platforms

The company is a securities company listed in Shanghai and Hong Kong, with a certain brand and social influence, to provide customers with A+H capital market service solutions.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

VI. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

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

(I) Analysis on principal business

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

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Change rate (%)
Operating income	1,968,016,572.87	1,881,047,259.12	4.62
Operating cost	1,758,744,134.17	1,765,497,934.13	-0.38
Net cash flows from operating activities	-467,298,168.05	2,002,498,853.10	-123.34
Net cash flows from investing activities	1,891,107,180.96	-1,451,877,153.18	N/A
Net cash flows from financing activities	-1,327,990,652.74	-2,125,082,566.06	N/A

Reason for the change in operating income: mainly due to the increase in the income of the investment business in the current period.

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

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

Reason for the change in net cash flows from investing activities: cash collected from the investment increased during the Period and the case inflow increased.

Reason for the change in net cash flows from financing activities: cash repayments of borrowings decreased year on year and the cash outflow decreased in the Period.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

2. Income and cost analysis

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

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Change rate (%)	Explanation
Investment bank business net income	91,944,011.98	267,706,018.37	-65.65	Mainly due to the decrease in the income from the securities underwriting business in the current period
Investment income from associates and joint ventures	-23,173,922.62	54,930,970.97	-142.19	Mainly attributable to the decrease in investment income from certain associates in the current period
Gains on changes in fair value (loss stated with "-")	-96,656,528.14	-441,224,579.14	N/A	Mainly due to the decrease in fair value floating losses of trading financial assets in the current period
Gains on foreign exchange (loss stated with "-")	387,802.13	1,717,698.80	-77.42	Mainly due to changes in exchange rates during the Period
Other operating income	300,815,779.22	96,212,588.29	212.66	Mainly due to the increase in income from bulk commodity trading in the current period
Gains from assets disposal (loss stated with "-")	40,069.74	-125,883.14	N/A	Mainly due to the profit from the disposal of right-of-use assets in the current period
Expected credit losses	55,036,615.40	145,845,397.69	-62.26	Mainly due to the decrease in the impairment loss of financial assets held under resale agreements in the current period
Other operating costs	297,911,523.67	87,315,259.57	241.19	Mainly due to the increase in costs from bulk commodity trading in the current period
Non-operating income	6,269,169.20	1,107,195.31	466.22	Mainly due to the increase in incomes unrelated to the Company's daily activities in the current period
Income tax expenses	10,024,758.34	5,555,175.42	80.46	Mainly due to the increase in the profit before tax in the current period
Profit or loss of minority	-9,377,748.36	1,066,502.22	-979.30	Mainly due to a decrease in the profit or loss attributable to minority shareholders from losses of certain subsidiaries in the current period
Other comprehensive income after tax	771,826.05	63,795,594.70	-98.79	Mainly due to the decrease in the translation differences of foreign currency financial statements in the current period

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

Unit: 0'000 Currency: RMB

Principal business by industry

Industry	Operating income	Operating cost	Gross margin (%)	Increase/decrease in operating income compared with last year (%)	Increase/decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year
Securities brokerage business	65,185.67	58,066.86	10.92	-9.02	-4.14	Decreased by 4.54 percentage points
Proprietary business	55,206.06	14,444.44	73.84	79.22	3.89	Increased by 18.98 percentage points
Investment banking business	8,488.38	16,047.94	-89.06	-67.59	-40.13	Decreased by 86.72 percentage points
Credit business	40,903.18	2,284.59	94.41	-7.93	-76.24	Increased by 16.05 percentage points
Investment management business	-397.63	9,133.66	N/A	-102.40	1.70	N/A
Futures business	40,903.83	39,547.79	3.32	93.09	107.92	Decreased by 6.89 percentage points
Overseas business	-3,201.07	6,356.40	N/A	N/A	-20.10	N/A
Headquarters and others	-10,402.63	31,010.01	N/A	N/A	4.46	N/A

Principal business by region

Region	Operating income	Operating cost	Gross margin (%)	Increase/decrease in operating income compared with last year (%)	Increase/decrease in operating cost compared with last year (%)	Increase/decrease in gross profit margin compared with last year
Branches in province	58,673.47	48,910.01	16.64	-8.98	-5.61	Decreased by 2.97 percentage points
Branches outside the province	61,718.26	23,601.28	61.76	62.45	4.15	Increased by 21.40 percentage points
Domestic Subsidiaries	32,007.77	48,530.02	-51.62	3.81	63.75	Decreased by 55.50 percentage points
Overseas Subsidiaries	-3,201.07	6,356.40	N/A	N/A	-20.10	N/A
Headquarters business	47,487.35	49,493.96	-4.23	-24.94	-23.23	Decreased by 2.33 percentage points

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

During the Reporting Period, the Group achieved an operating income of RMB1.968 billion, representing a year-on-year increase of 4.62%. Among which, revenue from proprietary business amounted to RMB552 million, representing an increase of RMB244 million, mainly due to the increase in income from investment business in the current period; Revenue from futures business amounted to RMB409 million, representing an increase of RMB197 million, mainly due to the increase in income from the sale of commodities by Yuxin Investment, a subsidiary of the Company in the current Period; Revenue from oversea business amounted to RMB-32 million, representing an increase of RMB49 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 the head office and others amounted to RMB-104 million, representing an increase of RMB38 million; Revenue from credit business amounted to RMB409 million, representing a decrease of RMB35 million; Revenue from securities brokerage business amounted to RMB652 million, representing a decrease of RMB65 million, mainly due to the decrease in income from agency securities trading in the current period; revenue from investment management business amounted to RMB-4 million, representing a decrease of RMB169 million, mainly due to the decrease in income from equity investment in subsidiaries; Revenue from investment banking business amounted to RMB85 million, representing a decrease of RMB177 million, mainly due to the decrease in income from securities underwriting business in the current period.

During the Reporting Period, the Group's operating cost amounted to RMB1.759 billion, representing a year-on-year decrease of 0.38%, among which, the business and administrative expenses amounted to RMB1.382 billion, representing a decrease of RMB126 million, mainly due to a decrease in labor costs; And the expected credit losses amounted to RMB55 million, representing a decrease of RMB91 million, mainly due to the decrease in the provision for impairment of financial assets held under resale agreements. The Company assesses the credit risk of each business in accordance with the principles of prudence and adequate provisioning and makes provision of impairment allowances through the expected credit loss model. The Company will continue to monitor changes in the market value of collateral and the creditworthiness of financiers, and carefully assess the risks associated with its stock-pledged repo business. In the event of adverse factors such as a decline in the market value of collateral, the Company will make full provision for impairment for the current period in strict accordance with the China Accounting Standards for Business Enterprises and the Company's accounting policies.

During the Reporting Period, the Group realized a net profit attributable to shareholders of the parent company of RMB212 million, with an increase of RMB105 million, mainly due to the influences from the year-on-year increase of income from investment business, the year-on-year decrease in business and administrative expenses, and the year-on-year decrease of credit impairment losses.

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

3. Expenses

Please refer to "51. Business and administrative expenses" in VI. "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "FINANCIAL REPORT" in this report.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

4. Cash flow

As at the end of 2023, the Company's cash and cash equivalents balance was RMB13.394 billion, an increase of RMB96 million from the beginning of the year.

(1) Net cash flows from operating activities

During the Reporting Period, the net cash flow from the operating activities was RMB-467 million, with a year-on-year decrease of RMB2.470 billion, which was mainly attributable to the increase in cash outflow due to the investment in financial instruments at fair value through profit or loss in the current period.

The cash inflow from the operating activities was RMB5.635 billion, accounting for 34.35% of the total cash inflow, mainly including: cash receipt from interests, fees and commissions of RMB1.880 billion, accounting for 33.35%; Net increase in borrowings from banks and other financial institutions of RMB1.795 billion, accounting for 31.85%; Net increase of repurchase business of RMB715 million, accounting for 12.70%; Net decrease in funds for the resale business of RMB110 million, accounting for 1.95%; And cash received relating to other operating activities of RMB1.135 billion, accounting for 20.15%. The cash outflow from the operating activities was RMB6.103 billion, accounting for 37.42% of the total cash outflow, mainly including: net increase of financial instruments at fair value through profit or loss of RMB2.069 billion, accounting for 33.90%; net increase in margin accounts receivable of RMB582 million, accounting for 9.54%; net cash paid for brokerage clients of RMB312 million, accounting for 5.11%; cash paid to and on behalf of employees of RMB1.058 billion, accounting for 17.33%; cash paid for interest, fee charges and commission of RMB640 million, accounting for 10.48%; other cash payments relating to operating activities of RMB1.261 billion, accounting for 20.66%; and cash payments of taxes of RMB182 million, accounting for 2.98%.

The explanation of reasons for any significant variations between the net cash flow from operating activities and net profit during the Reporting Period: The net cash flow from operating activities of the Company was RMB-467 million, and the net profit of the Company was RMB202 million. The main reasons for the difference are: the net cash flow from operating activities of the Company includes the purchasing cost and the net cash flow from sales of financial instruments at fair value through profit or loss, borrowings from banks and other financial institutions, repurchase and resale, net cash flow of margin accounts receivable, and net cash flow from brokerage clients, while income statement reflected the income or expenses conditions such as investment income, interest expenses, commission income, which was formed by the aforementioned operations cash transferring and impact of non-cash flow to profit or loss, such as assets depreciation, amortization and impairment losses.

(2) Net cash flows from investing activities

During the Reporting Period, the net cash flow from the investment activities was RMB1.891 billion, with a year-on-year increase of RMB3.343 billion, mainly due to the increase in cash received from the collection of investment, resulting in increased cash inflows.

The cash inflow from the investment activities was RMB2.041 billion, accounting for 12.44% of the total cash inflow, mainly including: cash received from the collection of investment of RMB1.949 billion, accounting for 95.51%; cash received from investment income of RMB91 million, accounting for 4.46%; net cash received from the disposal of fixed assets, intangible assets and other long-term assets of RMB1 million, accounting for 0.04%. The cash outflow from the investment activities was RMB149 million, accounting for 0.92% of the total cash outflow, mainly including: cash payments to acquire fixed assets, intangible assets and other long-term assets were RMB149 million, accounting for 100.00%.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(3) Net cash flows from financing activities

During the Reporting Period, the net cash flow from the financing activities was RMB-1.328 billion, with a year-on-year increase of RMB797 million, mainly due to the decrease in cash repayments of borrowings in the current period, resulting in a decrease in cash outflow.

The cash inflow from the financing activities was RMB8.729 billion, accounting for 53.21% of the total cash inflow, mainly including: cash received from the issuance of bonds of RMB8.721 billion, accounting for 99.91%; cash received from loans of RMB8 million, accounting for 0.09%. The cash outflow from the financing activities was RMB10.057 billion, accounting for 61.67% of the total cash outflow, mainly including: cash repayments of borrowings of RMB9.500 billion, accounting for 94.46%; cash payments for distribution of dividends, profit or interest expenses of RMB357 million, accounting for 3.55%; other cash payments relating to financing activities of RMB200 million, accounting for 1.99%.

(II) Analysis on assets and liabilities

1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	Amount at the end of the Period	Proportion of the amount at the end of the Period in total asset (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period in the total assets (%)	Change ratio of amount at the end of the current period VS amount at the end of the previous period (%)	Explanation
Cash and bank balances	9,977,189,628.79	19.30	10,211,630,004.39	20.35	-2.30	Mainly due to the decrease in client's capital deposit at the end of the Period
Clearing settlement funds	3,449,978,421.75	6.67	3,115,104,687.58	6.21	10.75	Mainly due to the increase in clearing settlement funds held on behalf of clients at the end of the Period
Margin accounts receivable	7,604,853,831.45	14.71	7,016,885,351.83	13.98	8.38	Mainly due to the increase in scale of margin accounts receivable at the end of the Period
Financial assets at fair value through profit or loss	24,271,207,692.01	46.94	21,614,103,009.80	43.07	12.29	Mainly due to the increase in the scale of bonds at the end of the Period
Accounts receivables	421,115,609.11	0.81	87,679,998.85	0.17	380.29	Mainly due to an increase in transaction funds receivable from over-the-counter business at the end of the Period
Derivative financial assets	27,910,148.17	0.05	2,246.26	0.00	1,242,416.37	Mainly due to the impact of changes in OTC options at the end of the Period

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Item	Amount at the end of the Period	Proportion of the amount at the end of the Period in total asset (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period in the total assets (%)	Change ratio of amount at the end of the current period VS amount at the end of the previous period (%)	Explanation
Financial assets measured at amortized costs	120,370,451.85	0.23	195,991,199.27	0.39	-38.58	Mainly due to the provision for impairment and principal collected resulting in the decrease of carrying value
Equity instrument at fair value through other comprehensive income	1,400,000.00	0.00	0.00	0.00	N/A	Mainly because the closing futures membership investment is listed in this section
Financial assets at fair value through other comprehensive income	410,921,462.71	0.79	2,288,258,640.42	4.56	-82.04	Mainly due to the decrease in investment scale of Local government bonds and corporate bonds at the end of the period
Construction in progress	189,352,396.39	0.37	118,898,335.11	0.24	59.26	Mainly due to the increase in expenses for the construction of office building at the end of the period
Goodwill	7,268,756.37	0.01	18,602,742.39	0.04	-60.93	Mainly due to an increase in the provision for impairment
Due to banks and other financial institutions	3,297,906,994.48	6.38	1,502,279,361.14	2.99	119.53	Mainly due to the increase in due to banks at the end of the Period
Derivative financial liabilities	18,033,779.39	0.03	793,800.00	0.00	2,171.83	Mainly due to the impact of changes in stock return swap at the end of the Period
Short-term loans	0.00	0.00	66,075,016.67	0.13	-100.00	Mainly due to the effect in the repayment of short-term loans at the end of the Period
Short-term financing instruments payable	4,075,723,383.58	7.88	4,132,771,764.91	8.24	-1.38	Mainly due to the maturity of certain bonds and the decrease in the bonds at the end of the Period
Financial assets sold under repurchase agreements	10,602,387,479.57	20.51	9,887,887,932.32	19.70	7.23	Mainly due to the increase in scale of pledge-style repurchase business at the end of the Period
Accounts payable to brokerage clients	11,538,050,603.00	22.32	11,849,666,807.82	23.61	-2.63	Mainly due to the decrease in client's capital deposit at the end of the Period

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Item	Amount at the end of the Period	Proportion of the amount at the end of the Period in total asset (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period in the total assets (%)	Change ratio of amount at the end of the current period VS amount at the end of the previous period (%)	Explanation
Taxes payable	26,436,859.31	0.05	111,898,833.01	0.22	-76.37	Mainly due to the decrease in corporate income tax payable at the end of the Period
Accounts payable	873,013,344.30	1.69	237,527,662.62	0.47	267.54	Mainly due to an increase in transaction funds payable from over-the-counter business at the end of the Period
Contract liabilities	7,881,833.37	0.02	5,866,855.62	0.01	34.35	Mainly due to the increase in trade advance receipt at the end of the Period
Estimated liabilities	0.00	0.00	1,186,481.49	0.00	-100.00	Mainly due to the decrease in prepayments for pending litigation at the end of the Period
Deferred income tax liabilities	20,759,933.82	0.04	35,947,914.23	0.07	-42.25	Mainly due to changes in the value of financial assets at the end of the Period
Bonds payable	4,721,201,165.26	9.13	5,364,791,008.73	10.69	-12.00	Mainly because the remaining term of some bonds at the end of the period is less than 1 year, and they are put into short-term financing accounts payable

(1) Assets

As at the end of 2023, the total assets of the Group reached RMB51.702 billion, increasing by RMB1.519 billion or 3.03% from RMB50.183 billion at the beginning of the year, which was mainly due to the decrease in financial assets at fair value through profit or loss at the end of the Period. Among them, cash and bank balances, clearing settlement funds and refundable deposits accounted for 28.07% of the total assets; Financial investment accounted for 47.98% of the total assets; Margin accounts receivable accounted for 14.71% of the total assets; Investment properties, fixed assets, construction in progress and right-of-use assets accounted for 1.08% of the total assets; Long-term equity investment accounted for 2.79% of the total assets; Financial assets held under resale agreements accounted for 1.95% of the total assets; Deferred income tax assets, intangible assets and other assets accounted for 3.41% of the total assets. The Company has good asset quality and liquidity and a sound asset structure.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(2) Liabilities

As at the end of 2023, the total liabilities of the Group reached RMB37.551 billion, increasing by RMB1.576 billion or 4.38% from RMB35.975 billion at the beginning of the year, which was mainly due to the decrease in due to banks and other financial institutions at the end of the Period. Among them, the accounts payable to brokerage clients (including the accounts payable to brokerage clients in credit transactions) accounted for 30.73% of the total liabilities; Bonds payable and short-term financing instruments payable accounted for 23.43% of the total liabilities; Financial assets sold under repurchase agreements accounted for 28.23% of the total liabilities; due to banks and other financial institutions accounted for 8.78% of the total liabilities; Financial liabilities at fair value through profit or loss and derivative financial liabilities accounted for 3.75% of the total liabilities; Employee benefits payable, tax payable and other liabilities accounted for 5.08% of the total liabilities.

As of 31 December 2023, gearing ratio of the Group after deducting the accounts payable to brokerage clients (including the accounts payable to brokerage clients in credit transactions) and accounts payable to underwriting clients was 64.77%, with a year-on-year increase of 1.83 percentage points.

2. Overseas assets

Of which: overseas assets amounted to RMB1.189 billion, accounting for 2.30% of the total assets.

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

Please refer to “61. Assets with restricted ownership or use rights” in VI. “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “FINANCIAL REPORT” of this report.

4. Commitments and contingent liabilities

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

(III) Access to and ability of financing

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

The Company continued to strengthen the management of financing channels and maintained a good financing capability. As of 31 December 2023, the Group had obtained a comprehensive credit of RMB40.566 billion from a number of financial institutions, which could effectively guarantee the Company’s business development funding needs.

(IV) Industry operation analysis

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

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(V) Analysis of investments

Overall analysis on external equity investments

As of the end of the Reporting Period, the Group's long-term equity investment was RMB1.443 billion, representing a decrease of RMB135 million or 8.53% compared with the end of the previous year.

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

Zhongding Kaiyuan Venture Capital Management Co., Ltd.

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

Date of incorporation: 8 February 2012

Registered capital: RMB280 million

Shareholding proportion: 100%

Legal representative: Song Guangming

Contact No.: 0371-69177108

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

Financial position: As of 31 December 2023, the total assets and net assets amounted to RMB822 million and RMB419 million, respectively. In 2023, Zhongding Kaiyuan Venture Capital Management Co., Ltd. recorded operating income of RMB23 million and net profit of RMB2 million, respectively.

Central China Blue Ocean Investment Management Company Limited

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

Date of incorporation: 25 March 2015

Registered capital: RMB3.200 billion

Shareholding proportion: 100%

Legal representative: Wu Yang

Contact No.: 0371-86503971

Principal business: alternative investment business

Financial position: As of 31 December 2023, the total assets and net assets amounted to RMB2.742 billion and RMB2.739 billion, respectively. In 2023, Central China Blue Ocean Investment Management Company Limited recorded operating income of RMB-77.2294 million and net profit of RMB-98.0216 million, respectively.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Central China Futures Co., Ltd.

Registered address: 4F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengzhou District (Zhengdong), Pilot Free Trade Zone, Henan

Date of incorporation: 18 April 1993

Registered capital: RMB330 million

Shareholding proportion: 92.292%

Legal representative: Yu Chunyan

Contact No.: 0371-68599199

Principal business: commodity futures brokerage; financial futures brokerage; futures trading advisory.

Financial position: As of 31 December 2023, the total assets and net assets amounted to RMB2.798 billion and RMB463 million, respectively. In 2023, Central China Futures recorded operating income of RMB409 million and net profit of RMB10.8439 million, respectively.

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 at 31 December 2023, the total assets and net assets of Central China International amounted to HK\$1.312 billion and HK\$513 million, respectively. In 2023, its total revenue and other income and net profit amounted to HK\$2.85 million and HK\$-105 million, respectively.

Central China Equity Exchange Co., Ltd.

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

Date of incorporation: 29 June 2015

Registered capital: RMB350 million

Shareholding proportion: 36%

Legal representative: Zhao Jizeng

Contact No.: 0371-61775086

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

Financial position: As of 31 December 2023, the total assets and net assets amounted to RMB394 million and RMB356 million, respectively. In 2023, Central China Equity Exchange Co., Ltd. recorded operating income of RMB-34 million and net profit of RMB-42 million, respectively.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(VII) Structured entities controlled by the Company

As of 31 December 2023, the Group merged 5 structured entities. For the structured entities that served as the manager or investment advisor of structured entities and hold product shares, the Company included the structured entities under the control of the Company into the scope of consolidated statements after comprehensively considering the investment decision rights of the Company, the variable return exposure and the use of investment decision power to influence variable return. Please refer to VII. "CHANGES IN THE SCOPE OF CONSOLIDATION" under Section 8 "FINANCIAL REPORT" of this report for scope of consolidation of structured entities.

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

(I) Industry landscape and development trend

The securities industry, as a bridge connecting the capital market and the real economy, and between the capital market and investors, undertakes the responsibility of supporting the development of the real economy and serving the residents in preserving and increasing the value of their wealth. It is a "service provider" of direct financing, a "gatekeeper" of the capital market and a "manager" of social wealth. The competition and development of the securities industry and securities companies are characterized by the following features as the reform and liberalization of the capital market continues:

Firstly, the capital market has continued to enrich and diversify its trading tools, and the two core elements of professional competence and capital strength are playing a greater role, with the industry's resources gradually concentrating on the leading brokerages. In order to cope with the unfavorable situation of increasing industry concentration, small and medium-sized brokerages need to implement strategic focus by concentrating limited resources to cultivate distinctive and differentiated competitive advantages while leveraging their talents;

Secondly, the competition in the industry is transforming from the traditional single-service model to a full-service model, from a short-term to a medium-to long-term, full-life-cycle service model, and from the pursuit of business breadth to the continuous expansion of business depth. These changes require brokerages to accelerate the enhancement of the efficiency of multi-departmental coordination and the overall operational efficiency of the company, and to accelerate the advancement of comprehensive upgrading of the business model from the previous single-product, single-service independent operation to the full-business chain integrated financial service model centering on clients' needs;

Thirdly, financial technology represented by big data, cloud computing, block chain, artificial intelligence, etc. is accelerating its full penetration into the front, middle and back offices of securities companies. Platformization and digitization have become important driving factors for securities companies to enhance their customer acquisition and service capabilities, improve operational efficiency, and promote the restructuring and upgrading of traditional business, and the digital transformation supported by financial technology has accelerated in full swing.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

The Central Financial Work Conference held on 30 October 2023 traced the blueprint for the future development of the capital market and financial system, elevating financial work to a higher strategic level. Regarding how to build a strong financial country, the conference clearly proposed to "optimize the financing structure and give better play to the hub function of the capital market", "achieve significant results in the five major works of technology finance, green finance, inclusive finance, pension finance and digital finance", "cultivate first-class investment banks and investment institutions", and "improve the positioning of institutions and support large state-owned financial institutions to become better and stronger as the main force to serve the real economy and safeguard the financial sector, and develop unique characteristics based on local conditions" from the aspects such as financing function of the capital market and intermediary financial institutions. The "five major works" implies that financial resources will focus on scientific and technological innovation, advanced manufacturing, and green development, further clarifying the focus of securities companies to serve the real economy. The top-level idea of "improving the positioning of institutions" is intended to "support the superior and limit the inferior" by supporting the leading securities companies to become superior and stronger, while the profitability and stability of small and medium-sized securities companies are facing a test. How to carry out distinctive and differentiated operations based on the needs of the local regional market will be the most important task for the sustainable development of small and medium-sized securities companies.

In January 2024, General Secretary Xi Jinping emphasized at a seminar for provincial-level leading cadres to promote high-quality financial development that a strong financial country should have a series of key core financial elements, and that the construction of a strong financial country must accelerate the construction of a modern financial system with Chinese characteristics, which mentioned the need for strong financial institutions, strong financial supervision, strong financial talent, complete and effective financial regulatory system, and diversified and professional financial products and services system. On 25 January 2023, the CSRC 2024 System Work Conference also made it clear that it is necessary to highlight the investor-oriented concept in terms of key institutional arrangements for the capital market, administrative, civil and criminal accountability, evaluation standards for the quality of listed companies, the responsibility of intermediaries as "gatekeepers", and supervision of public funds and other investment institutions to fulfill their fiduciary responsibilities. On 15 March 2023, the CSRC formulated and issued four documents around "strengthening the fundamentals" and "strict supervision and management" of the capital market: first, the opinion on strictly enforcing the admission to issuance and listing, and improving the quality of listed companies at source; second, the opinion on strengthening the supervision of listed companies; third, the opinion on strengthening the supervision of securities companies and public funds, and accelerating the construction of first-class investment banks and investment institutions; and fourth, the opinion on implementing the standards of political excellence, competence, and style of excellence for comprehensively strengthening the self-construction of the CSRC system.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Therefore, looking ahead, the securities industry and securities companies should put functionality in the first place, adhere to the customer-centered approach, fulfill their obligations of trust and justice, and always put into practice the development concept of financial services for the country and for the people. In actual operation, the securities companies shall focus on their main business, optimize supply and improve the value creation ability to form a diversified system of financial products and services suitable for the needs of various types of investors. They should also implement the strategic layout of the "five major works" of science and technology, green, inclusive, pension, and digital finance initiatives. To be specific, the securities companies shall regulate their trading behavior, focus on grasping the long-term trend, strengthen the counter-cyclical layout, and enhance the stability of investment behavior in order to better play the role of the main force in maintaining the stable and healthy operation of the market. They are required to enhance value discovery capabilities, strengthen project screening, valuation and pricing, and sponsorship and underwriting capabilities, and further consolidate the "gatekeeper" responsibilities of investment banks. The securities companies shall be prudent to launch highly capital-consuming businesses, reasonably determine the scale and timing of financing, strictly regulate the use of funds, and enhance the efficiency of the use of funds. They shall launch in-depth construction of a financial culture with Chinese characteristics, resolutely rectify the undesirable trends of money worship, extravagance and hedonism, eagerness for quick success and quick profit, and "ostentatious display of wealth", practically strengthen the management of practitioners and continue to improve the remuneration management system. The securities companies shall enhance compliance and risk control by adhering to the principle of "if you can't see it, you can't control it, then you can't do it". They are required to stay true to business fundamentals and prudently promote business innovation to ensure that the organizational structure and business development match with the level of compliance, risk control and professional competence.

(II) Development strategy of the Company

During the 14th Five-year Plan period, the Company reinforced its functional position as the strategic carrier in Henan's capital market, adhered to the overall keynote of seeking progress while ensuring stability and stuck to the goal-oriented and problem-oriented principle together with the systematic thinking. We advanced an array of reform and development measures - focused on the primary responsibility and principal operation and comprehensive resource integration, deepened business transformation, bolstered functional short slabs and carried forward the management improvement. We went the customer-centric development path featuring "differentiation and professionalization", and implemented four strategies, including professionalism, integration, platform and base. We walked faster to build the retail and institutional service systems and realized our own high-quality development in serving the high-quality development of the real economy.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(III) Operating plan

(I) Operating plan

In 2024, the Company will put in practice the essential instructions of the Central Economic Work Conference, the decisions and roadmaps of the Party Committee of Henan Province and the People's Government of Henan Province, and hold fast to the keynote of seeking progress while ensuring stability with an eye on the development goals of "striving to become a modern investment bank deliver the first-class services in the core business universes and taking the lead in the regional market". We will consolidate our functional position as the strategic carrier in the capital market of Henan Province with two mainstays: First, upholding the customer-centric concept, we will implement the four strategies oriented to "professionalism, integration, platform and base" and move ahead with the core function reinforcement and core capacity enhancement; Second, we will stay committed to business development with a matrix of measures like business enhancement, cost reduction, efficiency increase and risk resolution, endeavor to outperform the full-year operating objective and make a good beginning in the first year to implement these strategies.

Implement four strategies faster. The Company will focus on the core market of Henan Province, integrate in depth into the global picture of economic and social development in the central province and penetrate into key industrial chains in the province. We will try to become a financial enterprise under jurisdiction of Henan Province and join Henan Investment Group Co., Ltd. to promote our development. Eyeing on two core customer groups, including institutions and retail customers, we will walk faster to forge and perfect two customer service lines, carry out the integration strategy, and continuously strengthen the core functions of serving the real economy and helping residents combat inflation and expand their wealth. We will give full play to the digital empowerment and consolidate the results of the integration strategy. Meanwhile, we will forge a service platform array for institutional customers — upgrade the wealth management platform with the core of up.ccnew.com, forge the investment advising cloud platform and build a safe, efficient comprehensive management platform, in a move to upgrade our overall operation and management efficiency.

Upgrade operating quality and efficiency with every possible effort. The Company will further reinforce resource integration, business synergy and refocus on principal operation and strengthen business restructuring by vigorously developing the light-capital operation and conducting heavy-asset operation with prudence. We will advance cost reduction, efficiency enhancement and risk resolution and spare no effort to improve the operating quality and benefit. We will strive to curb and increase the market share decline in the wealth management segment and ensure its stable development. We will "expand" the proprietary business amid stability and assure prudential absolute returns with the fluctuation over a narrow band. When it comes to the investment banking line, we will reserve high-quality equity projects and vigorously expand the bonds service to better serve the real economy. We will expedite the asset management service and strive for a remarkable expansion of assets under management. We will promote our subsidiaries to focus on the primary responsibility and principal operation and enhance the quality and profitability by reinforcing the principal operation, stabilizing the exit and resolving risks. At the same time, we will embed cost reduction and efficiency enhancement indicators into the evaluation mechanism, and continuously refine the all cost accounting and evaluation regime. Also, we will strengthen the integration of low-efficiency divisions, implement overall expense control and continuously reduce costs for better profitability.

Assure continuous organizational support. We will speed up the market-oriented mechanism with the core of three system reforms, particularly refine the market-oriented income distribution mechanism and reasonably enlarge the income gap with a view to establishing the institutional support for "encouraging struggle". We will continuously reinforce the executive and professional team, develop the culture of "aspiring struggle, creating value" within the Company and create a good climate of encouraging the actual work and enterprising spirit.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Stay committed to management improvement. The Company will build up the corporate governance capacity without cease, aggregate and centralize the management functions where the functional departments assume the overall responsibility, and truly achieve the ubiquitous management coverage. We will work to carry forward the risk prevention and resolution plan, strive to realize the substantive termination for the absolute majority of cases this year, and attain the objective to basically resolve the existing risk events ahead of schedule. Also, we will establish the system that prevents the emergency of new risk events and prevent the risk from the economic fluctuation.

The Company will also carry out in earnest the “Five Do’s and Five Don’ts” principles of the financial culture with Chinese characteristics as well as the core concepts of the industrial culture advocated by the China Securities Regulatory Commission. We will carefully review the operating concepts ever since the outset and the “Hong Kong Listing Spirit”, advocate the core concept of “fighters first” in the corporate culture and promote the high-quality development to reward all investors with outstanding results.

(IV) Potential risks

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

(1) Credit risk and policies

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

The Company’s management of credit risk mainly includes: First, in terms of access management, for financing business, the Company set the access credit rating for borrowers and the selection criteria for guaranteed securities; for bond investment and trading business, the Company set credit rating access standards, and established bond pools and counterparty pools. Second, in terms of credit management, the Company set differentiated credit limits based on factors such as the credit and financial status of borrowers, issuers and counterparties, and conducted limit management on the investment and financing amount of the same customer in the same business to strengthen credit risk concentration management. Third, in terms of due diligence, the Company set up differentiated due diligence methods and contents for large-amount credit extension for financing business, major investment in credit bonds and large-amount equity investment. Fourth, in terms of hierarchical decision-making, the Company improved the three-tier decision-making system of business departments, business decision-making committees and executive committees. Fifth, in terms of duration management, the Company established a follow-up management and public opinion monitoring mechanism for the existing business, tracked, evaluated and monitored major events and negative public opinions of borrowers, counterparties and issuers, and classified the existing projects based on their risk levels.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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. Second, the Company improved the authorization management system of its financing business and optimized the decision-making process of the authorization 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. Fifth, the Company strengthened the concentration management of the same customer, improved the unified credit requirements for financing business, and strengthened the review of margin business of overseas subsidiaries. During the Reporting Period, the Company's credit risk was controllable as a whole.

(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 losses 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 market risks currently faced by the Company are mainly centered on its proprietary business, asset management business, market making business and the aforementioned related businesses conducted by its subsidiaries.

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, asset management, and over-the-counter derivatives 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, Delta, Gamma and other indicators, and adjusted business strategies in time to control market risks.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company strengthened its control over market risks. First, the Company improved risk identification, monitoring and emergency management mechanisms. Second, the Company effectively implemented its robust risk appetite and optimized the risk quota index of fixed income proprietary business. Third, the Company kept strengthening the management of equity proprietary securities pools and improved risk control measures for outsourced investment business. Forth, the Company established a risk control index system for quantitative investment and over-the-counter derivatives business, optimized exposure management and a hierarchical authorization system for the concentration of a single target, and controlled business risks through the control of the target pool, business scale, concentration, risk exposure, stop loss and other aspects. Fifth, the Company built or upgraded risk control systems such as over-the-counter derivatives, bills, quantitative investment, standard bond forwards, and public offering Reits, and constantly improved the timeliness, accuracy and comprehensiveness of business data collection. 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.

The Company mainly took the following measures to prevent the liquidity risk: 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 198.96% and 150.69%, respectively, which were in compliance with the regulatory requirements. No material liquidity risk events occurred during the Reporting Period.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(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.

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, updated data source, and improved the recognition ability and dynamic monitoring effect of reputation risk by optimizing the processes of systematic public opinion monitoring, incident reporting and risk disposal. Third, the Company conducted management trainings for reputation risk to enhance the awareness of reputation risk prevention of all staff. During the Reporting Period, the Company's reputation risk was controllable as a whole.

(5) Operational risk and policies

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

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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, control, monitoring, 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 regularly carried out operational risk and control of self-assessment. During the Reporting Period, the Company's operation risk was controllable as a whole.

(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 and guidelines by the Company or its personnel in their operation, management or practices.

The Company's management of compliance risks mainly includes: First, the Company strengthened system construction, continued to keep track of laws, regulations and guidelines, established and improved its institutional systems, and optimized and improved compliance risk control measures to consolidate the foundation of its effective compliance operation. Second, the Company strengthened compliance publicity and training. We actively advocated the compliance concept of "compliance is everyone's responsibility, and compliance creates value", and guided cadres and employees to internalize the cultural concepts in their minds, and externalize them in practice. Third, the Company strengthened compliance audit and consultation. We conducted compliance reviews on internal systems, major decisions, products and business plans. We provided daily consulting services on the application and understanding of rules arising from the Company's business development and internal management. Fourth, the Company strengthened compliance supervision and inspection. In conjunction with the actual operation and management, we organized and carried out compliance supervision, inspection and monitoring of key businesses and key fields, prevented and resolved compliance risks and hazards, and reported in a timely manner in accordance with the regulations. Fifth, the Company strengthened compliance assessment and accountability. We included the effectiveness of compliance management and the compliance of practice conduct into the annual assessment scope of each unit and all staff of the Company, and continued to improve the compliance assessment index system; besides, we effectively implemented the accountability system and gave full play to its role as a sharp instrument. Sixth, the Company promoted self-assessment. We regularly organized and carried out a comprehensive assessment of the effectiveness of compliance management, supervised the rectification and implementation of assessment issues in a timely manner, and continuously promoted the positive cycle of self-assessment and self-improvement. Seventh, the Company strengthened the application of information technology. We made efficient use of fintech to enhance the informatization and professionalization of compliance management.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company continuously improved its compliance risk control measures: First, we paid close attention to the regulatory developments in the industry, tracked and publicized laws and regulations, and continued to promote the “internalization of external regulations”. We formulated and revised a number of compliance management and money-laundering risk control systems based on the management needs of the Company, including the engagement of a third party, compliance management of the Hong Kong subsidiaries, compliance accountability, employees’ investment behaviors, abnormal customer transactions, and anti-money laundering, which effectively improved the compliance management system. We supervised each unit of the Company to do a good job of building and improving the system, and embedded the compliance requirements into the business process through all aspects of decision-making, implementation, supervision, and feedback. Second, we continuously strengthened the review and advisory support for business, implemented a multi-level review mechanism, strictly controlled the entry and compliance risks, and organized compliance reviews of the Company’s systems, major decisions, new products and new business solutions and issued compliance review opinions. Third, we strengthened inspection and monitoring efforts guided by compliance risk management and control to effectively prevent compliance risks. Combined with the actual operation and management, we organized and carried out compliance inspections and monitoring of key businesses, regions and dimensions, which effectively prevented and resolved hidden compliance risks and strengthened the Company’s internal control management; based on daily supervision and inspection, we effectively performed our reporting duties, so that the management can grasp the overall compliance situation of the Company in a timely manner. Fourth, the Company cultivated the compliance culture, promoted the construction of the Company’s compliance culture and enhanced the concept of compliance culture among employees. We continued to carry out regular publicity and training to further enhance the compliance awareness of all staff, organized and issued new regulations, regulatory developments, case warnings and other promotional materials, and carried out a number of special trainings for compliance and anti-money laundering in terms of the interpretation of new regulations, business compliance, money laundering risk points, etc., so as to continuously convey the latest regulatory spirit to all levels of management and staff, and to penetrate compliance awareness into their mind. Fifth, the Company took legal compliance operation as the standard, strengthened compliance supervision and assessment, and enhanced the effectiveness of compliance management. We combined the prevention and resolution of compliance risks with compliance education and improvement, and improved multi-level compliance management measures. We continued to optimize the compliance assessment index system, further combined compliance supervision and management, compliance accountability and compliance assessment, and gave full play to the role of the compliance assessment. Sixth, the Company advocated integrity culture, strengthened integrity management, and effectively prevented integrity risks. We optimized and improved the management system and mechanism of integrity management, and provided institutional guarantee for strengthening integrity management. We have released cases to promote integrity, carried out special trainings for integrity practice, planned activities to collect promotional materials for integrity practice, and advocated professional ethics of fairness, honesty, integrity and self-discipline. For key businesses, personnel management, financial management and other key links, we sorted out the integrity risk points, clarified the requirements for integrity practice, improved preventive measures, strengthened management, and addressed both symptoms and root causes. We embed the integrity management into the compliance inspection points of brokerage, investment bank, investment, asset management, subsidiaries, etc., effectively identified and prevented compliance risks, guided all staff to strengthen their commitment to integrity, prevented integrity risks, and strictly observed the bottom line of integrity. In 2023, according to the parent company’s approach, the Company’s total investment in compliance risk control was RMB110.4980 million.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(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.

The Company's management of information technology risks mainly includes: First, the Company continuously improved the system for information monitoring, actively utilized the big data platform to enlarge the breadth and deepen the depth of the monitoring system; initially constructed a comprehensive and efficient intelligent monitoring and early warning system, improved the system failure detection capability, and eliminated hidden risks in a timely manner. Second, the Company continuously improved the operation and maintenance management system, implemented the annual technical input, updated the key and core equipment, strengthened change management, and developed and implemented complete upgrade test operation process and emergency rollback process in case of major changes. Third, the Company further improved the response mechanism for network security incidents, carried out program learning, sorted out the Company's emergency plan, public opinion disposal, anti-fraud and anti-fraud, investor protection related systems and regulations, and checked the gaps and made up for the rectification and implementation to further enhance its network and information security guarantee capabilities. Fourth, the Company optimized the security management system, improved technical security protection measures, combined vulnerability scanning and routine penetration services and other means, and adopted process control to eliminate security risks and safeguard the safe, stable and reliable operation of the system.

During the Reporting Period, the Company firmly established the awareness of quality and risk, intensified the construction of the information technology management system, and optimized the testing management and process. The Company increased 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, which effectively supported the business development of the Company. In 2023, according to the parent company's approach, the Company's total investment in information technology was RMB198.9479 million.

VIII. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PROPOSAL

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

IX. DIRECTORS

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

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

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

XI. PERMITTED INDEMNITY PROVISION

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

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

As of 31 December 2023, based on the information acquired by the Company and the knowledge of the Directors, none of the Directors, Supervisors and chief executive of the Company have the following (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code.

As of 31 December 2023, no Directors, Supervisors or their respective spouse or children under the age of 18 have been given the right to purchase the shares or debentures of the Company to obtain benefits, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the Directors, Supervisors or their respective spouse or children under the age of 18 in any other body corporate.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

As of 31 December 2023, pursuant to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executive of the Company) have the following interests or short positions in shares or underlying shares required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

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

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

Save as disclosed above, as of 31 December 2023, the Company was not aware of any other persons (excluding the Directors, Supervisors and chief executive of the Company) having the interests or short positions required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.

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

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

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

XV. NON-COMPETITION UNDERTAKING OF CONTROLLING SHAREHOLDERS

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

XVI. OTHER DISCLOSURES

(I) Share capital

Please refer to the VI. NOTE 37 in the “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “FINANCIAL REPORT” as set out in this report.

(II) Pre-emptive rights arrangement

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

(III) Sufficiency of public float

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

(IV) Management contract

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

(V) Director and Supervisor service contract

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

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

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

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

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

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(VIII) Employees

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

(IX) Pension scheme

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

As of the years ended 31 December 2023, the Group had no forfeited contributions under the Pension Insurance Plan or the MPF Plan. Under the Enterprise Annuity Plan, the forfeited contributions of the Group are retained in the public account for enterprise annuity in accordance with the domestic enterprise annuity policy and the Group’s enterprise annuity management system. The forfeited contributions shall be enjoyed by the employees who are still in the Enterprise Annuity Plan and shall not be available to reduce future contributions or reduce levels of existing and future contributions.

Please refer to the VI. NOTE 29 in the “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “FINANCIAL REPORT” as set out in this report.

(X) Donations

During the Reporting Period, the Group organised and carried out activities of “books to help rural revitalization”, mobilised 579 employees from 67 labour union groups of the Company, and donated 2,636 books of various types with a value of RMB65,900, which were used to assist the construction of rural household libraries in targeted villages, and helped the high-quality development of rural revitalization with the high-quality construction of rural cultural sites.

(XI) Property, plants, equipment and investment properties

As of the end of the Reporting Period, for details of the Group’s property, plants, equipment and investment properties, please refer to the VI. NOTES 13 and 14 in the “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “FINANCIAL REPORT” as set out in this report.

(XII) Reserves

For changes in the Group’s reserves and distributable reserves during the Reporting Period, please refer to the VI. NOTES 38 to 41 in the “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “FINANCIAL REPORT” as set out in this report.

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

(XIII) Tax reduction and exemption

A Shareholders

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

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

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

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

H Shareholders

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

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

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

SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

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

(XIV) Bond issuance

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

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

By order of the Board
Chairman
Lu Zhili

28 March 2024

SECTION 4 CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF THE CORPORATE GOVERNANCE

Being a public company listed in both Mainland China and Hong Kong, the Company operates in strict compliance with laws, regulations, and normative documents at the domestic and overseas listing places, including the Company Law, Securities Law, Regulation on the Supervision and Administration of Securities Companies, Rules for Governance of Securities Companies, Code of Corporate Governance for Listed Companies, the Corporate Governance Code, and is committed to maintaining and improving its good social image of the Company. During the Reporting Period, the Company actively implemented the deployment and arrangement of the Central Government, the provincial Party committee and the provincial government to improve corporate governance and promote the effective role of governance entities. The Company amended the Articles of Association, the Rules of Procedure of the Board Meetings, the Rules of Procedure of the Party Committee, the Rules of Procedure of the Executive Committee, and Rules of Implementation of the Three Major Decisions (on major matters, the appoint and dismiss of import officers and investment on major projects) to further promote the organic integration of the Party's leadership and corporate governance, define the boundaries of the rights and responsibilities of the Company's all governance bodies, standardize procedures, and form a governance mechanism with coordinated operation and effective checks and balances. This has enhanced the Company's decision-making efficiency and risk prevention and control ability. The Company, taking into consideration its realities, closely followed the changes in external regulations such as the Measures for the Administration of Independent Directors of Listed Companies and the Listing Rules and other regulations as well as the requirements of the superior regulatory authorities and amended the Work System of Independent Directors and the work system of the four special committees under the Board of Directors. This has improved Directors' responsibilities and procedures, makes clear the requirements and guarantees for the performance of their duties, and creates conditions for the performance of their duties, which has mobilized the enthusiasm of directors to better participate in the discussion of major issues of the Company and advance the relevant work of the Company relying on its professional advantages for suggestions and advices. The Company strictly complied with all code provisions of the Corporate Governance Code and met requirements for most recommended best practices specified in the Corporate Governance Code during the Reporting Period.

(I) Shareholders and general meeting

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

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

SECTION 4 CORPORATE GOVERNANCE REPORT

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

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

(II) Directors and the Board

1. Composition of the Board

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

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

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

2. Responsibilities of the Board

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

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

SECTION 4 CORPORATE GOVERNANCE REPORT

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

SECTION 4 CORPORATE GOVERNANCE REPORT

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

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

3. Management

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

(III) Supervisors and the Supervisory Committee

1. Composition of the Supervisory Committee

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

2. Responsibilities of the Supervisory Committee

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

- (1) to examine financial operations of the Company;

SECTION 4 CORPORATE GOVERNANCE REPORT

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

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

SECTION 4 CORPORATE GOVERNANCE REPORT

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

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

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

III. SUMMARY OF GENERAL MEETING

Session	Date of convening	Designated website for publication of the resolutions	Date of publication of the resolutions	Meeting resolution
2022 Annual General Meeting	24 May 2023	http://www.sse.com.cn/ http://www.hkexnews.hk	25 May 2023 24 May 2023	The Resolution of the 2022 Annual General Meeting
The 2023 First Class Meeting for Holders of A Shares	24 May 2023	http://www.sse.com.cn/ http://www.hkexnews.hk	25 May 2023 24 May 2023	The Resolution of the 2023 First Class Meeting for Holders of A Shares
The 2023 First Class Meeting for Holders of H Shares	24 May 2023	http://www.sse.com.cn/ http://www.hkexnews.hk	25 May 2023 24 May 2023	The Resolution of the 2023 First Class Meeting for Holders of H Shares
The 2023 First Extraordinary General Meeting	13 July 2023	http://www.sse.com.cn/ http://www.hkexnews.hk	14 July 2023 13 July 2023	The Resolution of the 2023 First Extraordinary General Meeting

SECTION 4 CORPORATE GOVERNANCE REPORT

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 H 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 on 13 July 2023, and considered and approved the Proposal on the Election of Director for the Seventh Session of the Board of Directors and the Proposal on the Amendments to the Articles of Association.

SECTION 4 CORPORATE GOVERNANCE REPORT

IV. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Unit: Share

Name	Position	Gender	Age	Term of office commencing on	Term of office ending on	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes (increase/decrease) in shares held during the year	Reason for changes (increase/decrease)	Total remuneration before tax received from the Company during the Reporting Period (RMB'0,000)	Whether received remuneration from related parties of the Company
Lu Zhili	Chairman, Executive Director	Male	57	2023-07-13	2024-11-09	—	—	—	N/A	91.93	No
	Chairman of the Supervisory Committee (resigned)			2015-09-10	2023-06-20	—	—	—			
Li Xingjia	Non-executive Director	Male	59	2015-10-12	2024-11-09	—	—	—	N/A	0	Yes
Zhang Qiuyun	Non-executive Director	Female	52	2021-11-09	2024-11-09	—	—	—	N/A	0	Yes
Tang Jin	Non-executive Director	Male	58	2022-02-17	2024-11-09	—	—	—	N/A	0	Yes
Tian Shengchun	Non-executive Director	Male	49	2018-10-16	2024-11-09	—	—	—	N/A	0	No
Zhang Dongming	Independent Non-executive Director	Female	71	2018-10-16	2024-11-09	—	—	—	N/A	25.00	No
Chen Zhiyong	Independent Non-executive Director	Male	66	2021-06-30	2024-11-09	—	—	—	N/A	25.00	No
Tsang Sung	Independent non-executive director	Male	52	2021-06-30	2024-11-09	—	—	—	N/A	25.00	No
He Jun	Independent non-executive director	Male	48	2022-02-17	2024-11-09	—	—	—	N/A	25.00	No
Jian Mingjun	Chairman (resigned), Executive Director (resigned)	Male	61	2015-09-10	2023-06-13	—	—	—	N/A	56.84	No
	Director of the Executive Committee (resigned)			2022-01-18	2023-06-13	—	—	—			
Zhang Xiaoqi	Non-executive Director (resigned)	Male	38	2015-09-10	2023-06-14	—	—	—	N/A	1.80	No
Lu Benson Cheng	Non-executive Director (resigned)	Male	42	2018-11-01	2023-06-21	—	—	—	N/A	1.80	No
Wei Zhihao	Shareholder Representative Supervisor	Male	43	2021-11-09	2024-11-09	—	—	—	N/A	0	Yes
Li Zhifeng	Shareholder Representative Supervisor	Male	43	2022-06-24	2024-11-09	—	—	—	N/A	0	No
Zhang Bo	Shareholder Representative Supervisor	Male	46	2021-11-09	2024-11-09	—	—	—	N/A	0	No
Xiang Siying	Independent Supervisor	Female	60	2015-09-10	2024-11-09	—	—	—	N/A	12.00	No
Xia Xiaoning	Independent Supervisor	Male	63	2016-05-09	2024-11-09	—	—	—	N/A	12.00	No
Ba Guanhua	Employee Representative Supervisor	Male	49	2021-11-09	2024-11-09	—	—	—	N/A	82.45	No
Xu Changyu	Employee Representative Supervisor	Female	44	2021-11-09	2024-11-09	—	—	—	N/A	70.96	No
Xiao Yichen	Employee Representative Supervisor	Female	39	2018-01-12	2024-11-09	—	—	—	N/A	78.91	No
Li Zhaoxin	General Manager	Male	54	2022-04-29	2024-11-09	—	—	—	N/A	91.27	No
	Director the Executive Committee			2023-12-22	2024-11-09	—	—	—			
	Member of the Executive Committee			2022-01-18	2024-11-09	—	—	—			
	Financial head			2018-01-29	2024-11-09	—	—	—			
	Chief accountant (resigned)			2018-01-29	2024-01-09	—	—	—			
Zhu Jianmin	Standing Deputy General Manager (resigned)	Male	61	2015-09-10	2023-04-04	—	—	—	N/A	31.77	No
Zhu Junhong	Deputy General Manager (resigned)	Female	54	2015-09-10	2024-01-09	—	—	—	N/A	79.85	No
	Member of the Executive Committee (resigned)			2022-01-18	2024-01-09	—	—	—			

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Position	Gender	Age	Term of office commencing on	Term of office ending on	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes (increase/decrease) in shares held during the year	Reason for changes (increase/decrease)	Total remuneration before tax received from the Company during the Reporting Period (RMB'0,000)	Whether received remuneration from related parties of the Company
Xu Haijun	Executive Vice General Manager	Male	53	2023-04-18	2024-11-09	—	—	—	N/A	76.50	No
	Deputy Director of the Executive Committee			2022-06-28	2024-11-09	—	—	—			
	Member of the Executive Committee			2022-01-18	2024-11-09	—	—	—			
Hua Jinzhong	Deputy General Manager (resigned)	Male	51	2019-02-25	2023-08-28	—	—	—	N/A	50.12	No
	Member of the Executive Committee (resigned)			2022-01-18	2023-08-28	—	—	—			
Zhu Qiben	Secretary to the Board	Male	59	2018-01-18	2024-11-09	—	—	—	N/A	70.68	No
	Member of the Executive Committee			2022-01-18	2024-11-09	—	—	—			
Liu Hao	Chief Investment Officer	Male	52	2020-05-06	2024-11-09	—	—	—	N/A	161.54	No
	Member of the Executive Committee			2022-01-18	2024-11-09	—	—	—			
Li Feng	Chief Risk Officer	Male	53	2019-10-29	2024-11-09	—	—	—	N/A	70.46	No
	Member of the Executive Committee			2022-01-18	2024-11-09	—	—	—			
Wang Xiaogang	Member of the Executive Committee	Male	53	2022-01-18	2024-11-09	—	—	—	N/A	66.37	No
Shi Hongxing	Chief Compliance Officer	Male	49	2021-11-09	2024-11-09	—	—	—	N/A	66.33	No
	Member of the Executive Committee			2022-01-18	2024-11-09	—	—	—			
Han Junyang	Chief Information Officer	Male	54	2019-10-29	2024-11-09	—	—	—	N/A	58.85	No
	Member of the Executive Committee			2022-06-28	2024-11-09	—	—	—			
Total	/	/	/	/	/	—	—	—	/	1,332.43	/

Note: 1. During the Reporting Period, the total amount of pre-tax remuneration of the Directors, Supervisors and senior management of the Company who performed their full duties included wages and salaries, various insurance benefits, housing provident fund and annuity.

Note: 2. The final total remuneration of the full-paid Directors and senior management of the Company during the Reporting Period shall be submitted to the Board or the general meeting for consideration and determination after assessment by the Company. The above-mentioned total remuneration before tax is temporarily paid, and the final amount will be disclosed separately after determination.

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

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Lu Zhili	Born in November 1966, Mr. Lu Zhili holds a master's degree in economics and is a senior economist. He is currently the secretary of the Party Committee of the Company and the chairman of the Company. He served as the manager and assistant to general manager of the securities issuance department, and the chairman of the research department of Henan Securities. He served as the deputy general manager of the Company from November 2002 to March 2013 and the standing deputy general manager of the Company from March 2013 to September 2015. He has served as the Chairman of the Supervisory Committee of the Company from September 2015 to June 2023.
Li Xingjia	Born in 1964, Mr. Li Xingjia holds a doctoral degree in economics. He currently serves as a Director of the Company and a deputy general manager of Henan Investment Group. Mr. Li has worked in the Henan Planned Economy Committee, Henan Planning Commission and Henan Development and Reform Commission as officer, managing officer and deputy division head. He has served in Henan Construction and Investment Corporation as the chief economist and deputy general manager, while serving as the chairman of the board of Yuneng Holdings Company Limited, the chairman of Henan Natural Gas Storage and Transportation Co., Ltd., and the chairman of Henan Zhonglian Tongli Co., Ltd. He has also worked in Henan Investment Group Co. LTD as the temporary officer responsible for asset management department I, the chief technology officer and deputy general manager.
Zhang Qiuyun	Born in 1972, Ms. Zhang Qiuyun holds a doctoral degree in economics. She currently serves as a Director of the Company and a deputy general manager of Henan Investment Group. She successively served as a teacher in Kaifeng No. 1 Middle School, the deputy investigator and the deputy director of the Finance Division of Henan Development and Reform Commission and the secretary to the Party Branch of Henan Academy of Macroeconomic Research, and the deputy managing director of the Management Committee of Zhengzhou Section of China (Henan) Pilot Free Trade Zone. She has served as the director of the Financial Management Department of Henan Investment Group Co., Ltd. since June 2019. She has been the Chairman of Henan Zhongyuan Financial Holdings Co., Ltd. (河南中原金融控股有限公司) since September 2022. She has been serving as a Supervisor of the Company from June 2020 to November 2021.
Tang Jin	Born in 1966, a graduate student of Party School of C.P.C Jiangsu Committee, and now serves as a Director of the Company and a director of Jiangsu International Trust Corporation Limited. He has served as the chief and deputy director of the secretary section of Jianhu County Party Committee Office in Jiangsu Province, the deputy director and director of each of the Research Office and the General Office of the Jiangsu Provincial Government, and the vice president and a member of the Party Committee of Jiangsu SOHO Holdings.
Tian Shengchun	Born in 1975, Mr. Tian Shengchun is a senior engineer with an on-duty master's degree of University of Science and Technology Beijing. He is currently a Director of the Company and the deputy director of the Planning and Development Department of Anyang Iron & Steel Group. He began to work in 1998, and successively served in Anyang Iron & Steel Group Co., Ltd. No. 4 Steel Mill (安陽鋼鐵集團有限責任公司第四軋鋼廠) as an assistant engineer, engineer, officer and the deputy director of the general office, the investment administrator of the investment management division of the planning department, the director of the external investment management office of the strategic investment division, the director of the policy research office of the planning and development department and the chief Level II management expert.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Zhang Dongming	Born in 1953, Ms. Zhang Dongming holds a doctoral degree of economics. She now serves as an Independent Director of the Company. She is currently a retired researcher of Chinese Academy of Fiscal Sciences (formerly known as the Research Institute for Fiscal Science of the Ministry of Finance). She began to work in September 1969. She successively served as a worker of Mudanjiang Air Force May Seventh Cadre School and an officer of the Industrial Transport Department of Dongcheng District, Beijing City. She also served in the Research Institute for Fiscal Science of the Ministry of Finance as the section chief of the Graduate Faculty, the deputy division head and the division head of the Academic Affairs Office, a senior economist and a researcher, and a researcher of the Foreign Financial Research Center.
Chen Zhiyong	Born in 1958, a member of CPC, Mr. Chen Zhiyong holds a doctoral degree in economics from Zhongnan University of Economics and Law. He now serves as an Independent Director of the Company. He is currently a professor and doctoral supervisor of Zhongnan University of Economics and Law. He graduated from Zhongnan University of Economics with a master's degree in 1987, majoring in finance, and stayed for teaching in the same year. He has served as the head of the Department of Finance and the vice president and the president of the School of Public Finance and Taxation in Zhongnan University of Economics and Law. He is concurrently a head member of the Public Finance Professional Committee under the Higher Financial & Economic Education Branch of Chinese Association of Higher Education, the deputy chairman of the National University Financial Education Research Association, a member of China National Guidance Committee for Master Education of Taxation, a standing director of Hubei Finance Institute, the deputy chairman of Hubei Budget and Accounting Research Institute, the deputy chairman of Hubei Tax Institute and a director of Hubei International Cultural Exchange Center. He is entitled to the special government allowance of the State Council.
Tsang Sung	Born in 1972, Mr. Tsang Sung holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong and a master's degree in Business Administration (International Banking and Finance) from the University of Birmingham. He now serves as an Independent Director of the Company. He is currently the Chairman of Esquel China Holdings Limited and the Managing Director (Group Human Resources) of Esquel Group. He started to work in October 1996 and gained extensive experience in strategic management, business operation and human resources management. He has served as the Assistant to Chairman (Asia Pacific) and the China Country Manager of American Appraisal Limited, the Director of Operation of CampusALL Company Limited, and the Vice President of The 8th Network Corporation. He joined Esquel Group since 2002 and has served in various positions including general manager in respective subsidiaries in China, Chief Human Resources Officer and Managing Director of Global Sales.
He Jun	Born in 1976, Mr. He Jun holds a doctoral degree in industrial economics from the Graduate School of the Chinese Academy of Social Sciences. He has been included on the list of "National Hundred, Thousand and Ten Thousand Talent Project" and selected as one of the "National Young and Middle-aged Experts with Outstanding Contributions". He is entitled to the special allowances of the State Council, and now serves as an Independent Director of the Company. He joined the workforce in 2002 and was an investment strategy analyst in the Research Institute of CSC Financial Co., Ltd. (中信建投證券有限責任公司證券研究所). He is a researcher, professor and doctoral supervisor at the Institute of Industrial Economics of the Chinese Academy of Social Sciences, the director of the Research Center for Small and Medium-sized Enterprises at the Chinese Academy of Social Sciences, and a member of the National spectrum Resources Committee (國家頻譜資源委員會).

SECTION 4 CORPORATE GOVERNANCE REPORT

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

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Ba Guanhua	<p>Born in 1974, Mr. Ba Guanhua holds a master's degree in monetary banking. He now serves as an employee representative Supervisor of the Company. He successively worked in Bank of Communications Zhengzhou Branch, Henan Securities Co., Ltd., and the Preparation Team of the Company. From November 2002 to August 2010, he successively worked in the division of secretary to the Board, brokerage business headquarters, and marketing management headquarters of the Company; from September 2010 to December 2016, he served as the assistant to general manager and the deputy general manager of the wealth management center, the deputy general manager of the capital market headquarters, and the deputy general manager (in charge of work) of the market-making business headquarters of the Company; from January 2017 to February 2020, he served as a member of the Party committee and the deputy general manager of Xinjiang Hami State-owned Assets Investment Operation Co., Ltd. (新疆維吾爾自治區哈密市國有資產投資經營有限公司) (assigned to support Xinjiang); from March 2020 to March 2021, he served as the deputy director of the inspection office, the leader of inspection team I, and the executive deputy director of the risk prevention and mitigation office of the Company; he has served as the director of the inspection office of the Company since April 2021. He has been additionally serving as the head of the Discipline Inspection Department of the Company since November 2023.</p>
Xu Changyu	<p>Born in 1979, Ms. Xu Changyu holds a master's degree in law with legal professional qualification. She now serves as an employee representative Supervisor of the Company. She worked as a teacher in Jiujiang University (九江學院). From July 2007 to March 2016, she worked at the Company's compliance management headquarters as the head of second-level department; from March 2016 to March 2017, she served as the assistant to the Company's office director and the assistant to the research office director; from March 2017 to January 2020, she served as the assistant to the director and the deputy director of the Board office, and the representative of securities affairs of the Company. She has served as the general manager of the Company's compliance management headquarters since January 2020.</p>
Xiao Yichen	<p>Born in 1984, Ms. Xiao Yichen holds a master's degree in accounting. She is the representative of sponsor and now serves as an employee representative Supervisor of the Company. She is the representative of sponsor. She worked at the investment banking headquarters and capital market headquarters of the Company from March 2010 to January 2014; served as the principal officer of quality control division I of the investment banking comprehensive management department of the Company from December 2014 to December 2017, and the assistant to general manager of the investment banking comprehensive management department from January to April 2018. She was the assistant to general manager of the quality control headquarters from May 2018 to December 2021. She has been the person in-charge-of the financial market department from December 2021 to May 2022. She has been the general manager of quality control headquarters since June 2022.</p>

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Li Zhaoxin	<p>Born in 1969, Mr. Li Zhaoxin holds a master's degree in accounting. He is a senior accountant, a certified public accountant, a certified tax adviser and an economist. He handled financial work at a unit under the Henan Provincial Department of Justice from July 1991 to October 2004. He worked at the State-owned Assets Supervision and Administration Commission of Henan Provincial Government from October 2004 to November 2017 and successively served as the deputy division head of the property rights administration division, a researcher at the planning and development division and the division head of the general division (Research Office). He has been a member of the Party Committee of the Company since November 2017. He has been the person-in-charge of the finance department of the Company since January 2018, and the Chief Accountant from January 2018 to January 2024. He has been a member of the Executive Committee of the Company since January 2022 and the vice director of the Executive Committee of the Company from April 2022 to December 2023. He has been the general manager of Company since April 2022. He served as the deputy secretary of the Party Committee of the Company and the director of the Executive Committee of the Company since December 2023. He is concurrently a member of the Financial Accounting Professional Committee of the Securities Association of China and a member of the Policy Advisory Committee of the Council of the Shanghai Stock Exchange.</p>
Xu Haijun	<p>Born in 1970, Mr. Xu Haijun holds a master's degree in computer technology engineering and is a senior programmer. He served as the manager of the computer department of the Shanghai branch, the deputy manager of the Huayuan Road branch, the manager and assistant to general manager of the Zijingshan branch, the manager of Shenzhen branch of Henan Securities, and the assistant to general manager of Shanghai Huierdun Investment Company (上海匯爾頓投資公司). From January 2004 to January 2018, he has held various positions in the Company, including the general manager of IT Headquarter, the general manager of Compliance Management Headquarter, the chief compliance officer and the secretary to the Board. He has been the deputy general manager of the Company from September 2016 to April 2023, a member of the Executive Committee of the Company since January 2022, deputy director of the Executive Committee of the Company since June 2022 and the standing deputy general manager of the Company since April 2023. He is concurrently the vice chairman of the Institute of Commercial Law of Henan Law Society.</p>
Zhu Qiben	<p>Born in 1964, Mr. Zhu Qiben holds a master degree of economics. He was the project manager of the investment banking department and the assistant to director of general office of Henan Securities. He has been the vice general manager and general manager of the Company's Human Resources Management Department, assistant to the general manager and general manager of Human Resources Management Department, director of the Supervision Office and auditor-in-charge of the Company from November 2002 to December 2015. He served as the Chief Risk Officer of the Company from December 2015 to January 2018. He has been the Secretary to the Board of the Company since January 2018 and a member of the Executive Committee of the Company since January 2022. He is concurrently a director of Central China Equity Exchange Co., Ltd., a director of Central China International Financial Holdings Company Limited, and a member of Development and Strategy Committee of the Securities Association of China.</p>

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Liu Hao	Born in 1972, Mr. Liu Hao holds a master's degree in business administration and obtains the qualification of a certified public accountant. He successively served as the senior manager of the Audit Department II of Shenzhen Zhonghua Accounting Firm (深圳中華會計事務所) from July 1993 to January 1998, the senior manager of the Investment Banking Headquarters of Everbright Securities from January 1998 to October 2006, the general manager of the Bond Business Department of United Securities from October 2006 to August 2011, and the vice president of the Investment Banking Division and the president of the Fixed Income Division of Minsheng Securities and the Vice President of the Company from August 2011 to May 2018. Joining the Company in June 2018, he has been the Company's Chief Investment Officer since May 2020 and a member of the Executive Committee of the Company since January 2022.
Li Feng	Born in 1971, Mr. Li Feng holds a master's degree in engineering and a master's degree in business administration. He began to work in July 1996. He successively served as the deputy general manager and general manager of Sanmenxia operation branch of Henan Securities. From November 2002 to November 2015, he acted as the general manager of Sanmenxia operation branch, the general manager of Xinxiang operation branch, the general manager of Shanghai operation branch, the general manager of Brokerage Business Headquarters, the general manager of Innovation Business Headquarters and the assistant president of the Company. He was the president of Equity Exchange Co. from November 2015 to April 2017 and the assistant president of the Company and vice-president-level office from April 2017 to September 2019. He has been the Chief Risk Officer of the Company since September 2019 and a member of the Executive Committee of the Company since January 2022. He is concurrently a director of Central China International Financial Holdings Company Limited.
Wang Xiaogang	Born in 1971, Mr. Wang Xiaogang holds a master's degree in business administration. He joined the workforce in August 1993 and worked in the futures department of Henan Packaging New Technology Center (河南包裝新技術中心) and the operation department of Weiwu Road branch of Henan Securities. From November 2002 to January 2015, he served as the deputy general manager of the operation department of Weiwu Road branch, the general manager of the operation department of Beijing Jiuxianqiao branch, the deputy general manager of the brokerage business headquarters, the general manager of the marketing management headquarters, and the general manager of the wealth management center. From January 2015 to February 2019, he served as the general manager of the Company's Shanghai branch, the general manager of the Securities Investment Headquarters, the general manager of the Asset Management Headquarters, and the assistant to the president. From February 2019 to December 2019, he was a vice-president-level officer and the general manager of the Asset Management Headquarters of the Company. From December 2019 to March 2021, he was the general manager of Central China International Financial Holdings Company Limited. From March 2021 to January 2022, he was the senior managing director of the Company. He has been a member of the Executive Committee of the Company since January 2022. He is concurrently a director of Henan Asset Management Company Limited.

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Shi Hongxing	Born in 1974, Mr. Shi Hongxing holds a master's degree in business administration. He began to work in July 1997. He successively served in Henan Grease Co., Ltd. (河南省油脂公司) and Henan Futures Association. He worked at Henan Branch of the China Securities Regulatory Commission from October 2004 to August 2016, and successively served as the level-4 administrative assistant, associate managing officer and managing officer of the futures supervision division, and the deputy division head of the intermediary supervision division. From August 2016 to January 2020, he served as the vice president manager and president of Central China Equity Exchange, and he was the general manager of Zhengzhou Branch of the Company from January 2020 to November 2021. He has been the Chief Compliance Officer of the Company since November 2021 and a member of the Executive Committee of the Company since January 2022. He is concurrently a member of the Self-discipline and Internal Audit Committee of Securities Association of China.
Han Junyang	Born in 1970, Mr. Han Junyang holds a master's degree in engineering. He began to work in July 1993. He worked in the Henan Securities and successively served as the manager of the Computer Division of Shenzhen operation branch, the deputy manager of the administrative region operation branch and the department head of Computer Centre. From November 2002 to September 2019, he successively served as the deputy general manager of IT Department of the Company, the general manager of Hangzhou operation branch, the general manager of the IT Department, the general manager of the Brokerage Business Headquarters, the general manager of the Internet Finance Headquarters, president-assistant-level officer of the Company, etc. He was the employee representative supervisor of the Company from 2015 to 2019. He has been the Chief Information Officer of the Company since September 2019 and a member of the Executive Committee of the Company since June 2022. He is concurrently a member of the Investor Service and Protection Committee of the Securities Association of China.

SECTION 4 CORPORATE GOVERNANCE REPORT

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

1. Positions held in shareholders

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

SECTION 4 CORPORATE GOVERNANCE REPORT

2. Positions held in other entities

Name	Name of other entities	Position held in other entities	Term of office commencing on	Term of office ending on	
Lu Zhili	Financial Law Research Association of Henan Law Society (河南省法學會金融法學研究會)	Deputy chairman	October 2021		
	Henan Securities and Futures Fund Association	Rotating chairman	December 2023	December 2024	
Li Xingjia	Henan Natural Gas Storage and Transportation Co., Ltd.	Chairman	August 2018		
Zhang Qiyun	Henan Zhongyuan Financial Holdings Co., Ltd. (河南中原金融控股有限公司)	Chairman	September 2022		
	Henan Huirong Financing Guarantee Co., Ltd.	Executive director	June 2019	January 2024	
	Zhongfu Digital Technology Co., Ltd. (中富數字科技有限公司)	Executive director	June 2019	February 2023	
	Zhongyuan Yuze Financial Leasing (Shanghai) Co., Ltd.	Chairman	July 2019	January 2024	
	Zhongyuan Trust	Director	September 2020		
	Zhongyuan Bank Co., Ltd.	Director	January 2021		
	Li'an Excellent Insurance brokers Co., Ltd. (立安卓越保險經紀有限公司)	Executive director	August 2020		
	Henan Huirong Asset Management Co., Ltd. (河南匯融資產經營有限公司) (formerly Henan Investment Group Asset Management Co., Ltd.)	Chairman	December 2020	March 2023	
	Henan Asset Management Company Limited	Director	October 2019		
	Henan Huirong Supply Chain Management Co., Ltd.	Chairman	September 2020	December 2023	
Tang Jin	Jiangsu International Trust Corporation Limited	Director	June 2018		
	Jiangsu SOHO Artall Cultural Industry Co., Ltd.	Director	June 2018		
	Jiangsu SOHO Artall Cultural Industry Co., Ltd.	General Party branch secretary	November 2019	March 2023	
Tian Shengchun	Henan Jinshu Intelligent Technology Co., Ltd.	Director	September 2018		
Chen Zhiyong	Zhongnan University of Economics and Law	Professor and doctoral supervisor	September 1987		
	Higher Financial & Economic Education Branch of Chinese Association of Higher Education	Chairman of the Public Finance Professional Committee	May 2016		
	National University Financial Education Research Association	Deputy chairman	August 2014		
	Hubei Finance Institute	Standing director	September 2016		
	Tianjian Taxation Agent (Hubei) Co., Ltd. (天健稅務師事務所(湖北)有限公司)	Legal representative	June 2003		
	Hubei Tianyi Engineering Project Management Co., Ltd. (湖北天一工程項目管理有限公司)	Legal representative	March 2021		
	Hubei Budget and Accounting Research Institute	Deputy chairman	July 2012		
	Hubei Tax Institute	Deputy chairman	May 2016		
	Hubei International Cultural Exchange Center	Director	March 2009		
	Tsang Sung	Yotta Holdings (HK) Limited	Managing director	October 2002	
		Esquel China Holdings Limited	Chairman	December 2021	
	He Jun	Institute of Industrial Economics of the Chinese Academy of Social Sciences	Analysist II and doctoral supervisor	June 2020	
Research Center for Small and Medium Enterprises, Chinese Academy of Social Sciences		Head	October 2014		
National Spectrum Resources Strategy Committee (國家頻譜資源戰略委員會)		Member	May 2020		
China Mobile Industry Chain Expert Committee (中國移動產業鏈專家委員會)		Member	March 2022		

SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Name of other entities	Position held in other entities	Term of office commencing on	Term of office ending on
Wei Zhihao	Xinxiang Zhongyi Power Co., Ltd.	Chairman of the Supervisory Committee	December 2019	
	Henan Institute of Internal Audit	Deputy chairman and standing director	November 2020	
	Henan Urban Development Investment Co., Ltd. (河南城市發展投資有限公司)	Supervisor	December 2020	
	Henan Talent Group Co., Ltd.	Chairman of the Supervisory Committee	July 2022	
	Henan Innovation Investment Group Co., Ltd. (河南創新投資集團有限公司)	Supervisor	September 2022	
	Henan Yicheng Science and Technology Life Service Co., Ltd. (河南頤城科技生活服務有限公司)	Supervisor	January 2023	
	Henan Technology Investment Co., Ltd.	Chairman of the Supervisory Committee	April 2023	
Li Zhifeng	Anyang Group International Trade Co., Ltd. (安陽集團國際貿易有限責任公司)	Chairman of the Supervisory Committee	August 2021	January 2024
	Henan Ditu Industrial Co., Ltd. (河南締拓實業有限公司)	Director	August 2021	
	Henan Jinshu Intelligent Technology Co., Ltd. (河南金數智能科技股份有限公司)	Director	September 2021	
Zhang Bo	Anyang State-owned Capital Operation Group Co., Ltd. (安陽國有資本運營集團有限公司)	Deputy general manager	June 2022	
Xiang Siying	China Ocean Industry Group Limited (the Hong Kong Stock Exchange, stock code: 00651)	Independent non-executive director	May 2008	
	Huili Resources (Group) Limited (the Hong Kong Stock Exchange, stock code: 01303)	Independent non-executive director	September 2017	
	Sino Prima Gas Technology Co., Ltd. (the Shenzhen Stock Exchange, stock code: 300483)	Independent director	June 2022	
	Power HF Co., Ltd. (the Shanghai Stock Exchange, stock code: 605100)	Independent director	October 2022	
Xia Xiaoning	China Medical & HealthCare Group Limited (the shares of which are listed on Hong Kong Stock Exchange, stock code: 00383)	Independent non-executive director	December 2016	
Li Zhaoxin	Financial Accounting Committee of the Securities Association of China	Member	January 2022	
	Policy Advisory Committee of the Council of the Shanghai Stock Exchange	Member	April 2023	
Xu Haijun	Institute of Commercial Law of Henan Law Society	Deputy chairman	July 2017	
Zhu Qiben	Central China Equity Exchange Center Co., Ltd.	Director	June 2018	
	Central China International Financial Holdings Company Limited	Director	November 2023	
	Development and Strategy Committee of the Securities Association of China	Member	January 2022	
Li Feng	Central China International Financial Holdings Company Limited	Director	November 2023	
Wang Xiaogang	Henan Asset Management Company Limited	Director	February 2024	
Shi Hongxing	Self-discipline and Internal Audit Committee of the Securities Association of China	Member	January 2022	
Han Junyang	Investor Service and Protection Committee of the Securities Association of China	Member	January 2022	
Explanations	N/A			

SECTION 4 CORPORATE GOVERNANCE REPORT

(III) Remuneration of Directors, Supervisors and senior management

Decision-making procedures of remuneration of Directors, Supervisors and senior management	The remuneration and assessment of the Company's Directors shall be proposed by the Remuneration and Nomination Committee under the Board, considered and approved by the Board and considered and determined by the general meeting; the remuneration and assessment plans of the Supervisors shall be proposed by the Supervisory Committee, which shall be considered and determined by the general meeting; and the remuneration and assessment of the senior management shall be proposed by the Remuneration and Nomination Committee under the Board and determined by the Board.
Whether a Director recuses himself/herself from the Board's discussion of his/her own remuneration	Yes
Specific circumstances under which the Remuneration and Assessment Committee or the Independent Directors' specialized Meeting has issued recommendations on matters relating to the remuneration of Directors, Supervisors and senior management	With reference to the industry and regional levels, and the actual situation of the Company taken into account, the remuneration of Directors, Supervisors and senior management is determined in accordance with the Company's remuneration and assessment regulations.
Basis for determining the remuneration of Directors, Supervisors and senior management	<p>The remuneration of the internal Directors and Supervisors of the Company shall be determined according to the Company's basic remuneration system, operating conditions, individual job responsibilities, work performance and results, and according to the resolution on the remuneration of Directors and Supervisors at the general meeting of the Company.</p> <p>The remuneration of the external Directors and Supervisors shall be proposed by the Remuneration and Nomination Committee under the Board according to the industry and market conditions, subject to the approval by the general meeting.</p> <p>The remuneration of the senior management of the Company is determined according to the Company's basic remuneration system, operating conditions, individual job responsibilities, work performance and results, and is determined according to the resolutions of the Board. The remuneration of senior management is paid in strict accordance with the relevant national regulations on deferred payment of remuneration.</p>

SECTION 4 CORPORATE GOVERNANCE REPORT

Payment of remuneration of Directors, Supervisors and senior management

For details about the payment of remuneration of Directors, Supervisors and senior management, please refer to IV. “(I) Changes in the shareholding and remuneration of incumbent Directors, Supervisors and senior management and those leaving office during the Reporting Period” in this section of this report.

According to relevant state provisions and with reference to personal will, the Directors, namely Mr. Li Xingjia, Ms. Zhang Qiuyun, Mr. Tang Jin and Mr. Tian Shengchun, and the Supervisors, namely Mr. Wei Zhihao, Mr. Li Zhifeng and Mr. Zhang Bo, waived their allowance since their appointment while they would continue to perform their relevant duties.

During the Reporting Period, the Directors, Supervisors and senior management of the Company who performed their full remuneration and paid pre-tax remuneration for the previous years were: Lu Zhili RMB560,000, Jian Mingjun RMB 530,000, Li Zhaoxin RMB900,000, Zhu Jianmin RMB560,000, Zhu Junhong RMB500,000, Xu Haijun RMB500,000, Hua Jinzhong RMB500,000, Zhu Qiben RMB500,000, Liu Hao RMB2,404,900, Li Feng RMB500,000, Wang Xiaogang RMB500,000, Shi Hongxing RMB527,800, Han Junyang RMB443,700, Xiao Yichen RMB220,000, Ba Guanhua RMB273,000 and Xu Changyu RMB402,600.

The total remuneration received by all Directors, Supervisors and senior management at the end of the Reporting Period RMB13.3243 million (before tax)

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

Name	Position	Change	Reason for the change
Lu Zhili	Chairman, Executive Director Chairman of the Supervisory Committee, Supervisor	Elected Ceased to act	Change in work arrangements
Jian Mingjun	Chairman, Executive Director, Director of the Executive Committee	Ceased to act	Reaching the retirement age
Zhang Xiaoqi	Director	Ceased to act	Personal work arrangements
Lu Benson Cheng	Director	Ceased to act	Personal work arrangements
Li Zhaoxin	Director the Executive Committee Chief accountant	Appointed Ceased to act	Work commitment Change of job assignment
Zhu Jianmin	Executive Vice General Manager	Ceased to act	Reaching the retirement age
Zhu Junhong	Deputy general manager, Member of the Executive Committee	Ceased to act	Job Changes
Xu Haijun	Executive Vice General Manager	Appointed	Work commitment
Hua Jinzhong	Deputy general manager, Member of the Executive Committee	Ceased to act	Resigned

SECTION 4 CORPORATE GOVERNANCE REPORT

V. PARTICULARS OF BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Session	Date of convening	Meeting resolution
The 13th Meeting of the Seventh Session of the Board	28 February 2023	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Proposal on Fulfillment of the Conditions for Issuance of A Shares by the Company to Target Subscribers 2. Proposal on the Company's Plan to Issue A Shares to Target Subscribers (Amendment) 3. Proposal on the Company's Proposed Issuance of A Shares to Target Subscribers (Amendment) 4. Proposal on the Feasibility Report on the Use of Proceeds Raised from the Issuance of A Shares by the Company to Target Subscribers (Amendment) 5. Proposal on the Report on the Proof and Analysis of the Company's Plan to Issue A Shares to Target Subscribers 6. Proposal on the Dilution of Immediate Return Resulting from the Issuance of A Shares by the Company to Target Subscribers and the Remedial Measures (Amendment) 7. Proposal on Extending the Validity Period of the Resolution of the General Meeting of the Company to Issue A Shares to Target Subscribers and the Validity Period of the Authorization of the General Meeting to Authorize the Board and the Persons Authorized by the Board to Handle Matters Related thereto 8. Proposal on the Amendment to Articles of Association 9. Proposal on the Amendments to Rules of Procedure for General Meetings 10. Proposal on the Amendments to Rules of Procedure for Board Meetings 11. Proposal on Amending the System of Work of the Development Strategy Committee 12. Proposal on the Amendments to Information Disclosure Management System
The 14th Meeting of the Seventh Session of the Board	29 March 2023	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Work Report of the Board for the Year of 2022 2. Work Report of the General Manger for the Year of 2022 3. Duty Report of Independent Directors for the Year of 2022 4. Annual Report for the Year of 2022 (A Shares) 5. Annual Report for the Year of 2022 (H Shares) and the Results Announcement for the Year Ended 31 December 2022 6. Work Report of the Audit Committee under the Board for the Year of 2022 7. Work Report of the Risk Control Committee under the Board for the Year of 2022 8. Work Report of the Development Strategy Committee under the Board for the Year of 2022 9. Work Report of the Remuneration and Nomination Committee under the Board for the Year of 2022 10. 2022 Social Responsibility Report and ESG (Environment, Social and Governance) Report 11. 2022 Compliance Report 12. 2022 Incurruptibility Management Report 13. Evaluation Report on Effectiveness of Compliance Management for the Year of 2022 14. 2022 Risk Management Annual Report 15. 2022 Internal Control Assessment Report 16. Special Work Report on Information Technology for the Year of 2022 17. Audit Report for the Year of 2022 18. Profit Distribution Plan for the Year of 2022 19. Final Financial Report for the Year of 2022 20. Evaluation and Remuneration of the Directors of the Company for the Year of 2022 21. Proposal on the Provision of Guarantees or Counter-Guarantees for Central China International and Authorizing Central China International to Provide Guarantees or Counter-Guarantees for its Subordinate Wholly-owned Subsidiaries 22. Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business for the Year of 2023

SECTION 4 CORPORATE GOVERNANCE REPORT

Session	Date of convening	Meeting resolution
		23. Proposal on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company 24. Proposal on the Authorization of the Establishment of a Branch of the Brokerage Business 25. Proposal on Risk Preference and Tolerance for the Year of 2023 26. Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2023 27. Proposal on Convening the 2022 Annual General Meeting, the 2023 First Class Meeting for Holders of A Shares and the 2023 First Class Meeting for Holders of H Shares
The 15th Meeting of the Seventh Session of the Board	21 April 2023	Considered and approved the following proposals: 1. 2023 First Quarterly Report 2. Proposal on the Re-appointment of Auditing Firms for the Year of 2023 3. Proposal on the Business Scale and Size of Investment by Funds at the Disposal of the Company and Affordable Risk Limits in Asset Management for the Year of 2023 4. Proposal on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2023
The 16th Meeting of the Seventh Session of the Board	14 June 2023	Considered and approved the following proposals: 1. Proposal on the Amendment to Articles of Association 2. Proposal on the Amendment to the Articles of Work of the Independent Directors
The 17th Meeting of the Seventh Session of the Board	21 June 2023	Considered and approved the following proposals: 1. Proposal on the Nomination of Candidates for Directors for the Seventh Session of the Board 2. Proposal on Authorization to Convene the First Extraordinary General Meeting in 2023
The 18th Meeting of the Seventh Session of the Board	13 July 2023	Considered and approved the following proposals: 1. Proposal on the Election of Mr. Lu Zhili as Chairman of the Board of Directors of the Company 2. The 14th Five-Year Development Plan
The 19th Meeting of the Seventh Session of the Board	30 August 2023	Considered and approved the following proposals: 1. Half Year Report for the Year of 2023 2. Proposal on Adjustment of Annual Trading Caps for Related Party/Continuing Connected Transactions in the Ordinary Course of Business
The 20th Meeting of the Seventh Session of the Board	28 September 2023	Considered and approved: the Proposal on the Initiation of the Establishment of Zhongyuan Soho Fund Management Co., Ltd. (中原蘇豪基金管理有限公司)
The 21st Meeting of the Seventh Session of the Board	27 October 2023	Considered and approved: the 2023 Third Quarterly Report

SECTION 4 CORPORATE GOVERNANCE REPORT

Session	Date of convening	Meeting resolution
The 22nd Meeting of the Seventh Session of the Board	22 December 2023	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> Proposal on the Appointment of Director of the Executive Committee Proposal on the Amendment to Articles of Association Proposal on the Amendments to Rules of Procedure for Board Meetings Proposal on the Amendments to Rules of Procedure for the Executive Committee Proposal on the Amendment to the Articles of Work of the Independent Directors Proposal on the Amendments to Related/Connected Transaction Management System Proposal on Amending the System of Work of the Development Strategy Committee under the Board Proposal on Amending the System of Work of the Audit Committee under the Board Proposal on Amending the System of Work of the Remuneration and Nomination Committee under the Board Proposal on Amending the System of Work of the Risk Control Committee under the Board Proposal on Amending the Measures for the Administration of Compliance and Accountability Proposal on Authorization to Convene the Extraordinary General Meeting

VI. PERFORMANCE OF DUTIES BY DIRECTORS

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

Director(s) Name	Whether or not an independent Director	Number of required attendances Board meetings	Attendance at Board meetings				Whether unable to attend in person for two consecutive meetings	Attendance at general meetings	Number of attendance/ Number of Required Attendance
			Number of attendance in person	Number of attendance through communication	Number of attendance by proxy	Number of absence			
Lu Zhili	No	5	5	4	0	0	No	0/0	
Li Xingjia	No	10	10	8	0	0	No	4/4	
Zhang Qiuyun	No	10	10	8	0	0	No	4/4	
Tang Jin	No	10	10	8	0	0	No	4/4	
Tian Shengchun	No	10	10	8	0	0	No	4/4	
Zhang Dongming	Yes	10	10	8	0	0	No	4/4	
Chen Zhiyong	Yes	10	10	8	0	0	No	4/4	
Tsang Sung	Yes	10	10	8	0	0	No	4/4	
He Jun	Yes	10	10	8	0	0	No	4/4	
Jian Mingjun (resigned)	No	6	6	4	0	0	No	4/4	
Zhang Xiaoqi (resigned)	No	4	4	3	0	0	No	3/3	
Lu Benson Cheng (resigned)	No	5	5	4	0	0	No	3/3	
Number of Board meetings convened during the year								10	
Among which: number of on-site meetings								0	
Number of meetings held through communication								5	
Number of meeting held by means of on-site combined with communication								5	

SECTION 4 CORPORATE GOVERNANCE REPORT

VII. PARTICULARS OF DIRECTORS' TRAINING

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

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

1. Mr. Jian Mingjun, Mr. Li Xingjia, Ms. Zhang Qiuyun, Mr. Tang Jin, Mr. Tian Shengchun, Mr. Zhang Xiaoqi and Mr. Lu Benson Cheng, Ms. Zhang Dongming, Mr. Chen Zhiyong, Mr. Tsang Sung and Mr. He Jun participated in the online special training on policy interpretation of listed company registration reform in Henan Province organized by the Henan Securities Regulatory Bureau on 17 February 2023;
2. Mr. Jian Mingjun, Mr. Li Xingjia, Ms. Zhang Qiuyun, Mr. Tang Jin, Mr. Tian Shengchun, Mr. Zhang Xiaoqi and Mr. Lu Benson Cheng, Ms. Zhang Dongming, Mr. Chen Zhiyong, Mr. Tsang Sung and Mr. He Jun attended the People's Bank of China's Zheng Pei College anti-money laundering training online special training on 16 March 2023;
3. Mr. Jian Mingjun, Mr. Li Xingjia, Ms. Zhang Qiuyun, Mr. Tang Jin, Mr. Tian Shengchun, Ms. Zhang Dongming, Mr. Chen Zhiyong, Mr. Tsang Sung and Mr. He Jun participated in the online special training on governance of key minority corporates in Henan Province organized by Henan Securities Regulatory Bureau on 20 June 2023;
4. The Company organized Mr. Lu Zhili, Mr. Li Xingjia, Ms. Zhang Qiuyun, Mr. Tang Jin, Mr. Tian Shengchun, Ms. Zhang Dongming, Mr. Chen Zhiyong, Mr. Tsang Sung and Mr. He Jun to study the latest amended Measures for the Administration of Independent Directors of Listed Companies and the Company Law of the People's Republic of China.

SECTION 4 CORPORATE GOVERNANCE REPORT

VIII. THE SPECIALIZED COMMITTEES UNDER THE BOARD

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

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

Note: The Company convened the 17th Meeting of the Seventh Session of the Board of the Company on 21 June 2023 and considered and approved the Proposal on the Nomination of Candidates for Directors for the Seventh Session of the Board. The Company held the 2023 First Extraordinary General Meeting on 13 July 2023, at which Lu Zhili was elected as a Director of the Seventh Session of the Board of the Company. The Company held the 18th Meeting of the Seventh Session of the Board of the Company on 13 July 2023 and considered and approved the Proposal on the Election of Mr. Lu Zhili as Chairman of the Board of Directors of the Company.

The main duties of the Development Strategy Committee are as follows: (I) studying, planning and making recommendations on the medium-and long-term development strategies of the Company; (II) studying and making recommendations on the medium-and long-term strategic objectives and development plans of the Company's various business segments and management segments; (III) studying and making recommendations on the major investment and financing proposals, capital operations and asset management projects that are required by the Articles of Association to be approved by the Board; (IV) studying ESG-related planning, objectives, systems and major issues of the Company, and paying attention to ESG-related major risks, and providing recommendations to the Board; (V) studying and making recommendations on other major issues affecting the development of the Company; (VI) inspecting the implementation of the above; (VII) other duties as may be prescribed by laws, administrative regulations, the CSRC, the Articles of Association and the Board.

SECTION 4 CORPORATE GOVERNANCE REPORT

The main duties of the Audit Committee are as follows: (I) supervising and evaluating the Company's internal audit and auditing work; (II) proposing the appointment, reappointment or replacement of the external auditor; reviewing and supervising the independence and objectivity of the external auditor in accordance with the applicable standards and the effectiveness of the auditing process; (III) expressing an opinion on the appointment or dismissal of the Company's financially responsible person; (IV) being responsible for the communication between internal audit and external audit; (V) reviewing the Company's financial information and disclosure; (VI) supervising the Company's financial reporting system, risk management and internal control system; (VII) reviewing the changes in accounting policies, accounting estimates or the correction of material accounting errors due to reasons other than the changes in accounting standards; and (VIII) other duties as may be prescribed by laws, administrative regulations, the CSRC, the Articles of Association and the Board.

The main duties of the Remuneration and Nomination Committee are as follows: (I) according to the characteristics of the financial and securities industry, the main scope, responsibilities and importance of the management posts of Directors and senior management and the salary level of related posts in other relevant enterprises, formulating and implementing a performance evaluation system that adapts to changes in the market environment, a salary policy with competitive advantages and rewards and punishments related to business performance; reviewing the evaluation system, remuneration policy and structure of Directors and senior management of the Company and making recommendations to the Board; (II) making recommendations to the Board on the formulation process of a formal and transparent compensation policy; (III) studying the remuneration of Directors and senior management and making recommendations to the Board, taking into account the characteristics of the financial and securities industry, the remuneration of similar companies, the time required by Directors and senior management and their duties, their personal performance, and the remuneration of other positions within the Company; the above remuneration package includes non-pecuniary benefits, pension rights and compensation amounts; (IV) supervising the implementation of the remuneration system for Directors and senior management; (V) reviewing the performance of duties of Directors and senior management of the Company and conducting annual performance evaluation of them, taking the assessment as the basis for formulating remuneration and rewards and punishments; (VI) reviewing the compensation of Directors and senior management for loss of office or termination of office to ensure that the compensation is consistent with the terms of the contract; if the compensation is not consistent, it shall ensure that the compensation is fair and reasonable; (VII) reviewing the compensation arrangements for dismissal or removal of Directors for misconduct to ensure that the arrangements are consistent with the terms of the contract; if it is not consistent, it shall ensure that the compensation is reasonable and appropriate; (VIII) ensuring that the Directors or any of their associates are not involved in setting their own remuneration. The Remuneration and Nomination Committee advises shareholders on service contracts subject to shareholder approval in accordance with Rule 13.68 of the Hong Kong Listing Rules, informs shareholders whether the terms are fair and reasonable, advises shareholders on whether the contracts are in the interests of the issuer and its shareholders as a whole, and advises shareholders on how they should vote; (IX) reviewing and opining on the selection criteria and procedures for Directors and senior management, searching for qualified Directors and senior management, reviewing the qualifications for Directors and senior management and making suggestions, and adhering to the organic integration of the principle of Party management of cadres and market-oriented selection and recruitment; (X) reviewing the structure, number and composition of the Board (including gender, age, culture, ethnicity, educational background, professional experience, skills and knowledge) at least annually, and making recommendations to the Board; overseeing the implementation of the Board diversity policy to ensure that it is effective and making relevant disclosure in the Corporate Governance Report in the annual report; (XI) making recommendations to the Board on the appointment, reappointment and succession plans of Directors and senior management; (XII) reviewing the independence of independent non-executive Directors; (XIII) reviewing and approving matters relating to share schemes referred to in Chapter 17 of the Hong Kong Listing Rules (including schemes in which a listed issuer or its principal subsidiary grants share options to a scheme participant or schemes in which a listed issuer or its principal subsidiary grants shares to a scheme participant) and making recommendations to the Board; and (XIV) other duties as may be prescribed by laws, administrative regulations, the CSRC, the Articles of Association and the Board.

SECTION 4 CORPORATE GOVERNANCE REPORT

The main duties of the Risk Control Committee are as follows: (I) reviewing and opining on overall objectives and basic policies of compliance management and risk management; (II) reviewing and opining on establishment of specific departments and duties of compliance management and risk management; (III) reviewing and opining on the basic system of comprehensive risk management which requires the consideration and approval of the Board; (IV) reviewing and opining on the Company's risk appetite, risk tolerance and material risk limits that require the consideration and approval of the Board; (V) reviewing and opining on the risks of major decisions and solutions to material risks that require the consideration of the Board; (VI) reviewing and opining on the compliance reports and risk assessment reports that require the consideration of the Board; (VII) reviewing and supervising the completion of practice training for Directors and the management; (VIII) reviewing and supervising whether the Company's policies are in compliance with laws and supervisory regulations, and the implementation; (IX) formulating, reviewing and supervising professional code of conduct and compliance manual (if any) of employees and Directors; (X) reviewing the Company's compliance with Appendix C1 of the Hong Kong Listing Rules, the Corporate Governance Code and relevant disclosure in the Corporate Governance Report; and (XI) other duties as may be prescribed by laws, administrative regulations, the CSRC, the Articles of Association and the Board.

SECTION 4 CORPORATE GOVERNANCE REPORT

2. During the Reporting Period, the Development Strategy Committee held 6 meetings

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
27 February 2023	2023 First Meeting of the Development Strategy Committee	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Proposal on Fulfillment of the Conditions for Issuance of A Shares by the Company to Target Subscribers 2. Proposal on the Company's Plan to Issue A Shares to Target Subscribers (Amendment) 3. Proposal on the Company's Proposed Issuance of A Shares to Target Subscribers (Amendment) 4. Proposal on the Feasibility Report on the Use of Proceeds Raised from the Issuance of A Shares by the Company to Target Subscribers (Amendment) 5. Proposal on the Report on the Proof and Analysis of the Company's Plan to Issue A Shares to Target Subscribers 6. Proposal on the Dilution of Immediate Return Resulting from the Issuance of A Shares by the Company to Target Subscribers and the Remedial Measures (Amendment) 7. Proposal on Extending the Validity Period of the Resolution of the General Meeting of the Company to Issue A Shares to Target Subscribers and the Validity Period of the Authorization of the General Meeting to Authorize the Board and the Persons Authorized by the Board to Handle Matters Related thereto 8. Proposal on the Amendments to the Rules of Procedure for the Development Strategy Committee 	<p>The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.</p>

SECTION 4 CORPORATE GOVERNANCE REPORT

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
28 March 2023	2023 Second Meeting of the Development Strategy Committee	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Work Report of the Board for the Year of 2022 2. Work Report of the General Manager for the Year of 2022 3. Work Report of the Development Strategy Committee under the Board for the Year of 2022 4. 2022 Social Responsibility Report and ESG (Environment, Social and Governance) Report 5. Special Work Report on Information Technology for the Year of 2022 6. Proposal on the Provision of Guarantees or Counter-Guarantees for Central China International and Authorizing Central China International to Provide Guarantees or Counter-Guarantees for its Subordinate Wholly-owned Subsidiaries 7. Proposal on the Authorization of the Establishment of a Branch of the Brokerage Business 8. Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2023 9. Proposal on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company 	<p>The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.</p>
20 April 2023	2023 Third Meeting of the Development Strategy Committee	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Proposal on the Business Scale and Size of Investment by Funds at the Disposal of the Company and Affordable Risk Limits in Asset Management for the Year of 2023 2. Proposal on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2023 	<p>The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.</p>

SECTION 4 CORPORATE GOVERNANCE REPORT

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
13 July 2023	2023 Fourth Meeting of the Development Strategy Committee	Considered and approved: the 14th Five-Year Development Plan	The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
28 September 2023	2023 Fifth Meeting of the Development Strategy Committee	Considered and approved: the Proposal on the Initiation of the Establishment of Zhongyuan Soho Fund Management Co., Ltd. (中原蘇豪基金管理有限公司)	The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
18 December 2023	2023 Sixth Meeting of the Development Strategy Committee	Considered and approved the following proposals: <ol style="list-style-type: none"> 1. Proposal on the Amendment to the Articles of Association 2. Proposal on the Amendments to the Rules of Procedure for the Executive Committee 3. Proposal on Amending the System of Work of the Development Strategy Committee under the Board 	The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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

Director(s)	Number of Attendance/ Number of Required Attendance	Remarks
Lu Zhili (Executive Director, Chairperson)	3/3	Appointed on 13 July 2023
Li Xingjia (Non-executive Director)	6/6	
Zhang Qiuyun (Non-executive Director)	6/6	
Tang Jin (Non-executive Director)	6/6	
Tian Shengchun (Non-executive Director)	6/6	
Jian Mingjun (Former Executive Director, Chairperson)	3/3	Retired on 13 July 2023

Note: On 13 July 2023 Mr. Lu Zhili, an executive Director of the Company, was appointed as a chairperson of the Development Strategy Committee.

SECTION 4 CORPORATE GOVERNANCE REPORT

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

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
28 March 2023	2023 First Meeting of the Audit Committee	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Annual Report for the Year of 2022 (A Shares) 2. Annual Report for the Year of 2022 (H Shares) and the Results Announcement for the Year Ended 31 December 2022 3. Work Report of the Audit Committee under the Board for the Year of 2022 4. 2022 Compliance Report 5. 2022 Internal Control Assessment Report 6. Audit Report for the Year of 2022 7. Profit Distribution Plan for the Year of 2022 8. Final Financial Report for the Year of 2022 9. Proposal on the Provision of Guarantees or Counter-Guarantees for Central China International and Authorizing Central China International to Provide Guarantees or Counter-Guarantees for its Subordinate Wholly-owned Subsidiaries 10. Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business for the Year of 2023 	<p>The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.</p>
20 April 2023	2023 Second Meeting of the Audit Committee	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. 2023 First Quarterly Report 2. Proposal on the Re-appointment of Auditing Firms for the Year of 2023 	<p>The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.</p>
30 August 2023	2023 Third Meeting of the Audit Committee	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Half Year Report for the Year of 2023 2. Proposal on Adjustment of Annual Trading Caps for Related Party/Continuing Connected Transactions in the Ordinary Course of Business 	<p>The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.</p>

SECTION 4 CORPORATE GOVERNANCE REPORT

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
27 October 2023	2023 Fourth Meeting of the Audit Committee	Considered and approved the following proposals: 2023 Third Quarterly Report	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
18 December 2023	2023 Fifth Meeting of the Audit Committee	Considered and approved the following proposals: 1. Proposal on the Amendments to Related/Connected Transaction Management System 2. Proposal on Amending the System of Work of the Audit Committee under the Board	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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

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

SECTION 4 CORPORATE GOVERNANCE REPORT

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

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

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
28 March 2023	2023 First Meeting of the Remuneration and Nomination Committee	Considered and approved the following proposals: 1. Work Report of the Remuneration and Nomination Committee under the Board for the Year of 2022 2. Evaluation and Remuneration of the Directors of the Company for the Year of 2022	The Remuneration and Nomination Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
21 June 2023	2023 Second Meeting of the Remuneration and Nomination Committee	Considered and approved the following proposals: Proposal on the Nomination of Candidates for Directors for the Seventh Session of the Board	The Remuneration and Nomination Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
13 July 2023	2023 Third Meeting of the Remuneration and Nomination Committee	Considered and approved the following proposals: Proposal on the Election of Mr. Lu Zhili as the Chairman of the Board of the Company	The Remuneration and Nomination Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
18 December 2023	2023 Forth Meeting of the Remuneration and Nomination Committee	Considered and approved the following proposals: 1. Proposal on the Appointment of the Director of the Executive Committee 2. Proposal on Amending the System of Work of the Remuneration and Nomination Committee under the Board	The Remuneration and Nomination Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

SECTION 4 CORPORATE GOVERNANCE REPORT

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

Director(s)	Number of Attendance/ Number of Required Attendance	Remarks
Chen Zhiyong (Independent Non-executive Director, Chairperson)	4/4	
Tsang Sung (Independent Non-executive Director)	4/4	
He Jun (Independent Non-executive Director)	4/4	
Zhang Xiaoqi (Former Non-executive Director)	1/1	Resigned on 14 June 2023
Lu Benson Cheng (Former Non-executive Director)	2/2	Resigned on 21 June 2023

5. During the Reporting Period, the Risk Control Committee held 3 meetings

In 2023, the Risk Control Committee actively performed its duties, focusing on the research of the Company's compliance management and risk management matters, providing support for the Board's decision-making, determining the overall goal of the Company's annual risk management, continuously strengthening the Company's comprehensive risk management, improving the Company's reputation risk management system, continuously promoting the risk management of subsidiaries, and reviewing the Company's internal control report.

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
28 March 2023	2023 First Meeting of the Risk Control Committee	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Work Report of the Risk Control Committee under the Board for the Year of 2022 2. 2022 Compliance Report 3. 2022 Risk Management Annual Report 4. 2022 Internal Control Assessment Report 5. Proposal on Risk Preference and Tolerance for the Year of 2023 6. Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2023 	The Risk Control Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC, the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

SECTION 4 CORPORATE GOVERNANCE REPORT

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
21 April 2023	2023 Second Meeting of the Risk Control Committee	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> Proposal on the Business Scale and Size of Investment by Funds at the Disposal of the Company and Affordable Risk Limits in Asset Management for the Year of 2023 Proposal on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2023 	The Risk Control Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC, the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
18 December 2023	2023 Third Meeting of the Risk Control Committee	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> Proposal on Amending the System of Work of the Risk Control Committee under the Board Proposal on Amending the Measures for Compliance Accountability Management 	The Risk Control Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC, the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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

Director(s)	Number of Attendance/ Number of Required Attendance	Remarks
Lu Zhili (Executive Director, Chairperson)	1/1	Appointed on 13 July 2023
Jian Mingjun (Former Executive Director, Chairperson)	2/2	Retired on 13 July 2023
Zhang Xiaoqi (Former Non-executive Director)	2/2	Resigned on 14 June 2023
Chen Zhiyong (Independent Non-executive Director)	3/3	

Note: On July 13 2023, Mr. Lu Zhili, an executive Director of the Company, was appointed as the chairman of the Risk Control Committee.

SECTION 4 CORPORATE GOVERNANCE REPORT

IX. PERFORMANCE OF DUTIES BY SUPERVISORS

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

Supervisor(s) Name	Whether or not an independent Supervisor	Number of attendances at meetings of the Supervisory Committee	Attendance at meetings of the Supervisory Committee				Whether unable to attend in person for two consecutive meetings	Attendance at general meetings
			Number of attendance in person	Number of attendance through communication	Number of attendance by proxy	Number of absence		Number of attendance/Number of Required Attendance
Lu Zhili (resigned)	No	3	3	2	0	0	No	3/3
Wei Zhihao	No	5	5	4	0	0	No	4/4
Li Zhifeng	No	5	5	5	0	0	No	4/4
Zhang Bo	No	5	5	5	0	0	No	4/4
Xiang Siying	Yes	5	5	5	0	0	No	4/4
Xia Xiaoning	Yes	5	5	5	0	0	No	4/4
Ba Guanhua	No	5	5	2	0	0	No	4/4
Xu Changyu	No	5	5	2	0	0	No	4/4
Xiao Yichen	No	5	5	2	0	0	No	4/4
Number of meetings of the Supervisory Committee held during the year								5
Among which: number of on-site meetings								0
Number of meetings held through communication								2
Number of meeting held by means of on-site combined with communication								3

SECTION 4 CORPORATE GOVERNANCE REPORT

(II) Particulars of meetings of the Supervisory Committee

Session	Date of convening	Meeting resolution
The 10th Meeting of the Seventh Session of the Supervisory Committee	28 February 2023	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Proposal on the Company's Fulfillment of the Conditions for Issuing A Shares to Target Subscribers 2. Proposal on the Company's Plan to Issue A Shares to Target Subscribers (Revised Draft) 3. Proposal on the Company's Preliminary Plan to Issue A Shares to Target Subscribers (Revised Draft) 4. Proposal on Feasibility Analysis Report on the Use of Proceeds Raised from the Issuance of A Shares to Target Subscribers by the Company (Revised Draft) 5. Proposal on the Demonstration and Analysis Report on the Company's Plan to Issue A Shares to Target Subscribers 6. Proposal on the Dilution of Immediate Return Resulting from the Issuance of A Shares by the Company and the Remedial Measures (Revised Draft) 7. Proposal on the Amendments to the Rules of Procedure for Supervisory Committee Meetings 8. Proposal on the Amendments to the Measures for the Supervisory Committee to Evaluate the Performance of the Duties of Directors, Supervisors and Senior Executives (for Trial Implementation)
The 11th Meeting of the Seventh Session of the Supervisory Committee	29 March 2023	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> 1. Work Report of the Supervisory Committee for the Year of 2022 2. Work Report of the Financial Supervision Committee under the Supervisory Committee for the Year of 2022 3. Work Report of the Performance Supervision and Evaluation Committee under the Supervisory Committee for the Year of 2022 4. Profit Distribution Plan for the Year of 2022 5. Financial Statements for the Year of 2022 6. Annual Report for the Year of 2022 (A Shares) 7. Annual Report for the Year of 2022 (H Shares) and the Results Announcement for the Year Ended 31 December 2022 8. 2022 Social Responsibility Report and ESG (Environment, Social and Governance) Report 9. Proposal on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company 10. Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business for the Year of 2023 11. 2022 Compliance Report 12. Evaluation Report on Effectiveness of Compliance Management for the Year of 2022 13. Report on the Integrity Management for the Year of 2022 14. 2022 Internal Control Assessment Report 15. Evaluations and Remuneration of the Supervisors for the Year of 2022 <p>Proposals heard at the meeting:</p> <ol style="list-style-type: none"> 16. Audit Report for the Year of 2022 17. Annual Report on Risk Management for the Year of 2022 18. Special Work Report on Information Technology for the Year of 2022 19. Internal Audit Report on Anti-Money Laundering for the Year of 2022 20. Report on Anti-money Laundering for the Year of 2022 21. Report on Self-Assessment of Money Laundering Risks

SECTION 4 CORPORATE GOVERNANCE REPORT

Session	Date of convening	Meeting resolution
The 12th Meeting of the Seventh Session of the Supervisory Committee	21 April 2023	Considered and approved the 2023 First Quarterly Report
The 13th Meeting of the Seventh Session of the Supervisory Committee	30 August 2023	Considered and approved the following proposals: <ol style="list-style-type: none">1. Proposal on the Election of the Convener of the Supervisory Committee2. 2023 Interim Report3. Proposal on Adjustment of Annual Trading Caps for Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business
The 14th Meeting of the Seventh Session of the Supervisory Committee	27 October 2022	Considered and approved the 2023 Third Quarterly Report

SECTION 4 CORPORATE GOVERNANCE REPORT

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

(I) Employees

Number of in-service employees of the parent company	2,391
Number of in-service employees of the major subsidiaries	347
Total number of in-service employees	2,738
Number of retired employees whose expenses are borne by the parent company and the major subsidiaries	2

Composition of professions

Type of professions	Number of staff
Brokerage personnel	1,786
Investing banking personnel	245
Asset management personnel	49
Securities investment personnel	81
Researcher	39
International business personnel	32
Legal compliance, risk control and audit personnel	82
IT personnel	81
Finance personnel	61
Administration and management personnel	206
Others	76
Total	2,738

Education level

Type of education level	Number of persons
Doctoral degree	13
Master's degree	667
Bachelor's degree	1,899
Associate's degree and below	159
Total	2,738

As at the end of the Reporting Period, the Company and its subsidiaries had a total of 2,738 employees, including 1,531 male employees and 1,207 female employees, accounting for 44.08%. As at the end of the Reporting Period, the Company had a total of 8 senior management members, including 8 male and 0 female (accounting for 0% of the senior management). The Company is committed to creating a diverse and inclusive working environment to attract and retain the best talents and to promote business growth. The Company recruits employees in accordance with the principle of equality between men and women, and provides equal training and development opportunities to protect the rights and interests of female employees.

SECTION 4 CORPORATE GOVERNANCE REPORT

(II) Remuneration policies

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

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

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

(III) Training plans

The Company effectively enhanced the professional ability of cadres and employees, continuously enhanced the professional competence of cadres and employees, and continued to strengthen the sense of responsibility of cadres and employees to further strengthen the construction of cadres' and talents' team. Under the pattern of adhering to the party's management of talent, the Company comprehensively implemented the new concepts, new strategies and new initiatives of talent work in the new era, firmly established the concept that talent is the first resource, built a solid classification and layered training system, and continued to coordinate and promote the various types of talent team training plans. The Company actively took effective measures to seize the opportunity and respond to the challenges, treated talents from a strategic perspective, and made efforts to support the talent work based on a new starting point. For management personnel, the Company carried out training to improve their cognition of the development of the securities industry, management theory and skills, strategic thinking ability, and business management capabilities; and for employees of each business line and department, the Company carried out trainings to strengthen their business knowledge, improve their capabilities regarding product development, marketing skills and services.

During the Reporting Period, the Company provided employee training at all levels, diversified business and compliance training and innovative training programs by means of face-to-face teaching or mobile online training, in order to enhance their professional skills and quality and facilitate the strategic development of the Company. The Company organized internal trainings for new employees, staff professional ethics, reputation risk, and middle management ability improvement, etc.; participated in the trainings organized by the CSRC, the Securities Association of China, the Organization Department of Henan Provincial Party Committee, the Department of Finance of Henan Province, the SASAC of Henan province, the stock exchanges, etc; and organized follow-up vocational training for more than 2,500 securities practitioners and 1,800 fund practitioners. The Company organized and implemented a series of training programs, built a platform for further study to enhance the comprehensive quality and business skills of employees, and insisted on creating a good environment in which talents are recognized, loved and respected. In 2024, to implement the professional strategy, the Company will strengthen the training for executives and employees, establish hierarchical and classified training systems to address different needs of the senior management team, middle-level executives and frontline employees to improve their political quality and professional expertise and forge a professional team support necessitated to implement the strategy.

SECTION 4 CORPORATE GOVERNANCE REPORT

(IV) Labour outsourcing

Total working hours on labor outsourcing: 501.7 thousand hours

Total payment for labor outsourcing: RMB6.7845 million

XI. PROPOSAL FOR PROFIT DISTRIBUTION OR CAPITALISATION ISSUE

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

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

As audited by Da Hua Certified Public Accountants (Special General Partnership), as of 31 December 2023, the distributable profit for the parent company amounts to RMB689,891,242.44.

The Company proposes to distribute profits for 2023 based on the total share capital registered on the record date for payment of the cash dividend. The Company proposes distributing a cash dividend of RMB0.14 (tax inclusive) for every 10 shares to all shareholders (including A share and H share shareholders). As at 31 December 2023, the total share capital of the Company was 4,642,884,700 shares, based on which a total cash dividend of RMB65,000,385.80 (tax inclusive) was proposed to be distributed, representing 30.72% of the net profit attributable to owners of the parent company in 2023. No capital reserves will be converted into share capital and no bonus shares will be distributed by the Company.

In the event of a change in the total share capital of the Company after the date of the Board meeting approving the 2023 profit distribution plan and before the record date for payment of the cash dividend, the total distribution amount will be kept unchanged and the rate will be adjusted accordingly.

The proposed profit distribution plan is subject to the consideration of the general meeting of the Company. Subject to the consideration and approval of the profit distribution plan by the general meeting, the Company expects to complete the profit distribution by 30 August 2024.

SECTION 4 CORPORATE GOVERNANCE REPORT

Specific description on the cash dividend policy of the Company

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

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

(Unit: Yuan Currency: RMB)

Number of bonus shares for every 10 shares (share)	0
Amount of cash dividend for every 10 shares (RMB) (tax inclusive)	0.14
Number of shares converted for every 10 shares (share)	0
Amount of cash dividend (tax inclusive)	65,000,385.80
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement during the year of distribution	211,601,553.51
Percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement (%)	30.72
Amount of repurchased shares under cash included in cash dividend	0
Total amount of the dividend (tax inclusive)	65,000,385.80
Percentage of the total dividend amount of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement (%)	30.72

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

The remuneration of the senior management of the Company is composed of basic annual salary and performance annual salary. The basic annual salary is determined by the Board in accordance with job responsibilities, industry salary level, the Company's state of operation, and the positioning of the talent competition strategy. The performance annual salary is determined in accordance with the incentive and restraint mechanism adopted by the Board, as well as the Company's operating conditions and individual assessment results.

SECTION 4 CORPORATE GOVERNANCE REPORT

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

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

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

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

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

XV. DESCRIPTION OF AUDIT REPORT ON INTERNAL CONTROL

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

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

SECTION 4 CORPORATE GOVERNANCE REPORT

XVI. OTHERS

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

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

During the Reporting Period, the Company completed the relocation of 5 securities branch offices and 6 securities branches within the same city at home.

For details, please refer to the paragraph headed "I. (I) Administrative licensing of branch offices and securities branches during the Reporting Period under Section 9 INFORMATION DISCLOSURE OF SECURITIES COMPANY".

(2) Establishment and changes of branch offices

Central China Blue Ocean:

On 18 September 2023, the Company issued the Decision of Shareholders of Central China Blue Ocean Investment Management Company Limited, agreeing to change the registered capital of Central China Blue Ocean to RMB3,200 million. As of the end of the Reporting Period, Central China Blue Ocean has completed the procedures of industrial and commercial change registration.

Zhongding Kaiyuan:

On 29 November 2023, the Company issued the Decision of Shareholders of Zhongding Kaiyuan Venture Capital Management Co., Ltd., agreeing to change the registered capital of Zhongding Kaiyuan to RMB280 million.

2. Securities brokers

Pursuant to the Regulations on the Supervision and Administration of Securities Companies, the Company established a complete management system for securities brokers, covering qualification management of securities brokers, agency contract management, pre-job training and follow-up vocational training, certificate management and information inquiry, code of practice, risk control, performance evaluation and remuneration payment, and achieved the centralized and unified management of securities brokers. The securities branches were responsible for the daily management of securities brokers. During the Reporting Period, while maintaining effective operation of the basic management system of securities brokers, the Company kept on reinforcing the management of securities broker business of our branches, gained insight into the developing situation of securities broker team in each branch, and optimized relevant daily management procedure of securities brokers. As of the end of 2023, the number of securities brokers of the Company amounted to 194.

SECTION 4 CORPORATE GOVERNANCE REPORT

3. Specific explanation on standardization of the account

Taking standardized management of customers' accounts as an important foundation, the Company focused on the normalization, standardization and systematism of account management and kept perfecting the long effective mechanism of standardized management of customers' accounts. In 2023, according to the requirements of relevant regulations of China Securities Depository and Clearing Corporation Limited and the Company, the Company effectively implemented various measures for standardized management of accounts, conscientiously carried out work such as standardization of account information for individual clients with "duplicated numbers", occupation classification, mobile phone number verification, institutional account information verification, 1 Password account specification, and continued to carry out basic work such as standardization of existing customer account information, completion of customer information, dormant account activation and rectification of nonconforming accounts so as to ensure that the account information is true, accurate, complete and valid.

During the Reporting Period, the Company activated 1,073 dormant cash accounts and 1,886 dormant securities accounts, recording 412,145 dormant cash accounts and 652,558 dormant securities accounts as of the end of the Period; the Company standardized 15 unqualified cash accounts and 15 unqualified securities accounts, recording 1,086 unqualified cash accounts and 1,146 unqualified securities accounts as of the end of the Period; as of the end of the Period, the Company had 8 cash accounts and 15 securities accounts frozen by the court; and the Company had no risky disposal account. See the following table for details:

Type of account: RMB account

Type of account		2023	2022	YoY Increase/ Decrease
Dormant accounts	Cash accounts	412,145	413,218	-1,073
	Securities accounts	652,558	654,444	-1,886
Unqualified accounts	Cash accounts	1,086	1,101	-15
	Securities accounts	1,146	1,161	-15
Judicially frozen accounts	Cash accounts	8	8	0
	Securities accounts	15	15	0
Risky disposal accounts	Cash accounts	0	0	0
	Securities accounts	0	0	0

SECTION 4 CORPORATE GOVERNANCE REPORT

4. Business innovation

With the recovery of macro economy, the implementation of comprehensive registration system and the development of digital technology, investors' demand for wealth management has become more flexible, convenient, professional and personalized. During the Reporting Period, the Company anchored on high-quality development, took customers as the center, adhered to digitization and platformization, focused on management of customers' full life cycle of wealth, made in-depth use of data-driven and AI-driven technology, released the digital intelligence version of the Company's "Caishengbao (財升寶)" APP 5.0, and increased the rate of successful response of intelligent robot services to 96.4%, so as to continue to enhance the Company's online platform service capabilities. The Company increased efforts to expand the cooperation and integration of online and offline channels, empowering the marketing service operation of branches and enhancing the Company's ability to expand its customer base. The Company built intelligent service scenarios based on business scenarios and customer journeys, refined thematic activities including "Good Fortune for the Year of the Rabbit" ("開門鴻兔"), "Enjoy Investment" ("樂享投資"), "New School of Investment" ("投資新學堂"), and "Wealth Festival" ("財富節"), continuously strengthened the application of intelligent marketing network, and created a layered user operation system, so as to further enhance the digital operation capabilities of customers, products, and investment advisors/staff, upgrade the Company's retail customer service system, and contribute to the high-quality development of the Company's wealth management business.

During the Reporting Period, the Company was awarded the Top Ten Enterprises of Henan Digital Economy Industry and the Outstanding Contribution Award of Enterprises by Henan Digital Economy Industry Association, with its average monthly activity of "Caishengbao (財升寶)" APP was stable at over 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. Both the quantity and quality of new customers in the Company's Internet pipeline steadily increased, and the Company's wealth management digital service capability and influence have continued to improve. (Source: Qianfan.analysis.cn)

5. Construction of the Company's risk management system

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

Risk management framework

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

SECTION 4 CORPORATE GOVERNANCE REPORT

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

Risk management system

The Company has established a four-tier risk management system, the first-tier system is the overall risk management system; the second-tier system is the risk management system for various types of risks, 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 improve the risk management system and enrich the risk control methods.

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 monitoring 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.

According to the 2023 Internal Control Assessment Report of the Company, and based on the identification of significant deficiencies in the Company's internal control over financial reports, the Company did not have any significant deficiencies in internal control over financial reports as of the benchmark date of the internal control assessment report (i.e., 31 December 2023). Based on the identification of significant deficiencies in the Company's internal control over non-financial reports, the Company did not identify any significant deficiencies in internal control over non-financial reports as of the benchmark date of the internal control assessment report. See the Company's Overseas Regulatory Announcement dated 28 March 2024 for more information.

6. Inside information monitoring procedures

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

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

SECTION 4 CORPORATE GOVERNANCE REPORT

7. Establishment of compliance management system of the Company

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

The Company paid close attention to industry regulatory trends, tracked and advocated laws and regulations and rules, and improved the compliance management system continuously. According to the management needs, the Company built the compliance management system on the basis of the Articles of Association. Among others, the basic compliance management policies for compliance management, compliance assessment management, and compliance accountability management specify the overall objectives and basic principles of our compliance management, standardized compliance assessment and accountability mechanisms, with a view to providing a guarantee basis for compliance management; the compliance performance management policies for compliance review and consultation, compliance inspection, compliance publicity and training, compliance effectiveness evaluation, and compliance administrators management define more specific compliance management duties such as compliance review and consultation, compliance supervision and inspection, and compliance training and publicity with a view to strengthening the implementation of compliance management requirements; the special compliance management policies for information isolation, conflict of interest, clean practices, employee securities investment, integrity management, and anti-money laundering strengthen special compliance management measures with a view to effectively preventing and controlling related risks; the Company also developed targeted business compliance management policies for key business segments and areas, such as investment banking, proprietary trading, asset management, wealth management, information technology, and subsidiaries to effectively prevent business compliance risks. The Company's compliance management system covers all business lines, subsidiaries, and all employees, and is optimized and improved in line with its realities continuously. Also, the Company appropriately steered all departments to review, assess and improve its internal policies and processes in response to the changes in laws, regulations and rules, to really make "internalization of external regulations".

SECTION 4 CORPORATE GOVERNANCE REPORT

In line with the requirements in the Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies, Implementation Guidelines for Compliance Management of Securities Companies, etc., the Company continuously optimized the staffing of compliance management personnel and improved the compliance management personnel system. Apart from establishing a dedicated compliance management department, the Company also set up compliance teams in areas with higher risks and greater difficulty in control, appointed full-time compliance administrators in key business departments or business management departments, branches, sales departments with 14 or more employees, or sales departments that were found by the Company qualified and were under independent regulatory jurisdiction, and appointed compliance officers in each subsidiary. Moreover, the Company appointed part-time compliance administrators in functional departments, and sales departments with 5 to 14 employees. The Company made sufficient efforts to ensure that compliance management personnel enjoys the right to information and right of investigation, and is independent to perform duties, continuously strengthened the incentive and restraint mechanism for compliance management personnel, and increased training efforts for them to ensure that they have necessary professional capabilities for performing duties.

The Company fully utilized information technology means to identify, assess, and control compliance risks, and continuously established and improved compliance management platform and various compliance monitoring systems. The Company combined the compliance management platform with office automation system to standardize compliance management routines and workflows, thereby enhancing the efficiency and effectiveness of compliance management. The Company employed systems for customer abnormal transaction monitoring, information isolation monitoring, and employee investment behavior monitoring to prevent market manipulation, insider trading, non-compliant securities trading, and other compliance risk points, thereby effectively managing conflicts of interest. The Company continuously improved the anti-money laundering management system and achieved the core function of anti-money laundering risk prevention, such as customer due diligence and classification management, large-scale suspicious transaction monitoring and analysis and reporting, and blacklist monitoring and alerting, through the organic integration of the anti-money laundering system with brokerage counter system, investment banking system, and centralized customer management system. The Company continued to increase resource investment in compliance management systems, fully utilized financial technology to enhance the informatization and specialization level of compliance management, and effectively prevented and controlled compliance and money laundering risks.

(1) Inspections completed by the Compliance Management Department

In 2023, the Compliance Management Department organized internal inspections and self-inspections in consideration of the actual situation in the management and operations of the Company and the main risk exposures in business operations, and in accordance with the regulatory requirements and self-regulation rules. They include special inspections in key areas such as the implementation of new regulations on securities brokerage services, incorruptibility in practice, customer eligibility, anti-money laundering and compliance management of overseas subsidiaries; special inspections in key business segments such as investment banking, proprietary trading, stock pledge, IB, asset management, and pre-launch of quantitative and derivative products business; self-inspections on management of client trading behaviors, management of member trading and underwriting and sponsorship-related business, compliance with new regulations by directors, supervisors and senior management and employees of securities companies, customer trading behavior management by the Shanghai Stock Exchange, etc. as required by the regulatory authorities and self-regulatory organizations, and by the management needs. Through compliance inspections and self-inspections, the Company effectively identified and prevented compliance risks, screened potential compliance risks, and encouraged departments to strengthen their compliance risk defense line and standardize their business management.

SECTION 4 CORPORATE GOVERNANCE REPORT

(2) Work initiated by the Audit Department

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

In 2023, the Audit Department of the Company organized over 100 audit projects, including routine audits on the Company's major business lines, headquarters departments, branches and holding subsidiaries, financial responsibility audits of some management personnel, and special work on some important issues. In addition, the Company took the lead in organizing the annual internal control evaluation of the Company, and carried out the evaluation of the overall risk management of the Company and the effectiveness of internal control of investment banking business.

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

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

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

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

SECTION 4 CORPORATE GOVERNANCE REPORT

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

8. Shareholders' rights

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

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

According to Article 82 of Articles of Association, Shareholder(s) severally holding 10% or more shares of the Company shall be entitled to request in writing the Board to convene an extraordinary general meeting or class general meeting of the Company. Two or more shareholders aggregately holding 10% or more shares with the voting right in the proposed meeting shall be entitled to sign a written requisition in one or more counterparts in the same form and content, requiring the Board to convene an extraordinary general meeting or class general meeting and state in such written requisition the matters to be discussed at the meeting. The aforesaid number of shares shall be calculated in accordance with the shares held on the day on which the written requisition is made by the shareholders. The Board shall, pursuant to relevant laws, administrative regulations and Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any change to the original proposal, marks consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding no less than 10% shares of the Company shall be entitled to propose in writing to the Supervisory Committee to convene an extraordinary general meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after receipt of the said request. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Supervisory Committee fails to issue the notice for the general meeting within the specified time, the Supervisory Committee shall be deemed as failing to convene or preside the general meeting. The shareholder(s) severally or jointly holding no less than 10% shares of the Company for no less than 90 consecutive days may convene and preside over such meeting on his or their own. According to Article 110 of Articles of Association, where the Company convenes a general meeting, the Board, Supervisory Committee, and shareholder(s) severally or jointly holding no less than 3% shares of the Company may make proposals to the Company. According to Article 111 of Articles of Association, Shareholder(s) severally or jointly holding no less than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other shareholders within two days after receipt of such proposal, and include the matters within the proposal on the agenda for the said meeting and submit for approval at the general meeting if the said matter falls within the functions and powers of general meetings. The contents of the provisional proposal shall fall within the functions and powers of general meetings and have specific discussion topic and specific matters to be resolved. Save as specified above, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice is served. The general meeting shall not vote or pass resolutions on

SECTION 4 CORPORATE GOVERNANCE REPORT

proposals not listed in the notice of the general meeting or resolutions not in conformity with following article of the Articles of Association. Shareholders may convene an extraordinary general meeting or a class meeting based on the stated procedures and put forward proposals at the general meeting. The shareholders may attend general meetings and exercise voting rights either in person or by proxy. The minutes together with the attendance record of shareholders and the powers of attorney of the proxies shall be kept at the Company's premises. Shareholders may have access to copies of the minutes free of charge during the office hours of the Company. The Articles of Association have been disclosed on the website of the Company and the HKExnews website of the Hong Kong Stock Exchange.

9. Company secretary

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

10. Compliance with Model Code

The Company has adopted the Model Code as set out in Appendix C3 to the Hong Kong Listing Rules concerning the securities transactions by directors and supervisors. The Company has made specific inquiries to all the Directors and Supervisors for the compliance with Model Code. It was confirmed that they fully complied with the Model Code during the Reporting Period.

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

11. Responsibilities of Directors concerning financial statements

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

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

12. Communications with shareholders

The General Meeting shall be the supreme authority of the Company. All shareholders exercise their power through the General Meeting. The Company called and convened general meetings strictly according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all shareholders, especially the minority shareholders.

The Articles of Association was amended for twice during the Reporting Period. For details, please see the announcement of the Company dated 28 February 2023 and the Articles of Association published on 24 May 2023, as well as the announcement of the Company dated 14 June 2023 and the Articles of Association published on 13 July 2023. In addition, on 22 December 2023, the Company proposed amendments to its Articles of Association, which are currently pending approval from the shareholders at the General Meeting.

SECTION 4 CORPORATE GOVERNANCE REPORT

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

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

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

13. Investor relation activities

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

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

In terms of daily communication, the Company establishes the complete regular communication mechanism, reports the operation conditions of the Company to shareholders on a regular basis via mobile Internet and annual general meetings, and continuously recommends the investment value of the Company. In 2023, the Company browsed the E Interactive platform of the SSE and investors’ emails and answered investors’ hotline on a daily basis, and gave prompt replies to questions concerned by investors. In addition, the Company participated in the Investor Online Collective Reception Day organized by Henan Bureau of the CSRC and Henan Listed Companies Association, and took the initiative to organize three performance presentation meetings and two analyst research events after the release of regular reports. Through the above methods, the Company strengthened communication and exchange with investors, especially medium and small investors, guaranteed their rights to know and participate, and enhanced investors’ understanding and recognition of the Company. For details of the general meetings convened by the Company in 2023, please refer to “III. SUMMARY OF GENERAL MEETING” in this section. The Company has reviewed the implementation of the Shareholders’ Communication Policy for 2023 and considered it to be effective.

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

SECTION 4 CORPORATE GOVERNANCE REPORT

14. Appointment and remuneration of auditors

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

15. Review by the Audit Committee

The Audit Committee has reviewed the Company's 2023 Audit Report and 2023 Annual Results.

16. Board diversity policy

(1) Board diversity policy

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

(2) Reasons for adopting the Board diversity policy

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

(3) Measurable objectives

Selection of candidates will be based on range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. In selecting and making recommendations on suitable candidates for directorships, the Board will take the opportunity to increase the proportion of female members. The Company will ensure that the Board has at least one Director of different gender and that the Company has achieved this objective in 2023. The current diversity of the Board of the Company (including gender educational background and age, etc.) is set out in the paragraph (4) "Implementation and monitoring" below. The Company will continue to devote efforts to implement the board diversity policy.

SECTION 4 CORPORATE GOVERNANCE REPORT

(4) Implementation and monitoring

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

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

- A. Gender: Among the existing 9 Directors, 2 are female and the remaining 7 are male;
- B. Educational background: Among the existing 9 Directors, 4 have doctor's degrees; and 5 have master's degrees;
- C. Age: Among the existing 9 Directors, 2 are aged 60 and over and 7 are under 60;
- D. Positions: Among the existing 9 Directors, 1 is executive Director, 4 are non-executive Directors, and 4 are independent non-executive Directors.

17. Mechanism for independent opinion of the Board

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

- (1) The Company currently has four independent non-executive Directors, accounting for more than one-third of the seats on the Board, which is conducive to maintaining the independent advice and judgment of the Board. In 2023, the Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Hong Kong Listing Rules that at least one-third (not less than three) of the Directors are independent non-executive Directors and at least one independent non-executive Director has appropriate professional qualifications or specializes in accounting or related financial management. The Company shall supervise the performance of independent non-executive Directors. If a Director fails to attend in person for two consecutive meetings of the Board and does not appoint other Directors to attend such meetings, as stipulated in Article 165 of the Articles of Association, he/she shall be deemed to be unable to perform his/her duties and the Board shall recommend to the General Meeting for removal.
- (2) The Company has received the written confirmation from each of the independent non-executive Directors regarding their independence from the Company pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.
- (3) The Chairman of the Board meets with the independent non-executive Directors at least once a year.
- (4) Members of the professional committees of the Board may engage intermediaries to provide professional advice for their decisions, and the related expenses shall be paid by the Company.

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

By Order of the Board
Lu Zhili
Chairman

28 March 2024

SECTION 5 SIGNIFICANT EVENTS

I. PERFORMANCE OF UNDERTAKINGS

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

Background	Type of undertakings	Undertaking party	Contents of undertakings	Date of undertakings	Any deadline for performance	Duration of undertakings	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	Entering into of the Non-competition Agreement with Central China Securities on 10 March 2014	Yes	Long-term	Yes		
	Non-competition	The Company	Undertaking in relation to non-competition	Entering into of the Non-competition Agreement with Henan Investment Group on 10 March 2014	Yes	Long-term	Yes		
Undertaking in relation to refinancing	Others	The Company	Note 1	27 June 2022	Yes	3 years	Yes		

Note 1: (1) For the three consecutive years from 2021 to 2023, 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.

II. The Company's analysis of the causes and effects of changes in accounting policies, accounting estimates or corrections of material accounting errors

In November 2022, the Ministry of Finance issued the Notice on the Publication of Interpretation No. 16 of the Chinese Accounting Standards (Cai Kuai [2022] No. 31) (Interpretation No. 16), which provides a clear and standardized accounting policy of "Accounting Treatment for Deferred Income Taxes on Assets and Liabilities Arising from a Single Transaction to Which the Initial Recognition Exemption Does Not Apply". For a single transaction that is not a business combination and does not affect neither the accounting profit nor taxable income (or deductible losses) at the time the transaction occurs, and the initial recognition of assets and liabilities results in the creation of equal taxable temporary differences and deductible temporary differences (including lease transactions in which the lessee initially recognizes a lease liability at the commencement date of the lease term and includes it in the right-of-use assets, and transactions in which the lessee recognizes an estimated liability and includes it to the cost of the related asset due to the existence of a waiver obligation for a fixed asset or the like), it does not apply to Article 11(2) and Article 13 of the Chinese Accounting Standards No. 18 — Income Taxes in exemptions from initial recognition of deferred income tax liabilities and deferred income tax assets. For taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities in respect of the transaction, enterprises shall recognize corresponding deferred income tax liabilities and deferred income tax assets, respectively, at the time of occurrence of the transaction in accordance with the relevant provisions of the Chinese Accounting Standards No. 18 — Income Taxes and other relevant regulations. The regulations are effective 1 January 2023.

SECTION 5 SIGNIFICANT EVENTS

In accordance with the provisions of Interpretation No. 16, the Company has adjusted the cumulative effect to the relevant item in the earliest period of presentation of the financial statements. Deferred income tax assets and liabilities are recognized for lease liabilities and right-of-use assets, respectively, in respect of single transactions. The net amount of deferred income tax assets and liabilities, after offsetting, is equal to the amount originally recognized by on a net basis, and there is no impact on the consolidated financial statements presented on a net offsetting basis.

III. APPOINTMENT OR TERMINATION OF SERVICE OF ACCOUNTING FIRM

Unit: Ten thousand Currency: RMB

	Currently engaged
Name of the domestic accounting firm	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	148.8
Term of the audit services provided by domestic accounting firm	3 years
Name of certified public accountants of the domestic accounting firm	Aodu Jiya, Li Tiantian
Continued term of audit services by certified public accountants of the domestic accounting firm	3 years

	Name	Remuneration
Accounting firm engaged for internal control audit	Da Hua Certified Public Accountants (Special General Partnership)	44.2

As considered and approved by the Company at the 2022 Annual General Meeting, the total audit and review fees (including internal control audit fee) of the Company (excluding its subsidiaries and structured entities included in the scope of consolidation) for 2023 amounted to RMB1,930,000.00. The "audit fees" of RMB3,467,393.78 disclosed in VI. "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS — 51, Business and administrative expenses" under Section 8 "FINANCIAL REPORT" of this report represents the audit service fees recognized in the books of the Company and its subsidiaries and structured entities included in the scope of consolidation in 2023, which mainly includes (i) audit and review fees of the Group for the year 2023 of RMB2,957,016.42 payable to Da Hua Certified Public Accountants (Special General Partnership) and MOORE STEPHENS CPA LIMITED, and (iii) fees for special (non-audit) services mainly the audit fees for the Company and subsidiaries included in the scope of consolidation, the special audit fees for information technology, and the audit fees for the resignation of senior management of subsidiaries of RMB510,377.36 payable to other auditors.

Description of appointment or termination of service of accounting firm

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

In order to maintain the continuity of audit work, based on the professional level and service experience of Da Hua Certified Public Accountants (Special General Partnership), the Company re-appointed Da Hua Certified Public Accountants (Special General Partnership) as the auditing firm of the Company for the years 2022 and 2023, responsible for the provision of domestic and overseas audit services in accordance with the China Accounting Standards for Business Enterprises.

SECTION 5 SIGNIFICANT EVENTS

IV. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period:

Unit: Ten thousand Currency: RMB

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

SECTION 5 SIGNIFICANT EVENTS

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

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

Note 3: The Company filed a lawsuit against Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership) (hereinafter referred to as “Ruichen Investment”), Tan Songbin and Zhou Juan, asserting the defendants’ breach of contract in the share pledge business. After the first instance judgment issued by Henan High People’s Court”, the defendants, Ruichen Investment, Tan Songbin and Zhou Juan, filed an appeal. On 22 January 2020, the Company received the civil judgment issued by the Supreme People’s Court, supporting the Company’s claim. Henan High People’s Court accepted the case for compulsory enforcement on 30 March 2020. Zhengzhou Intermediate People’s Court conducted the auction of 24,529,900 shares of Silver Age Sci & Tech, and the Company has received the full amount of RMB188,884,151.85 for the auction. On 6 April 2021, the Company received the Enforcement Ruling issued by Zhengzhou Intermediate People’s Court, which ruled to terminate the execution of this case because the Company and Ruichen Investment reached a settlement agreement and performed it for a long period of time. The Company reached a new settlement agreement with Ruichen Investment on 31 August 2021. (Please refer to the Company’s 2021 Annual Report for information on relevant cases.) On 16 February 2022, the Company received the Enforcement Ruling issued by the First People’s Court of Dongguan City, Guangdong Province, changing the Company as the application executor of (2021) Yue 1971 Zhi Hui No. 856 case. Due to the defendants’ failure to fulfill the settlement agreement, the Company filed an application for enforcement with the court on 16 November 2023, which was accepted by the court on 17 November 2023. On 22 December 2023, the Company received the enforcement proceeds of RMB6,662,500. As of the end of the Reporting Period, the case is still in the process of enforcement.

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

In addition, the Company filed an enforcement objection lawsuit with Zhengzhou Intermediate People’s Court within the statutory period, requesting an order to add the defendants, Zhao Feifan (趙非凡) and Zhao Ruiyong (趙銳勇), as the persons to be executed in the execution case between the Company and the third party, Zhejiang Qingfeng; and to order the defendants, Zhao Feifan and Zhao Ruiyong, to assume joint and several liability for the debts owed to the Company by the third party, Zhejiang Qingfeng in the amount of RMB146,567,100. On 26 May 2021, the Company received a civil judgment issued by Zhengzhou Intermediate People’s Court, supporting the Company’s claim. As of the end of the Reporting Period, the case was under execution and there is no further progress. Please refer to the Company’s 2021 Annual Report for relevant information.

SECTION 5 SIGNIFICANT EVENTS

Note 5: The Company filed a lawsuit against Kedi Food Group Co., Ltd. (hereinafter referred to as “Kedi Group”), asserting the defendant’s breach of share pledge repurchase contract. The first instance judgment issued by Zhengzhou Intermediate People’s Court supported the lawsuit request of the Company, while both Kedi Group and the Company refused to obey the first instance judgment and instituted an appeal. On 3 August 2020, the Company received a civil judgment by Henan High People’s Court, stating that Kedi Group was deemed to withdraw the appeal on its own account, and the Company’s withdrawal of the appeal was allowed. Zhengzhou Intermediate People’s Court accepted the case for compulsory enforcement on 24 August 2020. On 21 January 2021, Zhengzhou Intermediate People’s Court made an enforcement ruling. Because Shangqiu Intermediate People’s Court accepted the bankruptcy reorganization application of Kedi Group, it ruled to terminate the execution of Kedi Group, the subject. (Please refer to the Company’s 2021 Annual Report for information on relevant cases.) On 22 April 2022, Shangqiu Intermediate People’s Court approved the merger and reorganization plan of 10 companies including Kedi Group. In July 2022, according to the above restructuring plan, the Company received a total of RMB24,727,420.43 from the insolvency administrator of Kedi Group for partial cash settlement of privileged debts and cash settlement of ordinary debts. On 3 March 2023, 27,105,906 shares of Kedi Group were transferred to the Company. 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 restructuring.

Note 6: Central China Blue Ocean Investment Management Co., Ltd. (hereinafter referred to as “Central China Blue Ocean”) filed a lawsuit against Henan Zhongyi Real Estate Co., Ltd. (hereinafter referred to as “Zhongyi Real Estate”), asserting the defendant’s breach of financial entrusted wealth management contract. On 31 October 2019, Central China Blue Ocean received a civil judgment issued by Zhengzhou Intermediate People’s Court, which supported Central China Blue Ocean’s claims. Zhengzhou Intermediate People’s Court accepted the case for compulsory enforcement on 13 January 2020 and closed this case on 26 November 2020. In accordance with the corresponding procedures, Zhengzhou Intermediate People’s Court conducted an auction of two properties in the names of Xu Zengcai and Xu Xianghong, the persons being executed; and on 18 June 2021, Central China Blue Ocean received the allocated amount of RMB2,443,099.88 for enforcement.

In addition, regarding the enforcement objection filed by Central China Blue Ocean against the seized property under the name of Zhongyi Real Estate in another case, the Zhengzhou High-tech Zone Court made the (2022) Yu 0191 Zhi Yi No. 32 Enforcement Ruling, ruling to reject the objection of Central China Blue Ocean, the dissenter. In August 2023, the Company submitted the application for enforcement resumption to the court, and received the ruling on enforcement resumption on 9 October. The Company obtained disposal rights to 51 sets of houses from Zhengzhou Intermediate People’s Court in November. On 1 December 2023, the Company submitted the Application for Valuation and Auction to the court, and on 2 January 2024, the court issued a ruling on valuation and auction. For information on other related matters, please refer to the Company’s 2021 Annual Report.

V. 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 systems 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.

SECTION 5 SIGNIFICANT EVENTS

In July 2023, Central China Futures received an administrative supervisory measure from Henan Bureau of the CSRC ordering rectification, which pointed out that the Company's private asset management business had issues such as irregular business operations, imperfect internal control mechanism for investment management, and incomplete internal control mechanism for clean practice. In October 2023, Central China Futures received an administrative supervisory measure from Henan Bureau of the CSRC ordering rectification, which pointed out that the Company had failed to effectively control and prevent risks in accordance with the principle of prudent operation during doing the asset management business, and that employee management was inadequate. Both rectifications have now been fully completed.

On 29 February 2024, Henan Bureau of the CSRC issued the Decision on Ordering Central China Securities Co., Ltd. to Take Rectification Measures ([2024] No. 13)(《關於對中原證券股份有限公司採取責令改正措施的決定》([2024]13號)), which pointed out that the Company had problems of incomplete rectification in terms of organisational structure standardisation. Require the Company to submit a written rectification report within 15 days from the date of receipt of the decision. The Company attached great importance to this, made every effort to promote various rectification work, further strengthened the implementation of responsibilities in terms of organisational structure standardisation, and submitted a written rectification report to Henan Bureau of the CSRC in a timely manner.

VI. 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.

VII. CONNECTED TRANSACTIONS

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

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

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

SECTION 5 SIGNIFICANT EVENTS

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

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

In 2023, the annual caps and actual amounts of securities and financial products transactions between the Group and Henan Investment Group and its associates, and the annual caps and actual amounts of securities and financial services provided by the Group to Henan Investment Group and its associates are set out as follows:

	2023 Annual caps <i>(in RMB million)</i>	2023 Actual amounts <i>(in RMB million)</i>
Securities and financial products transactions		
Total net cash outflow from the Group	120.00	0
Total net cash inflow to the Group*	10.50	0
Securities and financial services		
Revenue from the provision of securities and financial services to Henan Investment Group and its associates	36.50	0.7451

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

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

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

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

SECTION 5 SIGNIFICANT EVENTS

from the Group are RMB1.50 million, RMB1.50 million and RMB1.50 million, respectively; ② the annual caps for revenue from the provision of securities and financial services to Equity Exchange Co. in respect of securities and financial services are RMB1.60 million, RMB1.60 million and RMB1.60 million, respectively, and the annual caps for expenses to be incurred by the provision of securities and financial services to the Group are RMB5.75 million, RMB5.75 million and RMB5.75 million, respectively), in order to regulate such continuing connected transactions of the Company more effectively.

On 30 August 2023, the Board of the Company resolved to increase the annual caps on the revenue generated from the provision of securities and financial services by the Group to Equity Exchange Co. for each of the two financial years ending 31 December 2024, by increasing the annual cap from RMB1.60 million to RMB41.1272 million for the financial year ended 31 December 2023, and by increasing the annual cap from RMB1.60 million to RMB46.1272 million for the financial year ending 31 December 2024. For details, please refer to the announcement of the Company dated 30 August 2023.

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

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

In 2023, the annual caps and actual amounts of securities and financial products transactions between the Group and Equity Exchange Co., and the annual caps and actual amounts of securities and financial services mutually provided between the Group and Equity Exchange Co. are set out as follows:

	2023 Annual caps <i>(in RMB million)</i>	2023 Actual amounts <i>(in RMB million)</i>
Securities and financial products transactions		
Total net cash inflow to the Group	125.00	14.0000
Total net cash outflow from the Group*	1.50	0.1778
Securities and financial services		
Revenue from provision of securities and financial services to Equity Exchange Co.	41.1272	4.7646
Expenses incurred by provision of securities and financial services to the Group	5.75	0.1000

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

SECTION 5 SIGNIFICANT EVENTS

For details of the continuous connected transactions mentioned above, please refer to the announcements of the Company dated 30 December 2021 and 30 August 2023, respectively published on the HKExnews website of the Hong Kong Stock Exchange.

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

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

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

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

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

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

Related Transactions in relation to the Ordinary Operations

Description

The overseas regulatory announcement of the Company in relation to Estimated Daily Related/Continuing Connected Transactions in 2024 issued by Central China Securities Co., Ltd. on 28 March 2024 disclosed the execution of the Company's daily related transactions in 2023.

SECTION 5 SIGNIFICANT EVENTS

Related Transactions from the Acquisition and Disposal of Assets or Equity Interests

Description

On 27 December 2022, the Company signed the Property Rights Transaction Contract with Henan Railway Construction Investment Group Co., Ltd. at the delisting price of RMB225.55185 million. On 28 December 2022, the Company entered into a Memorandum of Understanding with Henan Railway Construction Investment Group Co., Ltd. As of the date of signing the agreement, Henan Railway Construction & Investment holds 40.935% equity interest in Central China Futures (a significant subsidiary of the Company), and is therefore a connected person of the Company at the subsidiary level. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 28 December 2022 published on the HKExnews website of the Hong Kong Stock Exchange.

The Company paid the entire transfer consideration for the transaction to Henan Railway Construction Investment Group Co., Ltd. in accordance with the relevant provisions of the Property Rights Transaction Contract and the Memorandum of Understanding. On 13 October 2023, Central China Futures completed the change of shareholding and made an announcement in the National Enterprise Credit Information Publicity System hosted by the Administration for Market Regulation of Henan Province, and the transaction was completed. For details, please refer to the announcement of the Company dated 13 October 2023 published on the HKExnews website of the Hong Kong Stock Exchange.

SECTION 5 SIGNIFICANT EVENTS

VIII. MATERIAL CONTRACTS AND CONTRACT PERFORMANCE

Unit: Yuan Currency: RMB

Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Amount of guarantee	Date of guarantee				Guarantees provided by the Company (excluding the guarantees to subsidiaries)				Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Amount overdue on guarantees	Counter guarantees	Whether the guarantee is for a related party	Association relationship
				(date of signing Agreement)	Commencement date of guarantee	Maturity date of guarantee	Type of guarantee	Collateral (if any)									
Total amount of guarantees incurred during the Reporting Period (excluding the guarantees provided to subsidiaries)																	
Total balance of guarantees as at the end of the Reporting Period (A) (excluding the guarantees provided to subsidiaries)																	
Guarantees provided by the Company and its subsidiaries to subsidiaries																	
Total amount of guarantees provided to subsidiaries during the Reporting Period																	
Total balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B)																	
Total amount of guarantees provided by the Company (including the guarantees provided to subsidiaries)																	
Total amount of guarantees (A+B)																	
Percentage of total guarantees over the net assets of the Company (%)																	
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 objects 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 guarantees which may assume the joint and several liability for repayment																	
Explanations on guarantees																	
As at the end of the Reporting Period, the Company provided a 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 balance of RMB623,277,600 (USD88,000,000).																	

0

623,277,600

623,277,600

4.48

SECTION 5 SIGNIFICANT EVENTS

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

Issuance of A shares to target subscribers

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 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 disclosed on 6 March 2023, 21 July 2023 and 2 August 2023.

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. ISSUANCE AND LISTING OF SECURITIES

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

Unit: 0'000 shares Currency: RMB

Type of shares and derivative securities	Date of issuance	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of trading
Bonds (including enterprise bonds, corporate bonds and debt financing instruments of non-financial enterprises)						
2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	10 March 2023	3.68%	1,000.00	16 March 2023	1,000.00	13 March 2026
2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd.	9 June 2023	2.61%	1,000.00	15 June 2023	1,000.00	14 June 2024
2023 Public Issuance of Subordinated Bonds to Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	17 August 2023	3.70%	500.00	23 August 2023	500.00	18 August 2026

During the Reporting Period, the Company issued 3 tranches of bonds, including the public offering of 2 tranches of corporate bonds, namely "23 Central China 01" with the offering size of RMB1 billion, the interest rate of 3.68% and the term of 3 years, and "23 Central China 02" with the offering size of RMB1 billion, the interest rate of 2.61% and the term of 368 days; and the public offering of 1 tranche of subordinated bonds namely "23 Central China C1" with the offering size of RMB0.5 billion, the interest rate of 3.70% and the term of 3 years.

II. SHAREHOLDERS

(I) Total number of shareholders

Total number of ordinary shareholders as of the end of the Reporting Period	127,202 Among which: 127,167 A shares; 35 registered H shareholders
Total number of ordinary shareholders as at the end of the month prior to the disclosure date of this report	124,740 Among which: 124,704 A shares; 36 registered H shareholders

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

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

Unit: Share

Name of shareholders (Full name)	Shareholdings of the top ten shareholders (excluding share lending through refinancing)						
	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	Status of shares	Shares pledged, marked or frozen Number	Nature of shareholders
HKSCC Nominees Limited	13,000	1,195,156,850	25.74	0	Nil		Overseas legal person
Henan Investment Group Co., Ltd.	0	822,983,847	17.73	0	Nil		State-owned legal person
Anyang Iron & Steel Group Co., Ltd.	0	177,514,015	3.82	0	Pledged	65,000,000	State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.	-15,061,800	130,885,907	2.82	0	Nil		State-owned legal person
China Pingmei Shenma Holdings Group Co., Ltd. (中國平煤神馬控股集團有限公司)	0	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)	10,849,198	59,026,732	1.27	0	Nil		Others
Zheng Yu	0	51,003,190	1.10	0	Nil		Domestic natural person
Anyang Economic Development Group Co., Ltd.	0	48,824,693	1.05	0	Pledged	24,412,346	State-owned legal person
Henan Railway Construction & Investment Group Co., Ltd.	0	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)	-2,740,593	38,972,171	0.84	0	Nil		Others

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	1,195,156,850	Overseas-listed foreign shares	1,195,156,850
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.	130,885,907	RMB-denominated ordinary shares	130,885,907
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)	59,026,732	RMB-denominated ordinary shares	59,026,732
Zheng Yu	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)	38,972,171	RMB-denominated ordinary shares	38,972,171

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 Hong Kong Stock Connect, totaling 1,023,556,847 shares of the Company, accounting for 22.05% of the total issued shares of the Company.

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Unit: Share

Name of shareholders (Full name)	Top ten shareholders participating in share lending through refinancing							
	Shareholding of ordinary accounts and credit accounts at the beginning of the period		Share lending through refinancing at the beginning of the period (not yet returned)		Shareholding of ordinary accounts and credit accounts at the end of the period		Share lending through refinancing at the end of the period (not yet returned)	
	Total quantity	Percentage (%)	Total quantity	Percentage (%)	Total quantity	Percentage (%)	Total quantity	Percentage (%)
China Construction Bank Corporation — Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 國泰中證全指證券公司交易型開放式指數證券投資基金)	48,177,534	1.04	9,583,200	0.21	59,026,732	1.27	883,000	0.02
China Construction Bank Corporation — Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 華寶中證全指證券公司交易型開放式指數證券投資基金)	41,712,764	0.90	824,200	0.02	38,972,171	0.84	1,317,700	0.03

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

III. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

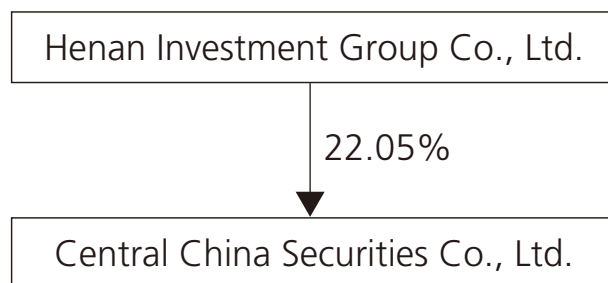
1 Legal person

Name	Henan Investment Group Co., Ltd.
Person in charge of the entity or legal representative	Yan Wanpeng
Date of incorporation	18 December 1991
Principal business	Investment management, investment in construction projects, industrial production information and machinery and equipment required for construction projects, sale of raw materials of products for investment projects (other than those subject to national specific regulations); housing lease (for those subject to approval among the abovementioned, the company is not allowed to operate such business before obtaining approvals.)

Details of controlling interests and investments in other domestic and overseas-listed companies during the Reporting Period

The controlling interests in domestic listed companies are: YUNENG Holdings (001896) which accounts for 61.85% of its total share capital; City Development Environment (000885) which accounts for 56.47% of its total share capital; and Ancai Hi-Tech (600207) which accounts for 41.00% of its total share capital. The investments in domestic listed companies are: China Aviation Optical (002179), Zhengzhou Bank (002936), WINGTECH (600745) and Career International (300662). The investments in overseas listed companies are: Zhongyuan Bank (01216.HK) and Bank of Zhengzhou (06196.HK).

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



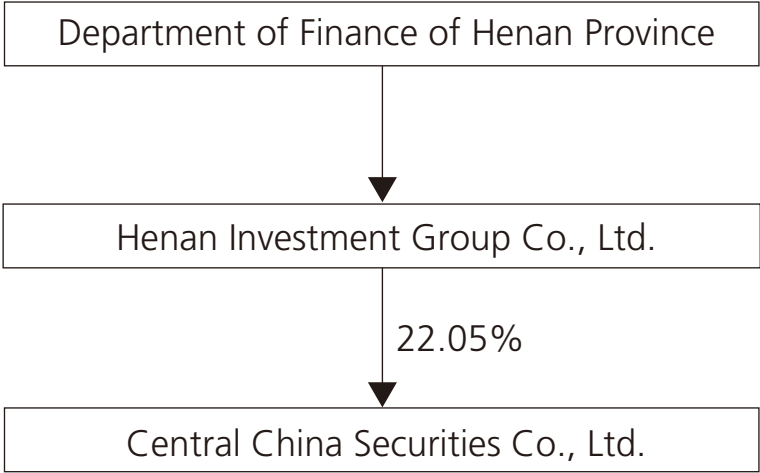
SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

(II) De facto controller

1 Legal person

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

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



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

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

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

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

(I) Corporate bonds

1. Basic information of corporate bonds

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Value date	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risks of termination of listing and trading
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	21 Central China 01	175736	4 March 2021	5 March 2021	5 March 2024	10	4.03	Interest on an annual basis and the principal repayable upon maturity in full	SSE	Issuance to professional investors	By matching, clicking, inquiry, bidding and agreement	No
2021 Non-publicly-Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	21 Central China C1	197241	21 October 2021	22 October 2021	2 October 2024	11	4.70	Interest on an annual basis and the principal repayable upon maturity in full	SSE	Issuance to professional investors	By clicking, inquiry, bidding and agreement	No
2022 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	22 Central China 01	185321	23 February 2022	24 February 2022	24 February 2025	20	3.20	Interest on an annual basis and the principal repayable upon maturity in full	SSE	Issuance to professional investors	By matching, clicking, inquiry, bidding and agreement	No
2022 Public Issuance of Subordinated Bonds to Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	22 Central China C1	137909	14 October 2022	17 October 2022	17 October 2025	5	3.30	Interest on an annual basis and the principal repayable upon maturity in full	SSE	Issuance to professional institutional investors	By clicking, inquiry, bidding and agreement	No
2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	23 Central China 01	115016	10 March 2023	13 March 2023	13 March 2026	10	3.68	Interest on an annual basis and the principal repayable upon maturity in full	SSE	Issuance to professional investors	By matching, clicking, inquiry, bidding and agreement	No
2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd.	23 Central China 02	115506	9 June 2023	12 June 2023	14 June 2024	10	2.61	Principal and interest repayable upon maturity in full	SSE	Issuance to professional investors	By matching, clicking, inquiry, bidding and agreement	No
2023 Public Issuance of Subordinated Bonds to Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	23 Central China C1	115809	17 August 2023	18 August 2023	18 August 2026	5	3.70	Interest on an annual basis and the principal repayable upon maturity in full	SSE	Issuance to professional institutional investors	By clicking, inquiry, bidding and agreement	No

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

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

Name of bonds	Explanations on interests payment and due repayment
2022 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	Interest payment in full as scheduled
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	Interest payment in full as scheduled
2020 Non-publicly-Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	Payment in full as scheduled
2022 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	Payment in full as scheduled
2022 Public Issuance of Subordinated Bonds to Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	Interest payment in full as scheduled
2021 Non-publicly-Subordinate 2021 Non-public Issuance of Subordinated Bonds (Tranche 1) Central China Securities Co., Ltd.	Interest payment in full as scheduled

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

Intermediaries providing services for the issuance and duration of the bonds

Intermediary name	Office address	Names of signing accountants	Associate	Contact number
Huaxi Securities Co., Ltd.	Room 1107, No. 198, Tianfu Second Street, High-tech Zone, Chengdu, Sichuan Province		Yan Hao	028-86158285
Donghai Securities Co., Ltd.	3/F, Donghai Securities Building, 1928 Dongfang Road, Pudong New Area, Shanghai		Hu Zheng, Wang Yida	021-20333232
CSC Financial Co., Ltd.	9/F, Taikang Group Building, Building No.1, 16 Jinghui Street, Chaoyang District, Beijing, China		Geng Hua, Du Ding	010-56051915
Haitong Securities Company Limited	15/F, Tianyuan Xiangtai Building, 5 Anding Road, Chaoyang District, Beijing		Xiong Jieyu, Zhang Ying	010-88027267
Shenwan Hongyuan Securities Co., Ltd.	Shenwan Hongyuan Securities, Tower B, Hengao Center, 19 Taipingqiao Street, Xicheng District, Beijing, China		Feng Haoran, Duan Pengfei	010-88013859
ShineWing Certified Public Accountants (Special General Partnership)	9/F, Block A, Fu Hua Mansion, No. 8 ChaoYang Men Beidajie, Dongcheng District, Beijing	Yan Fanqing, Cui Weiwei	Yan Fanqing, Cui Weiwei	010-65542288
Da Hua Certified Public Accountants (Special General Partnership)	8/F, Building 7, No. 16, West Fourth Ring Middle Road, Haidian District, Beijing	Aodu Jiya, Li Tiantian	Aodu Jiya	010-58350006
Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.	14F, Huasheng Building, 398 Hankou Road, Shanghai		Xu Xingcun	021-63500711
Henan Faben Law Firm	Floor 12, Rongmei Building, 52 Zhongwang Road, Zhengdong New District, Zhengzhou City, Henan Province		Zhang Lijuan	18603860182
Henan Luda Law Firm	6/F and 20/F, Building A, Meiqiao Century Plaza, 109 Jinshui East Road, Zhengzhou City, Henan Province		Gao Jibin, Wang Peiwei	0371-88927791

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

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

Unit: 100 million Currency: RMB

Name of bonds	Total amount of proceeds	Used amount	Unused amount	Operation of special account for proceeds (if any)	Rectification of irregular use of proceeds (if any)	Whether the use of proceeds was in line with that mentioned in the offering circular, the plan for use and other agreements
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	10	10	0	Nil	Nil	Yes
2021 Non-publicly-Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	11	11	0	Nil	Nil	Yes
2022 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	20	20	0	Nil	Nil	Yes
2022 Public Issuance of Subordinated Bonds to Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	5	5	0	Nil	Nil	Yes
2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	10	10	0	Nil	Nil	Yes
2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd.	10	10	0	Nil	Nil	Yes
2023 Public Issuance of Subordinated Bonds to Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd.	5	5	0	Nil	Nil	Yes

Note: The use of the proceeds from issuance of 2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd, 2023 Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd., 2023 Public Issuance of Subordinated Bonds to Professional Institutional Investors (Tranche 1) of Central China Securities Co., Ltd. is to repay the interest-bearing debts.

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

Adjustment of credit rating results

Shanghai Brilliance Credit Rating & Investors Service Co, Ltd. issued the tracking rating report on “21 Central China 01” on 26 May 2023, maintaining the AAA rating for the Company’s entity credit and AAA rating for its bonds credit, with a stable rating outlook. Shanghai Brilliance Credit Rating & Investors Service Co, Ltd. issued the tracking rating report on “21 Central China C1” and “22 Central China C1” on 26 May 2023, maintaining the AAA rating for the Company’s entity credit and AA+ rating for its bonds credit, with a stable rating outlook. Shanghai Brilliance Credit Rating & Investors Service Co, Ltd. issued the bond rating report on “23 Central China C1” on 27 July 2023, maintaining the AAA rating for the Company’s entity credit and AA+ rating for its bonds credit, with a stable rating outlook. Shanghai Brilliance Credit Rating & Investors Service Co, Ltd. issued the entity credit rating report on the Company on 17 October 2023, maintaining the AAA rating for the Company’s entity credit, with a stable rating outlook.

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

Current status	Implementation	Is there any change	Situation after the change	Reason for the change	Whether the change has been approved by competent authorities	Impact of the change on rights and interests of bonds investors
During the Reporting Period, the bonds were issued on an unsecured basis	None	No				
The debt repayment plan was normal during the Reporting Period	Note 1	No				
Other debt repayment protection measures were normal during the Reporting Period	Note 2, Note 3	No				

Note 1: Debt repayment plan: The debt repayment plans of “21 Central China 01”, “21 Central China C1”, “22 Central China 01”, “22 Central China C1”, “23 Central China 01” and “23 Central China C1” are the same: The interest is paid once a year in the duration of the bonds, and the principal is paid upon maturity in full; “23 Central China 02”: The principal and interest are paid upon maturity in full.

Note 2: Debt repayment protection measures.

- (1) Corporate bonds: During the Reporting Period, the Company continued to strengthen the development of wealth management business, investment banking business, securities proprietary business, capital intermediary and other business, boasting strong solvency and cash acquisition ability. The Company carried out fund management in strict accordance with the financial system, continuously optimized the asset and liability management according to the debt structure, strengthened the liquidity management, formulated annual and stage fund use plans, prepared the debt service funds in full and timely and made payments on time. In addition, the Company protected the interests of bondholders by giving full play to the role of trustee, strictly implementing the Rules of the Bondholders’ Meeting, maintaining good liquidity, and establishing the solvency task force. During the Reporting Period, 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 annual interest payment of “21 Central China 01” was made on 6 March 2023, and the interest was paid in full as scheduled; “22 Central China S1” matured on 11 July 2023, and the principal and interest were paid in full as scheduled. The Company was not expected to be unable to pay the principal and interest of the bonds on schedule and did not fail to pay the principal and interest of the bonds on schedule at maturity. Therefore, it did not increase the proportion of arbitrary surplus reserves and the proportion of general risk reserves, nor did it take such debt repayment protection measures as not distributing profits to shareholders, suspending the implementation of capital expenditure projects such as major overseas investment and acquisition and merger, reducing or suspending the salary and bonus of directors and senior management, and not transferring the main responsible personnel.

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

- (2) Subordinated bonds: During the Reporting Period, the Company protected the interests of bondholders by continuously improving the corporate governance structure and risk control system, giving full play to the role of bond trustee, strictly implementing the Rules of Bond Holders' Meeting, designating special personnel 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 24 April 2023, and the principal and interest were paid in full as scheduled; the annual interest payment of "22 Central China C1" was made on 17 October 2023, and the interest was paid in full as scheduled; the annual interest payment of "21 Central China C1" was made on 23 October 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 and did not fail to pay the principal and interest of the bonds on schedule at maturity. Therefore, it did not increase the proportion of arbitrary surplus reserves and the proportion of general risk reserves, nor did it take such debt repayment protection measures as not distributing profits to shareholders, suspending the implementation of capital expenditure projects such as major overseas investment and 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:

The Company strictly complied with the laws and regulations, engaged Huaxi Securities Co., Ltd, Donghai Securities Co., Ltd, CSC Financial Co., Ltd, Haitong Securities Company Limited and Shenwan Hongyuan Securities Co., Ltd. as the bond trustees, protected the interests of bond holders in accordance with the signed "Bond Management Agreement", and strictly implemented the fund management plan and information disclosure requirements. The above measures are consistent with the prospectus.

3. Other information on corporate bonds

Unit: Yuan Currency: USD

Name of bonds	Abbreviation	Code	Date of issuance	Value date	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risks of termination of listing and trading
CCNIFH 4 03/22/25	Wending Zhongyuan	XS2420031523	2022/3/16	2022/3/22	2025/3/22	88,000,000	4%	Interest payment on a semi-annual basis and the principal repayable upon maturity in full	OTC	None	OTC	No

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

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

Unit: Yuan Currency: RMB

Principal indicators	2023	2022	Increase/ Decrease as compared with the corresponding period of last year (%)	Reason for the change
Net profit attributable to shareholders of the listed company after non-recurring profit or loss	195,874,295.18	90,234,423.35	117.07	Mainly attributable to the increase in net profit
Current ratio	1.69	1.73	-2.31	
Quick ratio	1.69	1.73	-2.31	
Gearing ratio (%)	64.77	62.94	2.91	
Debt-to-EBITDA ratio (%)	4.06	3.96	2.53	
Interest coverage ratio	1.32	1.17	12.82	
Cash interest coverage ratio	-0.34	5.99	N/A	Mainly due to the increase in outflow as a result of cash investment in financial instruments of trading
EBITDA interest coverage ratio	1.49	1.31	13.74	
Loan repayment ratio (%)	100	100	0.00	
Interest payment ratio (%)	100	100	0.00	

SECTION 8 FINANCIAL REPORT

CONTENTS

I. Independent Audit Report	163-169
II. Audited Financial Statements	
Consolidated Balance Sheet	170-171
Consolidated Income Statement	172-173
Consolidated Cash Flow Statement	174-175
Consolidated Change of Equity Statement	176-177
Company Balance Sheet	178-179
Company Income Statement	180-181
Company Cash Flow Statement	182-183
Company Change of Equity Statement	184-185
Notes to Financial Statements	186-362

Independent Audit Report

DHSZ No. [2024] 0011001166-EN

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

I. Opinion

We have audited the financial statements of Central China Securities Co., Ltd. (hereinafter referred to as “the Company”), including the consolidated and parent company’s balance sheet as at 31 December, 2023, the consolidated and parent company’s income statement, the consolidated and parent company’s cash flow statement, the consolidated and parent company’s statement of changes in shareholders’ equity and notes to the financial statements for the year 2023.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company’s financial position of the Company as at 31 December 2023, and the consolidated and parent company’s operating results and the consolidated and parent company’s cash flow statement for the year 2023, in conformity with the Chinese Accounting Standards (CAS).

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

III. Key Audit Matters

Key audit matters are the items that, in our professional judgment, are the most significance in our audit of the current financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our audit opinion thereon, and we do not express a separate opinion on these matters.

The key audit matters identified in our audit are as follows:

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

Independent Audit Report

(1) *Matter description*

As stated in Note VI 3, 7, 9 and 10 to the financial statements, as of 31 December, 2023, the book values of the Company's Margin accounts receivable, Financial assets held under resale agreements, Financial assets measured at amortized cost and Financial assets at fair value through other comprehensive income were respectively RMB7.605 billion, RMB1.010 billion, RMB120 million and RMB411 million, the aforementioned financial assets recognized impairment provision amount was RMB688 million and together accounted for 17.69% of the total assets.

As at 31 December, 2023, the management applied the Expected Credit Loss Model to measure the expected credit losses ("ECL"). For the above-mentioned financial assets in Stages 1 and 2, the management used a measurement model that includes key parameters such as the probability of default, the rate of default loss, and the exposure to default risk to assess the impairment allowance. For these financial assets that have suffered credit impairment in stage 3, the management measures the impairment provision by estimating the future cash flows of the financial assets.

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

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

Independent Audit Report

(2) *Audit response*

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

- 1) Understand the internal control related to the provision for expected credit impairment, and test the implementation effectiveness of the relevant internal control;
- 2) Select samples to perform review procedures, check the overdue information of relevant financial assets, the value of mortgaged and pledged assets, the credit status of financiers or issuers, and negative information, etc., and evaluate the rationality of the judgment made by the management whether the above financial asset credit risk has increased significantly since the initial confirmation and whether the credit impairment has occurred;
- 3) Check the reliability of the expected credit loss model and parameters used by the management in assessing the impairment provision, including the probability of default, the loss rate of default, the risk exposure of default and prospective adjustments, etc., and evaluate their consistency, accuracy and completeness;
- 4) Based on selecting samples, we evaluate the rationality of the default loss rate of financial assets that have suffered credit impairment; Check the financial information of the debtor and the guarantor, the collateral or the market value of the sealed asset, etc., and consider the recoverable amount of the financial asset;
- 5) Evaluate whether the disclosure of financial statements related to the impairment of financial assets meets the disclosure requirements of Accounting Standards for Business Enterprises.

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

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

(1) *Matter description*

As stated in Note VI 8, 10 and 26 and also Note X to the Financial Statements, as of 31 December, 2023, the book values of the Company's Financial assets at fair value through profit or loss, Financial assets at fair value through other comprehensive income, and Financial liabilities at fair value through profit or loss were RMB24.271 billion, RMB411 million and RMB1.39 billion respectively, and the total amount of changes in fair value confirmed in the current period was RMB20 million.

Independent Audit Report

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

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

(2) Audit response

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

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

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

Independent Audit Report

IV. Other information

The management is responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of the management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Audit Report

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances;
3. Evaluate the appropriateness of accounting policies selected by the management and the rationality of accounting, estimates and related disclosures;
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit, and remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, etc., including any significant deficiencies in internal control that we identify during our audit.

Independent Audit Report

We also provide those charged with governance with a statement that we have complied with those relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and related safeguards, where applicable.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report if the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing, China

CICPA:
(Project partner)

Ao Dujiya

CICPA:

Li Tiantian

28 March, 2024

CONSOLIDATED BALANCE SHEET

31 December, 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	9,977,189,628.79	10,211,630,004.39
Including: Client's capital deposit		8,158,103,606.55	8,649,580,319.71
Clearing settlement funds	VI. 2	3,449,978,421.75	3,115,104,687.58
Including: Client's reserve funds		3,326,385,837.63	3,044,014,034.04
Margin accounts receivable	VI. 3	7,604,853,831.45	7,016,885,351.83
Derivative financial assets	VI. 4	27,910,148.17	2,246.26
Refundable deposits	VI. 5	1,086,792,208.93	939,945,921.04
Accounts receivable	VI. 6	421,115,609.11	87,679,998.85
Financial assets held under resale agreements	VI. 7	1,010,201,346.03	1,141,428,012.55
Financial investment:			
Financial assets at fair value through profit or loss	VI. 8	24,271,207,692.01	21,614,103,009.80
Financial assets measured at amortised costs	VI. 9	120,370,451.85	195,991,199.27
Financial assets at fair value through other comprehensive income	VI. 10	410,921,462.71	2,288,258,640.42
Equity instrument at fair value through other comprehensive income	VI. 11	1,400,000.00	
Long-term equity investments	VI. 12	1,443,058,245.16	1,577,559,888.94
Investment properties	VI. 13	24,481,026.28	27,121,164.72
Fixed assets	VI. 14	184,463,914.69	190,751,282.28
Construction in progress	VI. 15	189,352,396.39	118,898,335.11
Right-of-use assets	VI. 16	162,370,774.73	195,647,216.10
Intangible assets	VI. 17	282,630,372.07	256,964,174.85
Deferred income tax assets	VI. 18	593,075,296.91	582,436,188.07
Goodwill	VI. 19	7,268,756.37	18,602,742.39
Other assets	VI. 20	433,042,189.06	603,629,483.01
Total assets		51,701,683,772.46	50,182,639,547.46

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

CONSOLIDATED BALANCE SHEET

31 December, 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		66,075,016.67
Short-term financing instruments payable	VI. 24	4,075,723,383.58	4,132,771,764.91
Due to banks and other financial institutions	VI. 25	3,297,906,994.48	1,502,279,361.14
Financial liabilities at fair value through profit or loss	VI. 26	1,389,611,181.03	1,525,542,658.61
Derivative financial liabilities	VI. 4	18,033,779.39	793,800.00
Financial assets sold under repurchase agreements	VI. 27	10,602,387,479.57	9,887,887,932.32
Accounts payable to brokerage clients	VI. 28	11,538,050,603.00	11,849,666,807.82
Employee benefits payable	VI. 29	515,503,839.70	654,516,584.99
Taxes payable	VI. 30	26,436,859.31	111,898,833.01
Accounts payable	VI. 31	873,013,344.30	237,527,662.62
Contract liabilities	VI. 32	7,881,833.37	5,866,855.62
Bonds payable	VI. 33	4,721,201,165.26	5,364,791,008.73
Lease liabilities	VI. 34	159,674,911.48	192,051,033.00
Deferred income tax liabilities	VI. 18	20,759,933.82	35,947,914.23
Provisions	VI. 35		1,186,481.49
Other liabilities	VI. 36	304,998,778.26	406,462,258.85
Total Liabilities		37,551,184,086.55	35,975,265,974.01
Equity:			
Share capital	VI. 37	4,642,884,700.00	4,642,884,700.00
Capital reserve	VI. 38	6,269,993,825.68	6,304,933,461.30
Other comprehensive income	VI. 39	63,695,070.78	62,923,244.73
Surplus reserve	VI. 40	1,002,549,897.12	942,510,767.79
General risk reserve	VI. 41	1,681,171,705.39	1,593,318,760.87
Retained earnings	VI. 42	242,467,397.11	211,258,110.35
Total equity attributable to owners of the parent company		13,902,762,596.08	13,757,829,045.04
Non-controlling interests		247,737,089.83	449,544,528.41
Total equity		14,150,499,685.91	14,207,373,573.45
Total liabilities and equity		51,701,683,772.46	50,182,639,547.46

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

CONSOLIDATED INCOME STATEMENT

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2023	Year 2022
I. Total operating income		1,968,016,572.87	1,881,047,259.12
Net interest income	VI. 43	126,068,459.51	131,533,603.21
Including: Interest income		813,456,863.57	854,861,787.59
Interest expenses		687,388,404.06	723,328,184.38
Net fee and commission income	VI. 44	745,988,329.71	1,033,289,934.02
Including: Brokerages business		531,862,054.50	631,771,764.65
Investment banking		91,944,011.98	267,706,018.37
Assets management		48,701,535.95	46,818,596.15
Investment income (loss stated with "-")	VI. 45	873,177,476.72	1,033,678,430.53
Including: Investment income from associates and joint ventures		-23,173,922.62	54,930,970.97
Gains on changes in fair value (loss stated with "-")	VI. 46	-96,656,528.14	-441,224,579.14
Gains on foreign exchange (loss stated with "-")		387,802.13	1,717,698.80
Other operating income	VI. 47	300,815,779.22	96,212,588.29
Gains from assets disposal (loss stated with "-")	VI. 48	40,069.74	-125,883.14
Other income	VI. 49	18,195,183.98	25,965,466.55
II. Total operating cost		1,758,744,134.17	1,765,497,934.13
Taxes and surcharges	VI. 50	11,154,411.12	13,600,551.95
Business and administrative expenses	VI. 51	1,381,597,398.39	1,507,631,699.71
Expected credit losses	VI. 52	55,036,615.40	145,845,397.69
Other assets impairment losses	VI. 53	13,044,185.59	11,105,025.21
Other operating costs	VI. 54	297,911,523.67	87,315,259.57
III. Operating profit (loss stated with "-")		209,272,438.70	115,549,324.99
Add: Non-operating income	VI. 55	6,269,169.20	1,107,195.31
Less: Non-operating expenses	VI. 56	3,293,044.41	3,456,856.74
IV. Profit before tax (gross loss stated with "-")		212,248,563.49	113,199,663.56
Less: Income tax expenses	VI. 57	10,024,758.34	5,555,175.42
V. Net profit (net loss stated with "-")		202,223,805.15	107,644,488.14
(I) Classified by continuity of operations			
1. Net profit from continuing operations (net loss stated with "-")		202,223,805.15	107,644,488.14
2. Net profit from discontinued operations (net loss stated with "-")			
(II) Classified by ownership			
1. Net profit attributable to owners of the parent company (net loss stated with "-")		211,601,553.51	106,577,985.92
2. Net profit attributable to non-controlling interests (net loss stated with "-")		-9,377,748.36	1,066,502.22

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

CONSOLIDATED INCOME STATEMENT

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2023	Year 2022
VI. Other comprehensive income after tax		771,826.05	63,795,594.70
Items attributable to owners of the parent company		771,826.05	63,795,594.70
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		771,826.05	63,795,594.70
1. Items attributable to investees under equity method that will be reclassified to profit or loss		-3,952,584.19	5,660,343.77
2. Changes in the fair value of financial assets at fair value through other comprehensive income		42,307,818.15	11,116,480.30
3. Credit impairment reserves of financial assets at fair value through other comprehensive income		-44,950,186.83	-7,426,066.00
4. Translation differences of foreign currency financial statements		7,366,778.92	54,444,836.63
Items attributable to non-controlling interests			
VII. Total comprehensive income		202,995,631.20	171,440,082.84
Items attributable to owners of the parent company		212,373,379.56	170,373,580.62
Items attributable to non-controlling interests		-9,377,748.36	1,066,502.22
VIII. Earnings per share (EPS):			
(I) Basic EPS (RMB/share)	VI. 58	0.05	0.02
(II) Diluted EPS (RMB/share)		0.05	0.02

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

CONSOLIDATED CASH FLOW STATEMENT

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2023	Year 2022
I. Cash flows from operating activities:			
Net decrease of financial instruments at fair value through profit or loss			3,878,197,341.11
Cash receipt from interests, fee and commissions		1,879,587,096.26	2,337,658,484.71
Net increase in borrowings from banks and other financial institutions		1,795,000,000.00	
Net increase of repurchase business		715,468,630.09	
Net decrease of resale business		109,704,059.21	
Net decrease in margin accounts receivable			1,125,451,253.11
Other cash received related to operating activities	VI. 59	1,135,472,826.63	248,795,664.86
Subtotal of cash inflows from operating activities		5,635,232,612.19	7,590,102,743.79
Net increase of financial instruments at fair value through profit or loss		2,068,690,896.41	
Net decrease in borrowings from banks and other financial institutions			1,400,000,000.00
Net decrease of repurchase business funds			663,253,853.34
Net increase of resale business			259,893,743.53
Net increase in margin accounts receivable		582,154,291.72	
Net cash paid for brokerage clients		311,616,204.82	722,131,004.66
Cash payment to interests, fee charges and commissions		639,767,188.77	623,527,365.83
Cash payments to and on behalf of employees		1,057,624,059.30	1,175,349,877.56
Cash payments of taxes		181,995,236.07	201,040,338.91
Other cash payments related to operating activities	VI. 59	1,260,682,903.15	542,407,706.86
Subtotal of cash outflows from operating activities		6,102,530,780.24	5,587,603,890.69
Net cash flows from operating activities	VI. 60	-467,298,168.05	2,002,498,853.10
II. Cash flows from investing activities:			
Cash received from investment recovery		1,948,806,922.27	
Cash received from investment income		90,973,706.81	53,263,371.70
Cash received from disposal of fixed assets, intangible assets and other long-term assets		719,938.85	302,477.73
Subtotal of cash inflows from investing activities		2,040,500,567.93	53,565,849.43
Cash payments to acquire fixed assets, intangible assets and other long-term assets		149,393,386.97	226,953,368.77
Cash payments to acquire investments			1,278,489,633.84
Subtotal of cash outflows from investing activities		149,393,386.97	1,505,443,002.61
Net cash flows from investing activities		1,891,107,180.96	-1,451,877,153.18

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

CONSOLIDATED CASH FLOW STATEMENT

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2023	Year 2022
III. Cash flows from financing activities:			
Cash received from loans		7,867,100.00	94,697,469.77
Cash received from issuance of bonds		8,721,254,081.65	12,215,056,807.12
Subtotal of cash inflows from financing activities		8,729,121,181.65	12,309,754,276.89
Cash repayments of borrowings		9,499,957,252.04	13,704,749,743.00
Cash payments for distribution of dividends or profit or interest expenses		357,078,279.89	527,631,435.78
Including: Cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit		2,000,000.00	9,090,400.00
Other cash payments related to financing activities	VI. 59	200,076,302.46	202,455,664.17
Subtotal of cash outflows from financing activities		10,057,111,834.39	14,434,836,842.95
Net cash flows from financing activities		-1,327,990,652.74	-2,125,082,566.06
IV. Effect of foreign exchange rate changes on cash and cash equivalents		387,802.13	1,717,698.80
V. Net increase in cash and cash equivalents	VI. 60	96,206,162.30	-1,572,743,167.34
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		13,393,530,130.84	13,297,323,968.54

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2023								
	Equity attributable to owners of the parent company							Non-controlling interest	Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings			
I. Balance at the end of prior year	4,642,884,700.00	6,304,933,461.30	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)		-34,939,635.62	771,826.05	60,039,129.33	87,852,944.52	31,209,286.76	-201,807,438.58	-56,873,887.54	
(I) Total comprehensive income			771,826.05			211,601,553.51	-9,377,748.36	202,995,631.20	
(II) Capital contributed or withdrawn by owners		-35,122,159.78					-190,429,690.22	-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		-35,122,159.78					-33,729,690.22	-68,851,850.00	
(III) Profit distribution				60,039,129.33	87,852,944.52	-180,392,266.75	-2,000,000.00	-34,500,192.90	
1. Appropriation to surplus reserve				60,039,129.33		-60,039,129.33			
2. Appropriation to general risk reserve					87,852,944.52	-87,852,944.52			
3. Cash dividend recognized as distribution						-32,500,192.90	-2,000,000.00	-34,500,192.90	
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		182,524.16						182,524.16	
IV. Balance at the end of current period	4,642,884,700.00	6,269,993,825.68	63,695,070.78	1,002,549,897.12	1,681,171,705.39	242,467,397.11	247,737,089.83	14,150,499,685.91	

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2022								
	Equity attributable to owners of the parent company							Non-controlling interest	Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings			
I. Balance at the end of prior year	4,642,884,700.00	6,301,860,583.46	-872,349.97	908,512,430.25	1,534,245,856.08	295,251,945.46	462,196,758.12	14,144,079,923.40	
Add: Changes of accounting policies									
Error correction of early stage									
Others									
II. Balance at the beginning of current year	4,642,884,700.00	6,301,860,583.46	-872,349.97	908,512,430.25	1,534,245,856.08	295,251,945.46	462,196,758.12	14,144,079,923.40	
III. Current period increase (or less: decrease)		3,072,877.84	63,795,594.70	33,998,337.54	59,072,904.79	-83,993,835.11	-12,652,229.71	63,293,650.05	
(I) Total comprehensive income			63,795,594.70			106,577,985.92	1,066,502.22	171,440,082.84	
(II) Capital contributed or withdrawn by owners		253,331.93					-4,628,331.93	-4,375,000.00	
1. Capital contributed by owners							-3,500,000.00	-3,500,000.00	
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payment included in equity									
4. Others		253,331.93					-1,128,331.93	-875,000.00	
(III) Profit distribution				33,998,337.54	59,072,904.79	-190,571,821.03	-9,090,400.00	-106,590,978.70	
1. Appropriation to surplus reserve				33,998,337.54		-33,998,337.54			
2. Appropriation to general risk reserve					59,072,904.79	-59,072,904.79			
3. Cash dividend recognized as distribution						-97,500,578.70	-9,090,400.00	-106,590,978.70	
4. Others									
(IV) Internal carry-over within equity									
1. Transfer of capital reserve to capital									
2. Transfer of surplus reserve to capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Others		2,819,545.91						2,819,545.91	
IV. Balance at the end of current period	4,642,884,700.00	6,304,933,461.30	62,923,244.73	942,510,767.79	1,593,318,760.87	211,258,110.35	449,544,528.41	14,207,373,573.45	

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

COMPANY BALANCE SHEET

31 December, 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Assets	Note XV	Closing balance	Opening balance
Assets:			
Cash and bank balances		8,550,531,169.86	8,810,109,545.75
Including: Client's capital deposit		7,730,567,433.48	8,079,546,861.50
Clearing settlement funds		2,680,558,952.00	2,707,664,533.93
Including: Client's reserve funds		2,457,296,427.57	2,504,595,025.88
Margin accounts receivable		7,477,731,878.81	6,857,705,302.17
Derivative financial assets		27,801,748.17	2,246.26
Refundable deposits		399,505,469.12	282,171,757.50
Accounts receivable		323,798,652.74	33,289,305.78
Financial assets held under resale agreements		966,171,800.30	1,113,425,407.61
Financial investment:			
Financial assets at fair value through profit or loss		21,760,263,800.20	17,594,540,290.20
Financial assets at fair value through other comprehensive income		410,921,462.71	2,288,258,640.42
Long-term equity investments	XV. 1	4,826,207,083.94	5,300,655,233.94
Investment properties		21,153,862.58	23,721,809.70
Fixed assets		169,060,819.16	175,738,847.21
Construction in progress		189,352,396.39	118,898,335.11
Right-of-use assets		138,989,177.50	167,013,682.30
Intangible assets		279,498,159.36	252,694,438.86
Deferred income tax assets		391,274,709.40	407,078,485.89
Other assets		261,409,676.97	445,684,977.56
Total assets		48,874,230,819.21	46,578,652,840.19

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

COMPANY BALANCE SHEET

31 December, 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		4,075,723,383.58	4,132,771,764.91
Due to banks and other financial institutions		3,297,906,994.48	1,502,279,361.14
Financial liabilities at fair value through profit or loss		811,046,276.67	806,961,469.87
Derivative financial liabilities		18,033,779.39	
Financial assets sold under repurchase agreements		10,601,958,426.84	9,649,762,175.12
Accounts payable to brokerage clients		9,736,870,859.14	10,291,667,620.82
Employee benefits payable		486,377,132.41	618,694,234.43
Taxes payable		17,144,733.87	100,155,562.06
Accounts payable		858,784,459.23	234,716,609.05
Contract liabilities		2,018,113.19	2,378,962.21
Bonds payable		4,093,649,002.32	4,700,379,928.41
Lease liabilities		136,547,358.56	164,286,849.37
Deferred income tax liabilities		438,286.06	1,753,022.22
Provisions			1,186,481.49
Other liabilities		184,171,076.67	183,216,162.92
Total Liabilities		34,320,669,882.41	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		1,502,859.86	4,145,228.54
Surplus reserve		1,002,549,897.12	942,510,767.79
General risk reserve		1,610,571,866.54	1,524,335,145.01
Retained earnings		689,891,242.44	468,406,423.99
Total equity		14,553,560,936.80	14,188,442,636.17
Total liabilities and equity		48,874,230,819.21	46,578,652,840.19

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

COMPANY INCOME STATEMENT

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2023	Year 2022
I. Total operating income		1,656,123,211.05	1,642,672,879.81
Net interest income	XV. 2	124,761,356.62	131,958,616.04
Including: Interest income		768,683,856.14	822,628,821.39
Interest expenses		643,922,499.52	690,670,205.35
Net fee and commission income	XV. 3	607,257,499.11	879,429,931.22
Including: Brokerages business		431,840,468.77	517,770,804.94
Investment banking		88,516,671.00	264,629,336.50
Assets management		27,995,480.00	21,888,689.14
Investment income (loss stated with "-")	XV. 4	807,766,561.18	859,253,743.75
Including: Investment income from associates and joint ventures			
Gains on changes in fair value (loss stated with "-")		87,437,291.09	-255,995,147.76
Gains on foreign exchange (loss stated with "-")		63,128.47	720,082.14
Other operating income		11,005,460.31	7,111,537.24
Gains from assets disposal (loss stated with "-")		14,636.62	-124,871.33
Other income		17,817,277.65	20,318,988.51
II. Total operating cost		1,219,898,144.53	1,412,762,993.87
Taxes and surcharges		9,441,058.05	12,388,699.03
Business and administrative expenses	XV. 5	1,189,687,365.08	1,305,415,623.15
Expected credit losses		19,643,966.02	93,885,781.83
Other assets impairment losses			
Other operating costs		1,125,755.38	1,072,889.86
III. Operating profit (loss stated with "-")		436,225,066.52	229,909,885.94
Add: Non-operating income		2,767,015.09	1,107,194.39
Less: Non-operating expenses		2,305,621.56	3,200,773.53
IV. Profit before tax (gross loss stated with "-")		436,686,460.05	227,816,306.80
Less: Income tax expenses		36,425,597.84	1,160,723.25
V. Net profit (net loss stated with "-")		400,260,862.21	226,655,583.55
Net profit from continuing operations (net loss stated with "-")		400,260,862.21	226,655,583.55
Net profit from discontinued operations (net loss stated with "-")			

COMPANY INCOME STATEMENT

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2023	Year 2022
VI. Other comprehensive income after tax		-2,642,368.68	3,690,414.30
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		-2,642,368.68	3,690,414.30
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		42,307,818.15	11,116,480.30
3. Credit impairment reserves of financial assets at fair value through other comprehensive income		-44,950,186.83	-7,426,066.00
4. Translation differences of foreign currency financial statements			
VII. Total comprehensive income		397,618,493.53	230,345,997.85

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

COMPANY CASH FLOW STATEMENT

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2023	Year 2022
I. Cash flows from operating activities:			
Net decrease of financial instruments at fair value through profit or loss			4,584,417,642.86
Cash receipt from interests, fee and commissions		1,584,357,223.31	2,066,473,317.75
Net increase in due to banks and other financial institutions		1,795,000,000.00	
Net increase of repurchase business		950,269,000.00	
Net decrease of resale business		125,731,000.00	
Net decrease in margin accounts receivable			1,218,681,148.05
Other cash received related to operating activities		710,430,528.92	149,477,142.51
Subtotal of cash inflows from operating activities		5,165,787,752.23	8,019,049,251.17
Net increase of financial instruments at fair value through profit or loss		3,238,562,732.60	
Net decrease in due to banks and other financial institutions			1,400,000,000.00
Net decrease of repurchase business			798,371,429.19
Net increase of resale business			231,891,138.59
Net increase in margin accounts receivable		613,991,155.81	
Net cash paid for brokerage clients		554,796,761.68	1,108,368,976.45
Cash payment to interests, fee charges and commissions		523,342,390.18	519,832,193.66
Cash payments to and on behalf of employees		930,630,087.87	1,040,602,460.52
Cash payments of taxes		155,151,411.35	167,117,641.64
Other cash payments related to operating activities		781,154,848.16	251,202,013.55
Subtotal of cash outflows from operating activities		6,797,629,387.65	5,517,385,853.60
Net cash flows from operating activities	XV.6	-1,631,841,635.42	2,501,663,397.57
II. Cash flows from investing activities:			
Cash received from investment recovery		2,499,526,470.47	
Cash received from investment income		58,495,355.07	26,432,895.93
Cash received from disposal of fixed assets, intangible assets and other long-term assets		2,775,963.18	1,095,697.24
Subtotal of cash inflows from investing activities		2,560,797,788.72	27,528,593.17
Cash payments to acquire fixed assets, intangible assets and other long-term assets		144,090,079.71	337,767,170.54
Cash payments to acquire investments			1,318,149,738.77
Subtotal of cash outflows from investing activities		144,090,079.71	1,655,916,909.31
Net cash flows from investing activities		2,416,707,709.01	-1,628,388,316.14

COMPANY CASH FLOW STATEMENT

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2023	Year 2022
III. Cash flows from financing activities:			
Cash received from issuance of bonds		8,711,968,000.00	11,513,724,000.00
Subtotal of cash inflows from financing activities		8,711,968,000.00	11,513,724,000.00
Cash repayments of borrowings		9,367,948,000.00	13,357,813,000.00
Cash payments for distribution of dividends or profit or interest expenses		346,547,369.41	522,182,289.01
Other cash payments related to financing activities		66,581,517.31	61,147,079.12
Subtotal of cash outflows from financing activities		9,781,076,886.72	13,941,142,368.13
Net cash flows from financing activities		-1,069,108,886.72	-2,427,418,368.13
IV. Effect of foreign exchange rate changes on cash and cash equivalents		63,128.47	720,082.14
V. Net increase in cash and cash equivalents	XV.6	-284,179,684.66	-1,553,423,204.56
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		11,203,798,588.51	11,487,978,273.17

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

COMPANY STATEMENT OF CHANGES IN EQUITY

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 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)							
(I) Total comprehensive income			-2,642,368.68	60,039,129.33	86,236,721.53	221,484,818.45	365,118,300.63
(II) Capital contributed or withdrawn by owners			-2,642,368.68			400,260,862.21	397,618,493.53
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				60,039,129.33	86,236,721.53	-178,776,043.76	-32,500,192.90
1. Appropriation to surplus reserve				60,039,129.33		-60,039,129.33	
2. Appropriation to general risk reserve					86,236,721.53	-86,236,721.53	
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	1,502,859.86	1,002,549,897.12	1,610,571,866.54	689,891,242.44	14,553,560,936.80

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

COMPANY STATEMENT OF CHANGES IN EQUITY

Year 2023 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2022						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. Balance at the end of prior year	4,642,884,700.00	6,606,160,370.84	454,814.24	908,512,430.25	1,471,249,831.25	426,335,070.44	14,055,597,217.02
Add: Changes of accounting policies							
Error correction of early stage							
Others							
II. Balance at the beginning of current year	4,642,884,700.00	6,606,160,370.84	454,814.24	908,512,430.25	1,471,249,831.25	426,335,070.44	14,055,597,217.02
III. Current period increase (or less: decrease)							
(I) Total comprehensive income			3,690,414.30	33,998,337.54	53,085,313.76	42,071,353.55	132,845,419.15
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution				33,998,337.54	53,085,313.76	-184,584,230.00	-97,500,578.70
1. Appropriation to surplus reserve				33,998,337.54		-33,998,337.54	
2. Appropriation to general risk reserve					53,085,313.76	-53,085,313.76	
3. Cash dividend recognized as distribution						-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	4,145,228.54	942,510,767.79	1,524,335,145.01	468,406,423.99	14,188,442,636.17

Legal representative:
Lu zhili

Officer in charge of accounting:
Li zhaoxin

Head of accounting department:
Han xihua

Notes to the Financial Statements

for the Year of 2023

I. BASIC INFORMATION

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

Central China Securities Co., Ltd. (hereinafter referred to as the company, the Company or the Group) was established on 25 October, 2002, with the approval of the reply on Approving the opening of Central China Securities Co., Ltd. (Zheng Jian Ji Gou Zi [2002] No. 326) of China Securities Regulatory Commission, based on the merger and reorganization of the securities business department of Henan Finance Securities Company and Anyang Trust and Investment Company, combined with other qualified companies to increase capital and shares. The Company was registered with Henan Administration for Industry and Commerce on 8 November, 2002, with a registered capital of RMB1,033.79 million. After the establishment of the Company, according to the Opening Reply of China Securities Regulatory Commission, the Company acquired securities assets such as the securities business department and securities service department of Henan securities.

On 15 January, 2008, with the approval of China Securities Regulatory Commission, the registered capital of the Company was changed from RMB1,033.79 million to RMB2,033.5157 million.

On 10 June, 2008, China Securities Regulatory Commission approved Henan Investment Group to acquire 196,704,200 shares of the Company held by Henan Construction Investment Corporation (accounting for 9.673% of the registered capital) and 715,253,600 shares of the Company held by Henan Economic and Technological Development Corporation (accounting for 35.173% of the registered capital). After the equity change, Henan Investment Group held a total of 911,957,800 shares of the Company (accounting for 44.846% of the registered capital of the Company).

On 22 September, 2011, China Securities Regulatory Commission approved Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund) to hold more than 5% equity of the Company and received 608 million shares held by XJ Group Co., Ltd. (accounting for 29.899% of the registered capital of the Company).

On 25 June, 2014, the Company issued 598,100,000 H shares and listed them on the Main Board of the Hong Kong Stock Exchange, with a par value of RMB1 per share at an issue price of HK\$2.51 per H share, stock abbreviation: CCSC, stock code: 01375. According to the Reply on Issues Related to the Management of State-owned Equity and the Transfer of State-owned Shares of Central China Securities Co., Ltd. (Guo Zi Chan Quan [2013] No. 1070) issued by the State-owned Assets Supervision and Administration Commission of the State Council, after the Company completes the issuance, The state-owned shareholders Henan Investment Group, Angang Group, Pingmei Shenma, Anyang Economic Development, Jiangsu Suhao, Shenhua Group, Jiaozuo Economic Development, Shenzhen Guangsheng and Hebi Construction Investment respectively transferred 40,994,778 shares, 8,842,345 shares, 3,738,231 shares, 2,432,074 shares, 1,348,575 shares, 884,166 shares, 678,113 shares, 449,525 shares and 442,193 shares held by them to the National Social Security Fund Council. The above nine transferred 59,810,000 shares held by the National Social Security Fund Council. On 28 October, 2014, the Company completed the industrial and commercial change registration of registered capital at Henan Administration for Industry and commerce, and the registered capital increased to RMB2,631,615,700.00.

On 3 August, 2015, the Company completed the non-public issuance of 592,119,000 H shares, with a par value of RMB1 per share at the allocation price of HK\$4.28 per H share. On 14 August, 2015, the Company completed the procedures of industrial and commercial change registration with Henan Administration for Industry and Commerce, with the share capital of the Company increased to RMB3,223,734,700.00.

Notes to the Financial Statements

for the Year of 2023

I. BASIC INFORMATION (CONTINUED)

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

On 18 November, 2016, the Company issued no more than 700,000,000 shares ordinary share with a par value of RMB1 per share. According to "Implementation Measures for the Transfer of Certain State-owned Shares in the Domestic Securities Market to Enrich the National Social Security Fund" (Cai Qi [2009] No.94) issued by CSRC and "Approval on the Management Plan of Central China Securities Co., Ltd. Issuing A-Shares of State-owned Equity and the Transfer of State-owned Shares" (Yu Guo Zi Chan Quan [2015] No.26) issued by the SASAC of Henan Province, of the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, China Pingmei Shenma Energy Chemical Group Co., Ltd., Anyang Economic Development Group Co., Ltd, Jiangsu Soho Holding Group Co., Ltd., Henan Shenhua 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. On 16 February 2017, the company completed the registration of industrial and commercial change of registered capital in Henan Provincial Administration for Industry and Commerce, and the registered capital increased to RMB3,923,734,700.

From 12 February, 2018, the Company repurchased some H shares in the form of on-site share repurchase. On 15 May 2018, the repurchase of the company's H shares was completed. The Company has repurchased 54,664,000 H shares on a cumulative basis. On 11 July, 2018, the Company completed the procedures of industrial and commercial change registration and obtained the business license reissued by the Henan Administration for Industry and Commerce. The registered capital changed to RMB3,869,070,700.00.

On 30 July, 2020, the Company completed the non-public issuance of 773,814,000 A shares, with a par value of RMB1 per share and an issue price of RMB4.71 per A share. On 4 September, 2020, the Company completed the industrial and commercial change registration of the registered capital in Henan Administration for Industry and commerce, and the registered capital increased to RMB4,642,884,700.00.

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

As of 31 December, 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.

Notes to the Financial Statements

for the Year of 2023

I. BASIC INFORMATION (CONTINUED)

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

As of 31 December, 2023, the Company has established 31 branch offices and 77 securities branches, all of which are approved.

2. Business nature and main business activities of the Company

The Company belongs to the financial industry. The business scope of the Company and its subsidiaries (hereinafter referred to as "the Group") includes: brokerage business (securities brokerage, wealth management and distribution of financial products), investment banking business (equity financing, financial adviser and bond financing), credit business (margin trading business, stock-pledged repurchase business and agreed repurchase securities trading business), investment management business (asset management, direct investment and fund management), futures business, proprietary trading business, overseas business and other business of headquarters (new OTC market making business, innovation business, equity trading center, and research business).

3. Approval and issuance of financial statements

The financial statement was approved by the Company's board of directors on 28 March, 2024.

Notes to the Financial Statements

for the Year of 2023

II. THE SCOPE 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	92.29	92.29
Yuxin Investment Management (Shanghai) Co., Ltd.	Holding subsidiary	3	92.29	92.29
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Henan Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.	Holding subsidiary	3	60.00	60.00
Central China Blue Ocean Investment Management Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Central China Equity Exchange Co., Ltd.	Holding subsidiary	2	36.00	51.00
Central China International Financial Holdings Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Central China International Holdings Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Financial Group Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Financing Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Securities 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".

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 on the subject of changes in the scope of consolidation is detailed in "Note VII. Changes in the scope of consolidation".

Notes to the Financial Statements

for the Year of 2023

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 2023), “Disclosure Provisions of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited”.

2. Assessment of the ability to continue as a going concern

The Company has evaluated the continuous operation ability for 12 months since the end of the reporting period, and no events or situations that has major doubts about the continuous operation ability is found. Therefore, the financial statements are prepared on the basis of going concern assumption.

3. Accounting basis and pricing principles

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

1. Notice on the specific accounting policies and estimates

The Company formulated specific accounting policies and accounting estimates according to actual production and operation characteristics, including the clients' transaction settlement funds, financial instruments, securities underwriting business, entrusted investment management business, margin and short selling business, purchase resale and sale repurchase funds, income recognition, etc.

2. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the accounting standards for business enterprises and truly and completely reflect the Company's financial position, operating results, cash flow and other relevant information during the reporting period.

3. Accounting period

The fiscal year is from 1 January to 31 December of the Gregorian calendar.

4. Business cycle

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

5. Functional currency

RMB is adopted as the bookkeeping base currency, and the overseas subsidiaries take the currency in the main economic environment in which they operate as the bookkeeping base currency, which is converted into RMB when preparing the financial statements.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

(1) If the terms, conditions and economic impact of each transaction in the process of business combination meet one or more of the following conditions, multiple transactions shall be treated as a package deal for accounting.

- a) These transactions are made at the same time or with consideration for each other's influence;
- b) These transactions only as a whole can achieve a complete business result;
- c) The occurrence of one transaction depends on the occurrence of at least one other transaction;
- d) A transaction is uneconomic alone, but it is economical when considered together with other transactions.

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

The assets and liabilities obtained by the Company in business combination shall be measured according to the book value of the assets and liabilities of the combined party (including the goodwill formed by the final controller's acquisition of the combined party) in the consolidated financial statements of the final controller on the combination date. The difference between the book value of the net assets obtained in a business combination and the book value of the combined consideration paid (or the total face value of the issued shares) shall be adjusted for the equity premium in the capital reserve. If the equity premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

(3) Business combination not under the same control

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

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

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

The Company recognizes the excess of the combination cost over the fair value of the identifiable net assets of the acquiree obtained in the combination as goodwill. If the combination cost is less than the fair value of the identifiable net assets of the acquiree obtained in the combination, the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the measurement of the combination cost shall be reviewed first, and if the combination cost is still less than the fair value share of the identifiable net assets of the acquiree obtained in the merger, the difference shall be included in the current profit or loss.

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

(4) Relevant expenses incurred for combination

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

7. Judgement standard of control and Preparation method of consolidated financial statements

(1) Judgement standard of control

Control means that the investor has power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns.

The Company shall make a judgment on whether to control the investee on the basis of comprehensive consideration of all relevant facts and circumstances. In the event of a change in the relevant facts and circumstances that results in a change in the relevant elements involved in the definition of control, the Company will re-evaluate it. The relevant facts and circumstances mainly include:

- (1) The purpose of the investee's establishment;
- (2) The investee's activities and how decisions are made on them;
- (3) Whether the investor's rights enable it to dominate the investee's activities;
- (4) Whether the investor enjoys variable returns by participating in the relevant activities of the investee;
- (5) Whether the investor has the ability to use its power over the investee to influence the amount of its return;
- (6) Relationship between the investor and other parties.

(2) Consolidation scope

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Judgement standard of control and Preparation method of consolidated financial statements (continued)

(3) Consolidation procedures

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

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

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

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Judgement standard of control and Preparation method of consolidated financial statements (continued)

(3) Consolidation procedures (continued)

a) Add subsidiaries or business

During the reporting period, if subsidiaries or businesses are added due to business combination under the same control, the opening balance of the consolidated balance sheet shall be adjusted. Incorporating the income, expenses and profits of subsidiaries or business combinations from the beginning of the current period to the end of the reporting period into the consolidated income statement; The cash flows of subsidiaries or business combinations from the beginning of the current period to the end of the reporting period are included in the consolidated cash flow statement, and the relevant items of the comparative statements are adjusted. It is deemed that the consolidated reporting entity has existed since the time when the final controller began to control.

If the investee under the same control can be controlled due to additional investment and other reasons, it is deemed that the parties involved in the merger exist in the current state when the final controller begins to control. For the equity investment held before obtaining the control of the combined party, the changes in relevant profits or losses, other comprehensive income and other net assets have been recognized from the later of the date of obtaining the original equity and the date of being under the same control of the combining party and the combined party to the date of combination, respectively offsetting the beginning retained earnings or current profits or losses during the comparative reporting period.

During the reporting period, if subsidiaries or businesses are added due to business combination not under the same control, the opening balance of the consolidated balance sheet shall not be adjusted. Incorporating the income, expenses and profits of the subsidiary or business from the acquisition date to the end of the reporting period into the consolidated income statement. The cash flow of the subsidiary or business from the acquisition date to the end of the reporting period is included in the consolidated cash flow statement.

If the investee not under the same control can be controlled due to additional investment and other reasons, the Company shall remeasure the equity of the acquiree held before the acquisition date according to the fair value of the equity on the acquisition date, and the difference between the fair value and its book value shall be included in the current investment income. If the equity of the acquiree held before the acquisition date involves other comprehensive income calculated by the equity method and other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other changes in owner's equity are transferred to the current investment income on the acquisition date, except for other comprehensive income arising from changes in net liabilities or net assets of the investee's remeasurement of the defined benefit plan.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Judgement standard of control and Preparation method of consolidated financial statements (continued)

(3) Consolidation procedures (continued)

b) Disposal of subsidiaries or businesses

i General treatment method

During the reporting period, if the Company disposes of subsidiaries or businesses, the income, expenses and profits of such subsidiaries or businesses from the beginning of the period to the date of disposal shall be included in the consolidated income statement. The cash flow of the subsidiary or business from the beginning of the period to the disposal date is included in the consolidated cash flow statement.

When the control over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company remeasures the remaining equity investment after disposal according to its fair value on the date of loss of control. The difference between the sum of the consideration price obtained from the disposal of equity and the fair value of the remaining equity minus the sum of the share of net assets and goodwill of the original subsidiary continuously calculated from the purchase date or combination date according to the original shareholding ratio shall be included in the investment income of the current period when the control is lost. Other comprehensive income related to the equity investment of the original subsidiary or other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution shall be transferred to the current investment income when the control is lost, except for other comprehensive income arising from the change of net liabilities or net assets due to the remeasurement of the defined benefit plan.

ii Step by step disposal of subsidiaries

If the equity investment in a subsidiary is disposed step by step through multiple transactions until the control is lost, the terms, conditions and economic impact of various transactions for the disposal of equity investment in a subsidiary meet one or more of the following conditions, which generally indicates that multiple transactions should be accounted for as a package transaction:

- 1). These transactions are concluded at the same time or taking mutual influence into account;
- 2). These transactions as a whole can achieve a complete business result;
- 3). The occurrence of one transaction depends on the occurrence of at least one other transaction;
- 4). A transaction is uneconomic alone, but it is economical when considered together with other transactions.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Judgement standard of control and Preparation method of consolidated financial statements (continued)

(3) Consolidation procedures (continued)

b) Disposal of subsidiaries or businesses (continued)

ii Step by step disposal of subsidiaries (continued)

If the transactions from the disposal of equity investment in subsidiaries to the loss of control are package transactions, the Company will treat each transaction as a transaction for the disposal of subsidiaries and the loss of control; However, before the loss of control, the difference between each disposal price and the share of net assets of the subsidiary corresponding to the disposal of investment shall be recognized as other comprehensive income in the consolidated financial statements, and shall be transferred to the profits and losses of the current period when the control is lost.

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

c) Purchase of minority interests in subsidiaries

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Criteria for determining cash and cash equivalents

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

9. Foreign currency transactions and translation of foreign currency statements

(1) Foreign currency business

When foreign currency business transactions are initially confirmed, the spot exchange rate on the transaction date shall be used as the conversion rate to convert them into RMB for bookkeeping.

On the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange differences arising therefrom are included in the current profits or losses, except for the exchange differences arising from special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalization of borrowing costs. Foreign currency non-monetary items measured at historical cost shall still be translated at the spot exchange rate on the transaction date without changing the amount in the functional currency.

Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date when the fair value is determined. The difference between the amount of the converted bookkeeping functional currency and the amount of the original bookkeeping functional currency is treated as a change in fair value (including exchange rate change), included in the current profit or loss or recognized as other comprehensive income.

(2) Translation of foreign currency financial statements

The assets and liability items in the balance sheet shall be translated at the spot exchange rate on the balance sheet date. Except for the "undistributed profit" item, other items of owner's equity are translated at the spot exchange rate at the time of occurrence. The income and expense items in the income statement are translated at the spot exchange rate on the transaction date. The translation difference of foreign currency financial statements generated according to the above translation is included in other comprehensive income.

When disposing of an overseas operation, the translation difference of foreign currency financial statements related to the overseas operation listed in other comprehensive income items in the balance sheet shall be transferred from other comprehensive income items to the current profit or loss of disposal. When the proportion of overseas business interests held is reduced due to the disposal of part of equity investment or other reasons, but the control over overseas business is not lost, the translation difference of foreign currency statements related to the disposal of overseas business will belong to minority shareholders' interests and will not be transferred to the current profits or losses. When disposing part of the equity of an overseas operation as an associate or joint venture, the translation difference of foreign currency statements related to the overseas operation shall be transferred to the current profit and loss according to the proportion of disposing the overseas operation.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments

A financial asset or financial liability is recognized when the Company becomes a party to the financial instrument contract.

The effective interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and allocating interest income or interest expenses into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of the financial asset or financial liability in the expected duration into the book balance of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flow is estimated on the basis of considering all contract terms of financial assets or financial liabilities (such as prepayment, extension, call option or other similar options), but the expected credit loss is excluded.

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initially recognized amount of the financial asset or financial liability, plus or minus the amortization of the difference between the initially recognized amount and the amount on the maturity date using the effective interest rate method, and then deducting the accumulated loss reserves (applicable to financial assets only).

(1) Classification and measurement of financial assets

Based on the Company's business model for managing the assets and the characteristics of the contractual cash flows of the asset, financial assets are classified as the following three categories:

- a) **Financial assets measured at amortized cost;**
- b) **Financial assets at fair value through other comprehensive income;**
- c) **Financial assets at fair value through profit or loss.**

The classification of financial assets depends on the business model of how the Group manage its assets and the characteristics of the cash flow of the assets.

Business model reflects how the Group manages the financial assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets, cash flows arising from the sale of financial assets, or both. Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

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

The cash flow characteristics of the financial assets represent the cash flow characteristics that the financial instrument contracts agree and reflect the economic characteristics of related financial assets. The characteristic of contractual cash flow that is consistent with basic lending agreement means the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The principal means the fair value at the initial recognition. Interest includes consideration for the time value of money, credit risk associated with the outstanding principal amount in a particular period, and other basic borrowing risks, costs and profits. The Group classified it into financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value and whose changes are included in other comprehensive income. The contractual cash flow characteristics are consistent with the basic lending arrangements.

When the Group modifies its business model on managing financial assets, it will reclassify all the impacted financial assets and make adjustment prospectively starting from the date of reclassification. The Group is not allowed to adjust its gains, losses (including impairment losses or gains), or interests retroactively. The reclassification date is the first date of the reporting period after the business model is modified as a result of the reclassification of financial assets.

The classification requirements for debt instruments assets and equity instruments assets are described as below:

i Debt Instruments

It means that from the issuer's perspective, the instrument that meets the definition of financial debt. Based on business model for managing the financial assets and the characteristics of the contractual cash flows of the financial assets, the Group classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated as at FVPL, are measured at amortized cost.

Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent SPPI and that are not designated as at FVPL, are measured at FVOCI.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

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

i Debt Instruments (continued)

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

In addition, if the accounting mismatch can be eliminated or significantly reduced during initial recognition, the Group can designate financial assets as financial assets measured at fair value and whose changes are included in the current profit and loss. Once the designation is made, it shall not be revoked.

ii Equity instruments

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

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(2) Classification and measurement of financial liabilities

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

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

(3) Subsequent measurement of financial instruments

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

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(3) Subsequent measurement of financial instruments (continued)

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

Debt instruments: The gains or losses from financial assets that are classified as fair value and whose changes are included in other comprehensive income, except for impairment losses or gains and exchange gains and losses, are included in other comprehensive income until the financial asset is derecognized or reclassified. However, the financial asset interest calculated using the actual interest rate method is included in the current profit and loss. When such financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income should be transferred out of other comprehensive income and included in the current profit and loss.

Equity instruments: The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI, the changes in the fair value of the financial assets are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in retained earnings. Dividend income as return on investment is recognized when the Group determines that the right to receive is established and included in the current profit and loss. Only when the following conditions are met can the enterprise recognize the dividend income and record it into the current profit and loss: (i) the right of the enterprise to receive dividends has been established; (ii) the economic benefits related to dividends are likely to flow into the enterprise; (iii) the amount of dividends can be measured reliably.

c) Financial assets or liabilities measured at fair value through profit or loss

The Group will include the gains or losses of financial assets or financial liabilities measured at fair value and whose changes are included in the current profits or losses into the current profits or losses, unless the financial assets or financial liabilities fall into one of the following circumstances:

- i. It is part of the hedging relationship specified in “China Accounting Standards for Business Enterprises No. 24-Hedging Accounting”;
- ii. It is a financial liability designated to be measured at fair value and its changes are included in the current profits and losses. According to Article 68 of the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the changes in the fair value of the liability caused by the changes in the Group’s own credit risk shall be included in other comprehensive income. Other changes in the fair value of the financial liabilities are included in the current profits and losses. When the financial liability is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(4) Impairment of financial assets

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

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(4) Impairment of financial assets (continued)

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

- Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition;
- Stage 2: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, which is not yet deemed to be credit-impaired;
- Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

By comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date, the Group determines the relative change of the risk of default during the expected duration of the financial instrument, so as to evaluate whether the credit risk of the financial instrument has increased significantly since the initial recognition. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional cost or effort. Information considered by the Group includes:

- The debtor fails to pay the principal and interest on the due date of the contract;
- A serious deterioration in the external or internal credit rating (if any) of a financial instrument that has occurred or is expected;
- A serious deterioration of the debtor's business results that has occurred or is expected;
- Changes in the existing or anticipated technical, market, economic or legal environment that would materially and adversely affect the debtor's ability to repay the Group.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(4) Impairment of financial assets (continued)

According to the nature of financial instruments, the Group evaluates whether the credit risk increases significantly based on a single financial instrument or a combination of financial instruments. When evaluating on the basis of a portfolio of financial instruments, the Group may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings. If overdue by more than 30 days, the Group determines that the credit risk of the financial instrument has significantly increased.

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(4) Impairment of financial assets (continued)

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

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

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

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

A financial asset is derecognized, when one of the following criteria is satisfied: (i) termination of the contractual right to receive cash flows from the financial asset; (ii) the financial asset has been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the financial asset; and (iii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

The Group has neither transferred nor retained almost all the risks and rewards and the Group has not given up the control over the financial assets, the relevant financial assets shall be recognized according to the extent of their continued involvement in the transferred financial assets, and the relevant liabilities should be recognized accordingly.

If the overall transfer of financial assets meets the conditions for the termination of recognition, the balance between the book value of the transferred financial assets, and the sum of the consideration received as a result of the transfer and the cumulative amounts of the changes in fair value originally booked into other comprehensive income shall be included in the current profit or loss.

If the partial transfer of financial assets meets the conditions for derecognition, the overall book value of the transferred financial assets shall be apportioned between the derecognized part and the non-derecognized part according to their respective relative fair values, and the sum of the consideration received due to the transfer and the cumulative number of changes in fair value originally included in other comprehensive income that should be apportioned to the derecognized part. The difference between the above-mentioned carrying amount and the apportioned carrying amount shall be included in the current profit and loss.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(6) Determination method of fair value of financial assets and financial liabilities

- a) If there is an active market for a financial instrument, the quoted market price in the active market is used to determine its fair value. In an active market, the financial assets that the Company has held or the financial liabilities to be assumed take the fair value of the corresponding assets or liabilities at the current bid price; The current asking price of the financial assets to be purchased or the financial liabilities undertaken by the Company shall be taken as the fair value of the corresponding assets or liabilities. If there are no current bids or asking prices for financial assets or financial liabilities, but there has been no significant change in the economic environment after the latest trading date, the market price of the latest transaction is used to determine the fair value of the financial asset or financial liability. When the economic environment has changed significantly since the latest trading day, the current price or interest rate of similar financial assets or financial liabilities shall be referenced to adjust the market price of the latest transaction to determine the fair value of the financial asset or financial liability. The Company has sufficient evidence to show that the recently quoted market quotation is not fair value, and make appropriate adjustments to the recently traded market quotation to determine the fair value of the financial asset or financial liability.
- b) If there is no active market, the Group establishes fair value by using valuation techniques. The valuation techniques include reference to prices used in recent market transactions by parties who are familiar with the situation and voluntary transactions, reference to the current fair value of other financial assets that are substantially the same, discounted cash flow method and option pricing models.

11. Margin trading & short selling business

Margin trading & short selling business refers to the business in which the Group lends funds to clients for buying securities or lends securities to them for sale and the corresponding collaterals are provided by clients. The Group's margin trading & short selling activity is divided into financing activity and securities lending activity.

As for the funds lent, the receivable claim and the corresponding interest income should be confirmed. The provision for impairment of funds lent by the Company is confirmed with reference to the financial assets measured at amortized cost in the impairment of financial assets. For details, please refer to Note IV/10(4). Impairment of financial assets.

As for securities lending activity, the securities lent is not derecognized in accordance and the corresponding interest income is recognized.

When the Company carries out margin trading & short selling and buys and sells securities on behalf of clients, such activity is credited as securities brokerage activity.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Client transaction settlement funds

Client transaction settlement funds are accounted separately from the Company's own funds, and a separate account is set up for accounting in "monetary funds" and other projects. The Company's client transaction settlement funds received by the Company's agent trading in securities are fully deposited in the Company's designated bank account, and recognized as a liability and settled with the customer. The Company accepts the client's entrustment to buy and sell securities through the stock exchange agent. When clearing with the customer, if the total transaction value of the purchased securities is greater than the total transaction value of the sold securities, the difference between the transaction price of the securities purchased and sold on the liquidation date, plus withholding stamp tax and the customer commissions and other fees charged reduce the client's transaction settlement funds; if the total transaction value of the purchased securities is less than the total transaction value of the sold securities, the difference between the transaction price of the securities purchased and sold on the liquidation date, the reduction of withholding stamp taxes and commissions that should be charged to the client, etc. Handling fees increase customer transaction settlement funds. The commission fee income of the Company acting as a proxy for the purchase and sale of securities of the client shall be recognized when the liquidation of the above-mentioned purchase and sale of securities is settled with the client. The Company settles interest uniformly with customers and increases customer transaction settlement funds.

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

PRA transaction refers to the purchase of related assets (including bonds and notes) from counter-parties at a fixed price under a contract or agreement, and the resale of the same financial products at agreed prices on the expiration date of the contract or agreement. Purchase for resale is recorded according to the amount actually paid when buying and resale related assets and listed in "purchase of financial assets for resale" in the balance sheet.

SRA transaction refers to the sale of related assets (including bonds and notes) to counter-parties at a fixed price under a contract or agreement, and the repurchase of the same financial products at agreed prices on the expiration date of the contract or agreement. The payments actually paid for selling and repurchasing of relevant assets are recorded and are listed under the item "Financial assets sold under repurchase agreement" of the balance sheet. The financial products sold are still listed in the Group's balance sheet according to the original classification and are accounted for in accordance with the relevant accounting policies.

Interest income and expenses arising from PRA and SRA transactions are recognized at the effective interest rate during the period of resale or repurchase. If the difference between the actual interest rate and the agreed contractual interest rate is small, interest income and expenses are calculated according to the contractual interest rate.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

According to the performance guarantee ratio of the contract, the Company's stock pledge repurchase business fully consider the credit status, the duration of contract and the liquidity of the secured securities, restricted sales, concentration, volatility, performance guarantee and other factors to set up different warning line and closing positions. The closing position is not less than 130%.

Stage 1: the stock-pledged repurchase business that maintains a guarantee ratio greater than the closing position and is not overdue;

Stage 2: the stock-pledged repurchase business that maintains a guarantee ratio greater than 100% and less than or equal to the closing position, or the principal and interest are overdue, less than 90 days;

Stage 3: the stock-pledged repurchase business that maintains a guarantee ratio less than or equal to 100%, or the principal and interest are overdue, more than 90 days.

For the financial assets which are mentioned before in stage 1 and stage 2, the Company uses the risk parameter mode method, including key parameters such as default probability, default loss rate and credit risk exposure to evaluate the impairment reserve; for the financial assets in stage 3, the management has considered the forward-looking factors and made corresponding impairment provision by estimating the future cash flow relating to the financial asset. The main factors considered by the Company in calculating the defaults loss rate are: the market value of the collateral, the liquidity and the disposal cycle, the credit status of the financier and the repayment ability. etc.

For details of "Provisions for impairment of other financial assets purchased and resale agreement", please refer to Notes IV/10 (4). Impairment of financial assets.

14. Financial assets at fair value through other comprehensive income

For the determination method and accounting treatment method of the expected credit loss of the Company's financial assets at fair value through other comprehensive income, please refer to Notes IV/10 (4). Impairment of financial assets.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments

(1) Determination of initial investment cost

a) *For the long-term equity investments formed by business combination, please refer to Notes IV/6. Accounting treatment methods for business combinations under the same control and not under the same control for the specific accounting policies.*

b) *Long-term equity investments obtained by other means*

For the long-term equity investments obtained by paying cash, the actually paid purchase price shall be taken as the initial investment cost. The initial investment cost includes the expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments.

For the long-term equity investments obtained by issuing equity securities, the fair value of the issued equity securities shall be taken as the initial investment cost; the transaction expenses incurred when issuing or acquiring their own equity instruments can be deducted from equity if they are directly attributable to equity transactions.

On the premise that the non-monetary asset exchange has commercial substance and the fair value of the assets received or surrendered can be measured reliably, the initial investment cost of the long-term equity investments received from the non-monetary asset exchange shall be determined based on the fair value of the assets surrendered, unless there is conclusive evidence that the fair value of the assets received is more reliable. For the exchange of non-monetary assets that do not meet the above premise, the book value of the assets surrendered and the relevant taxes payable shall be taken as the initial investment cost of the long-term equity investments.

For the long-term equity investments obtained through debt restructuring, the initial investment cost shall be determined on the basis of fair value.

(2) Subsequent measurement and profit or loss recognition

a) *Cost method*

The long-term equity investments that the Company can control over the investee is accounted by the cost method, priced according to the initial investment cost, and the cost of long-term equity investments is adjusted when adding or recovering the investment.

Except for the declared but not yet distributed cash dividends or profits included in the actually paid price or consideration when obtaining the investment, the Company shall recognize the cash dividends or profits declared to be distributed by the investee as the current investment income.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

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

b) Equity method

The Company's long-term equity investments in associates and joint ventures is accounted by the equity method; Part of the equity investments of associated enterprises indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment linked insurance funds are measured at fair value and their changes are included in profits or losses.

If the initial investment cost of the long-term equity investments is greater than the fair value share of the investee's identifiable net assets at the time of investment, the initial investment cost of the long-term equity investments shall not be adjusted; The difference between the initial investment cost and the fair value of the investee's identifiable net assets when the initial investment cost is less than the investment at the time of investment shall be included in the current profits or losses.

After the Company obtains the long-term equity investments, the investment income and other comprehensive income shall be recognized respectively according to the share of the net profit or loss and other comprehensive income realized by the investee that should be enjoyed or shared, and the book value of the long-term equity investments shall be adjusted at the same time. The book value of the long-term equity investments shall be reduced accordingly according to the profits or cash dividends declared to be distributed by the investee; For other changes in the owner's equity of the invested entity other than net profit or loss, other comprehensive income and profit distribution, the book value of long-term equity investments shall be adjusted and included in the owner's equity.

When the Company confirms its share of the net profit or loss of the investee, it shall be recognized after adjusting the net profit of the investee on the basis of the fair value of the identifiable assets of the investee when the investment is obtained. The unrealized internal transaction gains and losses that occur between the Company and associates and joint ventures are calculated based on the proportion that should be enjoyed and the portion attributable to the Company is offset, and the investment gains and losses are recognized on this basis.

When the Company confirms that it should share the losses incurred by the investee, it shall be handled in the following order: first, offsetting the book value of long-term equity investments. Secondly, if the book value of the long-term equity investments is insufficient to offset, the investment loss shall be recognized to the extent of the book value of other long-term equity that substantially constitutes the net investment in the investee, and the book value of long-term receivables shall be offset. Finally, after the above treatment, if the enterprise still undertakes additional obligations according to the investment contract or agreement, the estimated liabilities shall be recognized according to the estimated obligations and included in the current investment loss.

If the invested entity realizes profit in the subsequent period, the Company shall, after deducting the unrecognized loss share, proceed in the reverse order of the above, decrease and write down the book balance of the confirmed estimated debt, and after restoring the book value of other long-term equity and long-term equity investments of net investment that actually constitute the net investment in the investee, the recognition of investment income shall be resumed.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

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

a) *Transfer of fair value measurement to equity method accounting*

The equity investment originally held by the Company that does not have control, joint control or significant influence on the investee and is subject to accounting treatment according to the recognition and measurement standards of financial instruments, which can exert significant influence or joint control on the investee due to additional investment, but does not constitute control, the sum of the fair value of the originally held equity investment and the new investment cost determined in accordance with the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments shall be regarded as the initial investment cost accounted by the equity method.

If the initial investment cost calculated by the equity method is less than the difference between the fair value of the identifiable net assets of the investee on the additional investment date calculated and determined according to the new shareholding ratio after the additional investment, the book value of the long-term equity investments shall be adjusted according to the difference and included in the current non-operating income.

b) *Fair value measurement or transfer from equity method to cost method*

If the equity investment originally held by the Company that has no control, joint control or significant impact on the invested entity and being subject to accounting treatment according to the recognition and measurement standards of financial instruments, or the long-term equity investments originally held in associates and joint ventures which can control the invested entity not under the same control due to additional investment and other reasons, when preparing individual financial statements, the sum of the book value of the originally held equity investment plus the new investment cost shall be regarded as the initial investment cost calculated according to the cost method.

Other comprehensive income recognized for the equity investment held before the acquisition date due to the adoption of the equity method shall be accounted for on the same basis as the investee's direct disposal of relevant assets or liabilities.

If the equity investment held before the acquisition date is subject to accounting treatment in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the cumulative changes in fair value originally included in other comprehensive income shall be transferred to the current profit and loss when being accounted by cost method.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

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

c) *Transfer from equity method accounting to fair value measurement*

If the Company loses its joint control or significant influence on the investee due to the disposal of some equity investments, the remaining equity after disposal shall be accounted according to the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, and the difference between its fair value and book value on the date of loss of joint control or significant influence shall be included in the current profits or losses.

Other comprehensive income recognized by the original equity investment due to the adoption of the equity method shall be accounted on the same basis as the invested entity's direct disposal of relevant assets or liabilities when the equity method is terminated.

d) *Transfer of cost method to equity method*

If the Company loses control over the investee due to the disposal of some equity investments and other reasons, when preparing individual financial statements, if the residual equity after disposal can jointly control or exert significant influence on the investee, it shall be accounted for according to the equity method, and the residual equity shall be deemed to be accounted for and adjusted by the equity method since it is obtained.

e) *Transfer of cost method to fair value measurement*

If the Company loses control over the investee due to the disposal of some equity investments, and the residual equity after disposal cannot exercise joint control or exert significant influence on the investee during the preparation of individual financial statements, the accounting treatment shall be carried out in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the difference between the fair value and the book value on the date of loss of control shall be included in the current profits or losses.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

(4) Disposal of long-term equity investments

For the disposal of long-term equity investments, the difference between its book value and the actually obtained price shall be included in the current profits or losses. For the long-term equity investments accounted by the equity method, the part originally included in other comprehensive income shall be accounted for according to the corresponding proportion on the same basis as the invested unit's direct disposal of relevant assets or liabilities.

If the terms, conditions and economic impact of various transactions for the disposal of equity investment in subsidiaries meet one or more of the following conditions, multiple transactions shall be accounted for as a package deal:

These transactions are concluded at the same time or taking into account mutual influence;

These transactions as a whole can achieve a complete business result;

The occurrence of one transaction depends on the occurrence of at least one other transaction;

A transaction is uneconomic alone, but it is economical when considered together with other transactions.

If the control over the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, which is not a package deal, the relevant accounting treatment shall be carried out according to the individual financial statements and the consolidated financial statements:

- a) In individual financial statements, the difference between the book value of the equity disposed and the actual price obtained is included in the current profit and loss. If the residual equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for according to the equity method, and the residual equity shall be deemed to be accounted for and adjusted by the equity method since it is obtained. If the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, and the difference between its fair value and its book value on the date of loss of control shall be included in the current profits or losses.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

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

- b) In the consolidated financial statements, for each transaction before losing control over the subsidiary, the difference between the disposal price and the share of net assets of the subsidiary continuously calculated from the purchase date or the combination date corresponding to the disposal of long-term equity investments shall be adjusted to the capital reserve (capital stock premium). If the capital reserve is insufficient to be offset, the retained earnings shall be adjusted. When the control over the subsidiary is lost, the remaining equity shall be remeasured according to its fair value on the date of loss of control. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity minus the share of the net assets of the original subsidiary continuously calculated from the purchase date according to the original shareholding ratio shall be included in the investment income of the current period when the control right is lost, and the goodwill shall be offset at the same time. Other comprehensive income related to the equity investment of the original subsidiary is transferred to the current investment income when the control right is lost.

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Long-term equity investments (continued)

(5) Judgment criteria for joint control and significant impact

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

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

Significant influence means that the investor has the right to participate in the decision-making of the financial and operating policies of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. The Company judges that it has a significant impact on the investee through one or more of the following circumstances and comprehensively considering all facts and circumstances: a) send representatives to the board of directors or similar authorities of the invested entity; b) participate in the formulation of financial and operating policies of the invested entity; c) important transactions with the investee; d) dispatch management personnel to the invested equity; e) provide key technical data to the invested equity.

16. Investment properties

Investment properties include buildings that have been leased out.

Investment properties is initially measured at its cost. The cost of the purchased investment real estate includes the purchase price, relevant taxes and fees and other expenses directly attributable to the asset; The cost of self-construction of an investment real estate consists of the necessary expenses incurred before the construction of the asset reaches its intended serviceable state.

Subsequent to initial recognition, the Group adopts the cost model to account for its investment properties. The average life method is used for depreciation or amortization according to the expected service life and net salvage.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Investment properties (continued)

The estimated useful lives, depreciation rate and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives (Years)	Estimated residual values (%)	Yearly depreciation (Amortization) (%)
Business Buildings	40.00	5.00	2.38

When the use purpose of investment properties is changed for self-use, the investment properties will be converted into fixed assets or intangible assets from the date of change. When the use purpose of self-use property is changed to earn rent or capital appreciation, the fixed assets or intangible assets will be converted into investment properties from the date of change. When conversion occurs, the book value before conversion is converted into account value.

When an investment property is disposed of, or is permanently withdrawn from use and is not expected to obtain economic benefits from its disposal, the investment properties shall be terminated. The amount of the disposal income of the investment properties sold, transferred, scrapped or damaged shall be included in the current profits or losses after deducting the book value and relevant taxes and fees.

17. Fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year with more than RMB2,000.

Fixed assets include operating houses, non-business houses, simple houses, buildings, machinery and equipment, power equipment, transportation equipment, electronic equipment, communications equipment, electrical equipment, security and defense equipment, office equipment, as the value of the recorded costs at the time of acquisition, including the purchase price and import duties and other related taxes and fees, as well as other expenses incurred before the fixed assets reach the intended use status can be directly attributed to the asset; Consisting of the necessary expenditure incurred before the asset is constructed to its intended use, the fixed assets invested by the investor shall be recorded at the value agreed upon in the investment contract or agreement, but the value agreed upon in the contract or agreement shall be recorded at fair value.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Fixed assets (continued)

If the subsequent expenditures related to fixed assets, including repair expenditures and renovation expenditures, meet the conditions for the recognition of fixed assets, they shall be included in the cost of fixed assets, and the book value of the replaced part shall be terminated. If the fixed assets fail to meet the conditions for recognition, they shall be recorded into the current profits or losses when they occur.

The Group shall make depreciation for all the fixed assets except the fixed assets which have been fully depreciated but are still in use and the land which is separately priced and recorded. Depreciation is calculated using the life average method, and according to the use of the cost of the relevant assets or current expenses.

The estimated useful lives, residual value proportions and the annual depreciation rates of fixed assets by categories are as follows:

Categories	Depreciation method	Estimated useful lives (years)	Estimated residual values (%)	Yearly depreciation (%)
Business buildings	Life average method	40.00	5.00	2.38
Non-business buildings	Life average method	35.00	5.00	2.71
Makeshift house	Life average method	5.00	5.00	19.00
Structures	Life average method	20.00	5.00	4.75
Machinery equipment	Life average method	10.00	5.00	9.50
Power equipment	Life average method	15.00	5.00	6.33
Communication equipment	Life average method	5.00	5.00	19.00
Electronic equipment	Life average method	5.00	5.00	19.00
Electrical equipment	Life average method	5.00	5.00	19.00
Security equipment	Life average method	5.00	5.00	19.00
Office facilities	Life average method	5.00	5.00	19.00
Other transport facilities	Life average method	8.00	5.00	11.88

At the end of each year, the Group shall review the expected service life, expected net residual value and depreciation method of the fixed assets. If there is any change, it will be treated as accounting estimate change.

The fixed assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of fixed assets net of their carrying amounts and related taxes and expenses is recognized in the current profits or losses.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Construction in progress

(1) Initial measurement of construction in progress

The construction in progress built by the Company itself is valued at the actual cost, which consists of the necessary expenses incurred before the construction of the asset reaches the expected serviceable state, and the self-operated construction project is measured by direct materials, direct wages, direct construction costs, etc. The construction works out of the package shall be measured according to the project price payable; The project cost shall be determined according to the value of the equipment installed, the installation cost, the expenses incurred in the trial operation of the project, etc. The cost of construction in progress also includes borrowing costs and exchange gains and losses that should be capitalized.

(2) Standard and time point for carrying forward construction in progress to fixed assets

For construction in progress, all expenses incurred before the asset reaches the expected usable state shall be regarded as the entry value of fixed assets. If the construction in progress has reached the expected serviceable state, but the completion settlement has not been handled, from the date of reaching the expected serviceable state, it shall be transferred into fixed assets according to the estimated value according to the project budget, cost or actual cost of the project, and the depreciation of fixed assets shall be accrued according to the Company's fixed assets depreciation policy. After the completion settlement is handled, the original estimated value is adjusted according to the actual cost, but the accrued depreciation amount is not adjusted.

19. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

If the borrowing costs incurred by the Company can be directly attributable to the acquisition, construction or production of assets eligible for capitalization, they shall be capitalized and included in the cost of relevant assets; Other borrowing costs shall be recognized as expenses according to the amount incurred and included in the current profits or losses.

Assets eligible for capitalization refer to fixed assets, investment real estate and inventories that need a long time of purchase and construction or production activities to reach the expected usable or marketable state.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Borrowing costs (continued)

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

Borrowing costs shall be capitalized when the following conditions are met simultaneously:

- a) Asset expenditure has occurred, including the expenditure incurred in the form of cash payment, transfer of non-cash assets or bearing interest bearing liabilities for the acquisition and construction or production of assets eligible for capitalization;
- b) Borrowing costs have occurred;
- c) The acquisition and construction or production activities necessary to make the assets ready for the intended use or sale have begun.

(2) Capitalization period of borrowing costs

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

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Borrowing costs (continued)

(3) Period of suspension of capitalization

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

(4) Calculation method of capitalization amount of borrowing costs

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Right-of-use assets

The right-of-use assets are initially measured at cost, which includes:

- (1) The initial measurement amount of lease liabilities;
- (2) For the lease payment paid on or before the beginning of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted;
- (3) The initial direct expenses incurred by the lessee;
- (4) The cost of dismantling and removing the leased assets, restoring the site of the leased assets or restoring the leased assets to the state agreed in the lease terms.

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Intangible assets

Intangible assets of the Group, including land-use rights, trading seats and software, etc., which are measured at the actual cost at the time of acquisition. For the purchased intangible assets, the actual cost is the actual payment price and other related expenses. The actual cost of the intangible assets invested by the investor shall be determined at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, the actual cost shall be determined at the fair value.

The land-use right acquired is averagely amortized according to the service life of the land-use right. The trading seat fee, software and others acquired are amortized according to the shortest of the excepted service life, the benefit period which stipulated in the contract and the effective life stipulated by law. The amortized amount is included in the relevant asset cost and current profit and loss.

The estimated service life and amortization method of intangible assets with limited-service life are reviewed at the end of each year, and if it changes, it is treated as a change in accounting estimates. At the end of each year, the estimated service life of intangible assets with uncertain service life is reviewed. If there is evidence that the service life of intangible assets is limited, the service life should be estimated and amortized during that period.

22. Impairment of long-term non-financial assets

Long-term equity investments, investment properties, fixed assets, construction in progress, intangible assets with limited useful lives are tested for impairment if there is any indication that the assets may be impaired at the statement of financial position date. For goodwill and intangible assets with uncertain service life, impairment tests shall be conducted at the end of each year regardless of whether there is any indication of impairment. If it is difficult to test the recoverable amount of a single asset, the test shall be based on the asset group or combination of the asset group to which the asset belongs.

If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an allowance for impairment and an impairment loss are recognized in accordance with the difference. The provision for the aforesaid assets is recognized, it shall not be reversed in subsequent accounting periods. The recoverable amount of an asset is the higher between the net value of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

The signs of impairment are as follows:

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire at the date of acquisition.

Goodwill related to subsidiaries is listed separately in consolidated financial statements, while goodwill related to associates and joint ventures is included in the book value of long-term equity investments.

Goodwill listed separately in the financial statements, with the impairment test once a year, whether there is any sign of impairment. During the impairment test, the book value of goodwill is allocated to the asset group or group of asset groups expected to benefit from the synergies of the business combination. If the test results indicate that the recoverable amount of the asset group or combination of asset groups containing the allocated goodwill is lower than its book value, the corresponding impairment loss is recognized. The amount of the impairment loss is offset the book value of goodwill allocated to the asset group or combination of assets group and then according to the proportional to the book value of other assets except goodwill to offset book value of other assets.

24. Long-term deferred expenses

The long-term deferred expenses of the Group refer to the expenses that have been paid but should be borne in the current and future periods with an amortization period of more than 1 year (excluding 1 year), which are amortized evenly in the benefit period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then transferred to profit or loss for the period.

25. Employee benefits

Employee benefits refers to various forms of benefits or compensation given by the Company to obtain services provided by employees or terminate labor relations. Employee benefits includes short-term salary, post-employment welfare, dismissal welfare and other long-term employee welfare and other expenses related to obtaining services provided by employees.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Employee benefits (continued)

(1) Short-term benefits

Short-term benefits refer to the employee benefits that the Company needs to pay in full within twelve months after the end of the annual reporting period in which employees provide related services, excluding post-employment benefits and termination benefits. The Company recognizes the short-term salary payable as a liability during the accounting period when the employees provide services, and includes them in the relevant asset costs and expenses based on the beneficiaries of the services provided by the employees.

(2) Post-employment benefits

Post-employment benefits refer to various forms of benefits and welfare provided by the Group after the employee retires or dissolves the labor relationship with the Group in order to obtain the services provided by the employee, except short-term benefits and dismissal welfare. The Group classifies post-employment benefit plans as defined contribution plans. The defined contribution plan for post-employment benefits is mainly for participation in the social basic pension insurance and unemployment insurance organized by the labor and social security agencies. During the accounting period in which an employee provides services for the Group, the amount that should be paid according to the defined contribution plan shall be recognized as liabilities and included in the current profits or losses or the cost of relating assets.

(3) Termination benefits

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Employee benefits (continued)

(4) Other long-term employee benefits

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

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

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

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

26. Estimated liabilities

(1) Recognition standard of estimated liabilities

When the obligations related to contingencies meet the following conditions at the same time, the Company shall recognize them as provisions:

- a) The obligation is the current obligation of the Company;
- b) The fulfillment of the obligation is likely to cause economic benefits to flow out of the Company;
- c) The amount of the obligation can be measured in a reliable way.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Estimated liabilities (continued)

(2) Measurement method of estimated liabilities

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

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

The best estimate shall be handled as follows:

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Lease liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. When calculating the present value of lease payments, the Company adopts the interest rate embedded in the lease as the discount rate; If the embedded interest rate of the lease cannot be determined, the incremental loan interest rate of the Company shall be used as the discount rate. Lease payments include:

- (1) Fixed payment amount and actual fixed payment amount after deducting relevant amount of lease incentive;
- (2) Variable lease payments depending on index or ratio;
- (3) When the Company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the purchase option;
- (4) Where the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment includes the payment required to exercise the option to terminate the lease;
- (5) The amount expected to be paid according to the guaranteed residual value provided by the Company.

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

28. General risk reserve and transaction risk reserve

According to “Financial Rules for Financial Enterprises” and “Notice on the 2007 Annual Report of Securities company” (SFC [2007] No. 320), the Company and its subsidiaries calculate the general risk reserve according to 10% of after-tax profit (reducing make up losses) for the year. At the same time, the Group follows the “Operational Guidelines for the Application of the “Opinions on Regulating Asset Management Business of Financial Institutions” to the Large Collection Asset Management Business of Securities Companies” (China Securities Regulatory Commission Announcement [2018] No. 39) and the “Public Offer Open-end Securities Investment Fund Liquidity Risk Management Requirements” provision for asset management business risk reserve.

In accordance with the Provisions of the Securities Law and the CSRC [2007] No. 320, the transaction risk reserve shall be withdrawn according to 10% of the current net profit after making up the loss.

In order to reduce the repayment risk of bonds, the proportion of discretionary surplus reserve and the proportion of general risk reserve are increased during the duration of bonds, which is withdrawn according to 5% of the current net profit after making up the loss, as deliberated and approved by the 14th meeting of the 4th board of directors and the 6th extraordinary general meeting of shareholders in 2013. The general risk reserve shall be withdrawn according to 11% of the current net profit after making up the loss. In case of failure to pay the principal and interest of the bond on schedule or failure to pay the principal and interest of the bond on schedule at maturity, the Company will withdraw the discretionary surplus reserve according to 10% of the current net profit after making up the loss during the remaining duration of the bond, and the general risk reserve according to 12% of the current net profit after making up the loss.

29. Revenue

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Revenue (continued)

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

- (1) The customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs.
- (2) The customer can control the goods that are under construction during the Group's contract execution.
- (3) The entity's performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

For the performance obligations performed within a certain period of time, the Group recognizes the revenue according to the performance progress within that period of time. When the performance schedule cannot be reasonably determined, if the costs incurred by the Group are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance schedule can be reasonably determined. For the performance obligation performed at a certain time point, the Group recognizes the revenue when the customer obtains the control over the relevant goods.

The Group has transferred the goods or services to customers and has the right to receive consideration (and the right depends on factors other than the passage of time). As a contract asset, the impairment based on ECL. The right of the Group to charge the customer unconditionally (only depends on the passage of time) is listed as a receivable. The Group's obligation to transfer the goods or services, because the Group received or get receivable from the customer's consideration, which should be listed as contract liabilities.

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

a) Handling fee and commission income

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Revenue (continued)

a) Handling fee and commission income (continued)

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

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

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

b) Interest income

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

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

c) Investment income

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

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Revenue (continued)

d) Spot market trading revenue and service revenue

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

30. Accounting method for the client asset management business

The Company's customer asset management business includes collective asset management business, single asset management business and special asset management business. The Company is entrusted to operate collective asset management business, single asset management business and special asset management business, with custody customers or collective plans as the main body, independent establishment of accounts, independent accounting, and not listing in the Company's financial statements.

31. Government grants

The government grants relating to assets means the government grants which are obtained by the Group for purchasing or others long-term assets. The government grants relating to revenue means the except the government grants related assets. If the grant's target is not clearly specified in the government documents, the Group will make judgments according to the above principle of distinction. If it is difficult to distinguish, the whole is classified as a government subsidy relating to income.

If the government grant is a monetary asset, it is measured according to the amount actually received. For the grant paid according to a fixed standard, or there is evidence at the end of the year that can meet the relevant conditions specified in the financial support policy and is expected to receive financial support funds, which measured according to the amount actually receivable. If the government grant is a non-monetary asset, it should be measured at its fair value. If its fair value cannot be obtained reliably, it shall be measured at its nominal amount (RMB1.00).

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Government grants (continued)

The government grants related to the asset shall be recognized as deferred income, and the government grants related to the asset shall be recognized as deferred income and be recorded into the current profit and loss in stages within the service life of the relevant asset.

When the related assets of this are sold, transferred, scrapped or destroyed before the end of their useful lives, the related unallocated balance of deferred revenue is transferred to profit or loss in the period of disposal of the asset.

Government grants related to revenue that compensate for related costs or losses in subsequent periods are recognized as deferred revenue and recognized in current profit or loss in the period in which the related costs or losses are recognized. Government grants related to day-to-day business are included in other gains or charged against related costs, based on the substance of economic operations. Government grants not related to day-to-day business are included in non-operating income.

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Government grants (continued)

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

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

32. Deferred income tax assets and deferred income tax liabilities

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

(1) Basis for recognition of deferred income tax assets

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

(2) Basis for recognition of deferred income tax liabilities

The Company recognizes the taxable temporary differences payable and unpaid in the current period and previous periods as deferred income tax liabilities. But excluding:

- a) Temporary differences arising from the initial recognition of goodwill;
- b) Temporary differences arising from the transactions or events formed by non-business combination, and the occurrence of such transactions or events will not affect neither accounting profits nor temporary differences formed by taxable income (or deductible losses);
- c) For the taxable temporary difference related to the investment of subsidiaries and associated enterprises, the reversal time of the temporary difference can be controlled, and the temporary difference is likely not to be reversed in the foreseeable future.

33. Leases

A lease is a contract in which the lessor gives up the right to use the asset to the lessee for consideration for a certain period of time.

(1) The Group as the lessee

At the beginning of the lease term, the Group recognizes a right-of-use asset and lease liability for the lease. The Group uses the straight-line method of depreciation for right-of-use assets. At the balance sheet date, the Group assesses whether the right-of-use assets are impaired and accounts for the identified impairment losses.

The lease liability is initially measured at the present value of the lease payments outstanding at the beginning of the lease term. The Group calculates interest expenses on the lease liability at a fixed periodic rate (i.e., discount rate) for each period of the lease term and recognizes it in current profit or loss or the cost of the asset.

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

33. Leases (continued)

(2) The Group as the lessor

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

34. Income tax

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

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

35. Hedging Accounting

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Hedging Accounting (continued)

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

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

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

(2) Accounting treatment for fair value hedges

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Hedging Accounting (continued)

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

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

(3) Accounting for cash flow hedges

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Hedging Accounting (continued)

(3) Accounting for cash flow hedges (continued)

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

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

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

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

The gain or loss of the hedging instrument in other comprehensive income shall be reclassified to profit or loss on the disposal or partial disposal of the foreign operation.
- b) The ineffective portion shall be recognized in profit or loss.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Hedging Accounting (continued)

(5) Termination of hedge accounting

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

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

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

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

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

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

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

36. Segment information

The Group determines its operating segments based on its internal organizational structure, management requirements, and internal reporting system, while the report segment is determined based on the operating segment. An operating segment is a component of the Group that meets the following conditions simultaneously: the component is able to generate income and incur expenses in its day-to-day business; the Group's management is able to periodically evaluate the operating results of the component in order to decide on the allocation of resources to it and evaluate its performance; the Group has access to accounting information on the financial position, operating results and cash flows of the component, with inter-segment transfer prices determined by reference to market prices.

37. Held for sale and terminate operations

(1) Held-for-sale assets

When the group recovers its book value mainly through the sale rather than continuous use of a non-current asset or disposal group, the non-current asset or disposal group is classified as held for sale.

Disposal group refers to a group of assets disposed of as a whole through sale or other means in a transaction, as well as the liabilities directly related to these assets transferred in the transaction.

The Group classifies non-current assets or disposal groups that meet the following conditions as held for sale:

- a) The non-current asset or disposal group is immediately available for sale in its current condition, in accordance with the practice of selling such assets or disposal groups in similar transactions.
- b) A sale is extremely likely to occur where the Company has resolved on a plan of sale and has entered into legally binding purchase agreements with other parties. The sale is expected to be completed within a year.

The group makes initial measurement and subsequent measurement on the non-current assets held for sale (excluding financial assets and deferred income tax assets) or disposal group according to the lower of the book value and the net amount after the fair value minus the selling expenses. The difference between the book value and the net amount after the fair value minus the selling expenses is recognized as asset impairment loss and included in the current profits or losses.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

37. Held for sale and terminate operations (continued)

(2) Terminate operations

The Group will discontinue operations as defined by a separately distinguishable component that meets one of the following conditions and that has been disposed of or classified as holding for sale by the Group:

- a) The component represents a separate principal operation or a separate principal area of operation.
- b) The component is part of an associated plan to dispose of a separate principal operation or a separate principal area of operation.
- c) This component is a subsidiary acquired specifically for resale.

For terminate operations reported in the current period, and reported in the profit and loss from continuing operations and the profit or loss from discontinued operations separately in the current period's income statement. At the same time, in the income statement of the comparative period, the information previously reported as continuing operation profits or losses is restated as the discontinued operation profits or losses of the comparable accounting period.

38. Significant accounting judgments and estimates

During the preparation of the Group's financial statements, management will make judgments, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. The reality may differ from these estimates. Management continuously evaluates the judgment of the key assumptions and uncertainties involved in the estimation. The impact of a change in accounting estimates is recognized during the change period and in future periods.

The following accounting estimates and key assumptions carry a significant risk of causing significant adjustments to the carrying values of assets and liabilities in future periods.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

38. Significant accounting judgments and estimates (continued)

(1) Provision for impairment of financial assets

The Group recognizes a provision for impairment on the basis of ECL on AC, FVOCI, financing operations (including margin trading and short selling, agreed repurchase, stock-pledged repurchase, etc.), and currency market disposals (loans) of funds or securities, receivable, etc.

Based on the classification and nature of the above financial assets, combined with its own risk management practices and the relevant requirements of impairment guidelines, the Group comprehensively considers the time value of money and relevant past events that can be obtained without unnecessary additional costs or efforts on the balance sheet date on the basis of probability weighted average, to establish an expected credit loss model to measure the impairment loss of the above financial instruments based on the reasonable and reliable information predicted by the current and future economic conditions. The relevant assumptions, parameters, data sources and measurement procedures of the expected credit loss model require the Group to make professional judgment. Changes in the assumptions of these relevant factors will have an impact on the calculation results of the expected credit loss of financial instruments.

The Group uses an expected credit loss model to evaluate the impairment of financial assets and the application of the expected credit loss model requires making significant judgments and estimates such as the probability of default, the rate of default losses and whether credit risk increases significantly, taking into account all reasonable and reliable information, including forward-looking information. In making these judgments and estimates, the Group extrapolates expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risk and other factors.

For the Group's criteria for determining significant increases in credit risk, the definition of an incurred credit impairment asset, and assumptions regarding the measurement of ECL, please refer to Notes IX/1 Credit risk of this report.

(2) Impairment provision of goodwill

The goodwill is tested at least annually for impairment. The recoverable amount of the asset group and asset group combination that includes goodwill is the present value of its expected future cash flow, and its calculation requires the use of accounting estimates.

If management revises the gross profit margin used in the calculation of future cash flows of asset groups and asset group combinations, and the revised gross profit margin is lower than the currently used gross profit margin, enterprise needs to make provision for impairment of goodwill.

Notes to the Financial Statements

for the Year of 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

38. Significant accounting judgments and estimates (continued)

(2) Impairment provision of goodwill (continued)

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

If the actual gross profit margin or pre-tax discount rate is higher or lower than the management's estimate, the Group cannot reverse the impairment loss for goodwill that has been accrued.

(3) Deferred income tax assets

The estimation of deferred income tax assets needs to estimate the taxable income and applicable tax rates in the future years. The realization of deferred income tax assets depends on whether the Group is likely to obtain sufficient taxable income in the future. Future changes in tax rates and the reversal time of temporary differences may also affect income tax expenses (income) and the balance of deferred income tax. Changes in the above estimates may result in important adjustments to deferred income tax.

(4) Useful life of fixed assets and intangible assets

At least, at the end of the year, the Group reviews the estimated useful life of fixed assets and intangible assets. The estimated service life is determined by the management based on the historical experience of similar assets, with reference to the commonly used estimates in the same industry, combined with the expected technical updates. When the previous estimates have changed significantly, the depreciation expenses and amortization expenses in the future period shall be adjusted accordingly.

Notes to the Financial Statements

for the Year of 2023

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

1) *The impact of the implementation of Accounting Standards for Business Enterprises Interpretation No. 16 on the Company*

On 30 November 2022, the Ministry of Finance issued the Interpretation No. 16 of the Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16"), in which the content of "accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction is not subject to the initial recognition exemption" provides a standardized explanation. According to the provisions of Interpretation No. 16, the Company recognized deferred tax assets and liabilities respectively for lease liabilities and right-of-use assets involved in a single transaction at the beginning of the earliest period of presentation of the financial statements of Interpretation No. 16 for the first time, and the net amount of deferred tax assets and liabilities after offsetting was equal to the amount originally recognized on a net basis, which had no impact on the consolidated financial statements presented on a net basis.

As of 1 January 2023, the impact of the change in accounting policies on pre-offset deferred tax assets and liabilities is as follows:

Item	Before the Policy Changes	Influence of change	After the Policy Changes
Deferred tax assets before offset	583,815,759.67	43,417,605.61	627,233,365.28
Deferred tax liabilities before offset	37,327,485.83	43,417,605.61	80,745,091.44
Offset amount	1,379,571.60	43,417,605.61	44,797,177.21
Deferred tax assets after offset	582,436,188.07		582,436,188.07
Deferred tax liabilities after offset	35,947,914.23		35,947,914.23

(2) Changes in accounting estimates

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

Notes to the Financial Statements

for the Year of 2023

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 the Year of 2023

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

(1) Details

Item	31 December 2023			31 December 2022		
	Amount of original currency	Exchange rate ¹	RMB amount	Amount of original currency	Exchange rate	RMB amount
Cash on hand			121,206.68			179,929.41
RMB	61,459.82	1.0000	61,459.82	78,567.53	1.0000	78,567.53
HKD	61,428.47	0.9062	55,667.71	109,100.97	0.8933	97,456.62
CAD	760.00	5.3673	4,079.15	760.00	5.1385	3,905.26
Deposits in bank			9,686,435,108.53			10,202,115,473.84
Deposit account			1,528,331,501.98			1,552,535,154.13
RMB	1,292,799,921.32	1.0000	1,292,799,921.32	1,458,938,998.61	1.0000	1,458,938,998.61
USD	23,930,918.82	7.0827	169,495,480.87	4,781,724.30	6.9646	33,302,807.67
HKD	72,556,523.38	0.9062	65,752,172.61	66,237,769.17	0.8933	59,168,212.07
AUD	47,292.37	4.8484	229,292.51	47,232.49	4.7138	222,644.68
EUR	6,951.65	7.8592	54,634.42	120,909.37	7.4229	897,498.65
CAD	0.04	5.3673	0.22	0.04	5.1385	0.21
THB	0.15	0.2074	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			8,158,103,606.55			8,649,580,319.71
RMB	8,091,817,817.52	1.0000	8,091,817,817.52	8,525,573,125.77	1.0000	8,525,573,125.77
USD	2,559,690.14	7.0827	18,129,513.23	7,875,226.63	6.9646	54,847,824.77
HKD	53,139,718.59	0.9062	48,156,275.80	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			290,633,313.58			9,334,601.14
RMB	290,633,313.58	1.0000	290,633,313.58	9,334,601.14	1.0000	9,334,601.14
Total			9,977,189,628.79			10,211,630,004.39

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

Notes to the Financial Statements

for the Year of 2023

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

1. Cash and bank balances (continued)

(1) Details (continued)

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

Item	31 December 2023			31 December 2022		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate credit capital			5,015,052.38			35,720,268.49
RMB	4,853,442.33	1.0000	4,853,442.33	870,756.85	1.0000	870,756.85
HKD	178,334.24	0.9062	161,610.05	39,013,413.24	0.8933	34,849,511.64
Client credit capital			482,766,712.67			685,713,219.28
RMB	418,406,075.91	1.0000	418,406,075.91	567,868,839.66	1.0000	567,868,839.66
USD	2,475,623.70	7.0827	17,534,099.98	7,377,690.01	6.9646	51,382,659.84
HKD	51,672,371.81	0.9062	46,826,536.78	74,402,722.34	0.8933	66,461,719.78
Total			487,781,765.05			721,433,487.77

(2) As of 31 December 2023, the Group's cash which deposited overseas were RMB293,313,901.66, and mainly due to deposits made by Hong Kong subsidiaries.

(3) As of 31 December 2023, the Group has a restricted bank deposits totaling RMB27,737,092.38, 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	23,487,092.38	21,055,406.26
Frozen		3,247,000.00
Deposit for Banker's acceptance bill	4,250,000.00	
Total	27,737,092.38	24,302,406.26

Notes to the Financial Statements

for the Year of 2023

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

2. Clearing settlement funds

Item	31 December 2023			31 December 2022		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate reserve funds			123,592,584.12			71,090,653.54
RMB	123,592,573.15	1.0000	123,592,573.15	64,730,574.45	1.0000	64,730,574.45
HKD				4,508,530.01	0.8933	4,027,334.59
USD	1.55	7.0827	10.97	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			2,984,987,457.62			2,721,340,860.21
RMB	2,976,767,216.44	1.0000	2,976,767,216.44	2,714,073,509.07	1.0000	2,714,073,509.07
USD	1,016,803.58	7.0827	7,201,714.72	867,228.69	6.9646	6,039,900.93
HKD	1,123,928.47	0.9062	1,018,526.46	1,374,108.85	0.8933	1,227,450.21
Client's credit reserve funds			341,398,380.01			322,673,173.83
RMB	341,398,380.01	1.0000	341,398,380.01	322,673,173.83	1.0000	322,673,173.83
Total			3,449,978,421.75			3,115,104,687.58

3. Margin accounts receivable

(1) By categories

Item	31 December 2023	31 December 2022
Domestic		
Individual client	7,440,114,286.25	6,799,689,054.15
Institutional client	60,146,266.68	78,120,029.71
Less: Provision for impairment	22,528,674.12	20,103,781.69
Subtotal	7,477,731,878.81	6,857,705,302.17
Overseas		
Individual client	61,454,752.90	63,722,957.70
Institutional client	119,347,366.55	148,850,808.41
Less: Provision for impairment	53,680,166.81	53,393,716.45
Subtotal	127,121,952.64	159,180,049.66
Total	7,604,853,831.45	7,016,885,351.83

Notes to the Financial Statements

for the Year of 2023

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

3. Margin accounts receivable (continued)

(2) Details of collateral

Collateral type	31 December 2023	31 December 2022
Cash	300,734,425.68	820,939,372.05
Stocks	18,373,982,388.47	21,031,867,862.41
Funds	455,642,504.79	300,626,362.48
Bonds	101,840,928.12	89,409,559.20
Total	19,232,200,247.06	22,242,843,156.14

4. Derivative financial instruments

(1) 31 December 2023

Item	Hedging instruments			Non-hedging instruments		
	Contractual value	Fair value		Contractual value	Fair value	
		Asset	Liability		Asset	Liability
Stock index futures			78,284,604.62			
Commodity futures			292,288,544.53			
Interest rate swaps			97,020,000,000.00			
National debt futures			11,958,508,900.72			
Stock return swap			408,292,672.54			9,086,154.39
Over the counter options			1,461,300,652.51	27,202,732.17		6,763,945.00
Exchange-trade options			181,602,870.46	707,416.00		2,183,680.00
Total			111,400,278,245.38	27,910,148.17		18,033,779.39

Notes to the Financial Statements

for the Year of 2023

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

4. Derivative financial instruments (continued)

(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		
Interest rate swaps				84,380,000,000.00		
National debt futures				4,486,247,506.08		
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 non-debt settlement system on the current day, Stock index futures, interest rate swaps, commodity futures and national debt futures under derivative financial assets/liability are listed as the net amount after offsetting with temporary receipts and payments.

5. Refundable deposits

Item	31 December 2023			31 December 2022		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Trading margin			1,070,568,192.53			919,751,353.11
RMB	1,069,619,293.53	1.0000	1,069,619,293.53	918,817,196.11	1.0000	918,817,196.11
HKD	500,000.00	0.9062	453,110.00	500,000.00	0.8933	446,635.00
USD	70,000.00	7.0827	495,789.00	70,000.00	6.9646	487,522.00
Credit margin			6,640,165.20			8,314,504.15
RMB	6,640,165.20	1.0000	6,640,165.20	8,314,504.15	1.0000	8,314,504.15
Performance bonds			9,583,851.20			11,880,063.78
RMB	9,583,851.20	1.0000	9,583,851.20	11,880,063.78	1.0000	11,880,063.78
Total			1,086,792,208.93			939,945,921.04

Notes to the Financial Statements

for the Year of 2023

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

6. Accounts receivable

(1) By categories

Item	31 December 2023	31 December 2022
Stock-pledged repurchase receivable	634,712,442.78	367,802,927.68
Settlement receivable	312,806.75	13,339,786.67
Asset management fee receivable	59,191,389.33	55,369,965.64
Fees and commission receivable	15,894,472.71	16,423,318.58
Margin financing client's receivable	5,832,797.37	7,261,781.35
Over the counter trade receivable	308,673,293.60	
Others	67,717,643.47	30,364,253.52
Less: Provision for bad debts (According to the simplified model)	671,219,236.90	402,882,034.59
Book value of accounts receivable	421,115,609.11	87,679,998.85

Note: Based on the result of court enforcement after the stock-pledged mortgage financing breached the contract, the Company transferred the unpaid repayment part to the accounts receivable. As of 31 December 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, accounting for 98.67% of the balance of stock-pledged repurchase receivable.

(2) By evaluation methods

Item	31 December 2023			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	671,457,717.69	61.47	664,481,581.87	98.96
Subtotal	671,457,717.69	61.47	664,481,581.87	98.96
Combination provision for bad debts				
Within 1 year	387,171,516.49	35.44	1,935,857.58	0.50
1-2 years	12,279,555.30	1.12	613,977.77	5.00
2-3 years	10,558,081.99	0.97	1,055,808.20	10.00
3-4 years	5,802,760.96	0.53	1,160,552.20	20.00
4-5 years	2,805,737.56	0.26	841,721.27	30.00
More than 5 years	2,259,476.02	0.21	1,129,738.01	50.00
Subtotal	420,877,128.32	38.53	6,737,655.03	
Total	1,092,334,846.01	100.00	671,219,236.90	

Notes to the Financial Statements

for the Year of 2023

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

6. Accounts receivable (continued)

(2) By evaluation methods (continued)

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 RMB3,238,290.83, mainly for the accrued receivable of asset management fee income.

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

7. Financial assets held under resale agreements

(1) By business

Item	31 December 2023	31 December 2022
Agreed repurchase securities	3,009,369.26	10,777,668.02
Stock-pledged repurchase	904,184,979.44	1,463,318,281.97
Bond-pledged repurchase	305,392,570.51	127,975,180.28
Less: Provision for asset impairment	202,385,573.18	460,643,117.72
Total	1,010,201,346.03	1,141,428,012.55

Notes to the Financial Statements

for the Year of 2023

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

7. Financial assets held under resale agreements (continued)

(2) By subjects

Item	31 December 2023	31 December 2022
Stocks	907,194,348.70	1,474,095,949.99
Bonds	305,392,570.51	127,975,180.28
Less: Provision for asset impairment	202,385,573.18	460,643,117.72
Book Value	1,010,201,346.03	1,141,428,012.55

(3) Details of collateral

Collateral type	Fair value on 31 December 2023	Fair value on 31 December 2022
Stocks	1,850,388,342.63	2,633,161,013.78
Bonds (Note)		
Total	1,850,388,342.63	2,633,161,013.78
Including: Collateral that can be sold or re-collateralized		
Including: Collateral that has been sold or has been pledged again		

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 31 December 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 RMB305.258 million and RMB127.997 million, respectively.

(4) Stock-pledged repurchase by residual maturity

Remaining period	31 December 2023	31 December 2022
Within 1 month		135,044,383.56
1-3 months	82,041,490.51	65,023,397.30
3 months-1 year	575,688,817.67	732,950,481.48
More than 1 year		50,019,178.06
Over due	246,454,671.26	480,280,841.57
Total	904,184,979.44	1,463,318,281.97

Notes to the Financial Statements

for the Year of 2023

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

7. Financial assets held under resale agreements (continued)

(5) Stock-pledged repurchase by stage of impairment

Item	31 December 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	657,730,308.18		246,454,671.26	904,184,979.44
Impairment allowance	1,972,693.89		200,407,826.69	202,380,520.58
Book value	655,757,614.29		46,046,844.57	701,804,458.86
The value of Collateral	1,759,639,551.63		83,393,185.00	1,843,032,736.63

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

Notes to the Financial Statements

for the Year of 2023

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

8. Financial assets at fair value through profit or loss

(1) By categories

Item	31 December 2023					
	Fair value			Initial cost		
	Classified into FVTPL	Designated as FVTPL	Total	Classified into FVTPL	Designated as FVTPL	Total
Bonds	19,651,578,605.94		19,651,578,605.94	19,786,150,062.56		19,786,150,062.56
Public Offering of Fund	1,304,685,499.45		1,304,685,499.45	1,333,420,172.28		1,333,420,172.28
Stocks	840,279,124.07		840,279,124.07	1,081,097,145.65		1,081,097,145.65
Bank financing products	58,508,802.33		58,508,802.33	58,000,000.00		58,000,000.00
Brokerage asset management products	772,615,727.08		772,615,727.08	773,994,916.53		773,994,916.53
Private funds and partnerships	1,150,034,991.40		1,150,034,991.40	1,037,348,358.90		1,037,348,358.90
Others	493,504,941.74		493,504,941.74	459,200,000.00		459,200,000.00
Total	24,271,207,692.01		24,271,207,692.01	24,529,210,655.92		24,529,210,655.92

Item	31 December 2022					
	Fair value			Initial cost		
	Classified into FVTPL	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

Notes to the Financial Statements

for the Year of 2023

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

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

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

As of 31 December 2023, and 31 December 2022, the balance of the Group's financial assets at fair value through profit or loss included RMB2,661,822.87 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 31 December 2023	Book value on 31 December 2022
Bonds	Pledged for repurchase financing, pledged for bond lending	10,797,226,684.80	10,173,896,637.48
Bonds	Bond default	29,405,934.81	80,255,898.32
Brokerage asset management products	Undue underlying trust assets	1,196,100.00	1,196,100.00
Brokerage asset management products	Lock-in or Closed periods cannot exit	13,050,487.72	
Public offered funds	Securities lending	2,661,822.87	15,997,699.65
Stocks	Restrictions on bulk trading	23,750,347.80	18,849,600.00

9. Financial assets measured at amortized costs

(1) Details

Item	31 December 2023		
	Initial cost	Interest	Impairment allowance
Trust plans	190,725,846.42		93,447,439.61
Private placement bonds	156,556,487.87		156,556,487.87
Assets management plans	182,038,742.06		158,946,697.02
Total	529,321,076.35		408,950,624.50

Item	31 December 2022		
	Initial cost	Interest	Impairment allowance
Trust plans	190,725,846.42		50,252,319.71
Private placement bonds	154,747,979.43		154,747,979.43
Assets management plans	214,464,369.58		158,946,697.02
Total	559,938,195.43		363,946,996.16

Notes to the Financial Statements

for the Year of 2023

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

9. Financial assets measured at amortized costs (continued)

(2) Financial assets measured at amortized costs-ECL

Item	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses in lifetime (No credit impairment)	Stage 3 Expected credit losses in lifetime (Credit impairment)	Total
1 January 2023			363,946,996.16	363,946,996.16
Book value				
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Increase			43,195,119.90	43,195,119.90
Transfer back				
Write off				
Difference from foreign currency translation			1,808,508.44	1,808,508.44
31 December 2023			408,950,624.50	408,950,624.50

10. Financial assets at fair value through other comprehensive income

(1) By categories

Item	31 December 2023				Accumulative impairment of allowance
	Initial cost	Interest	Changes in fair value	Book value	
National bonds	201,421,761.58	2,994,587.69	328,738.42	204,745,087.69	
Local government bonds	158,223,077.29	2,129,617.48	1,078,672.71	161,431,367.48	198,011.19
Corporate bonds	42,966,626.88	1,432,647.54	345,733.12	44,745,007.54	52,657.70
Others					
Total	402,611,465.75	6,556,852.71	1,753,144.25	410,921,462.71	250,668.89

Notes to the Financial Statements

for the Year of 2023

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

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

(1) By categories (continued)

Item	31 December 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	167,469.41			167,469.41
Transfer back				
Write off				
Others	-5,987,201.86		-54,113,850.00	-60,101,051.86
31 December 2023	250,668.89			250,668.89

Notes to the Financial Statements

for the Year of 2023

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

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

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

Item	Reasons for restriction	Book value on 31 December 2023	Book value on 31 December 2022
Corporate bonds	Pledged for repurchase financing		544,516,862.96
Local government bonds	Pledged for repurchase financing		749,439,789.03
Others	Pledged for repurchase financing		343,312,689.99
National bonds	Pledged for refinancing operations	42,292,691.53	59,950,235.37

11. Equity instrument at fair value through other comprehensive income

1. Financial assets at fair value through other comprehensive income

Item	Ending balance	Beginning balance
Future membership	1,400,000.00	
Total	1,400,000.00	

2. Other notes financial assets at fair value through other comprehensive income

According to the "Implementation Rules for the Financial Treatment of Futures Companies issued by the China Futures Association", 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	31 December 2023	31 December 2022
Long-term equity investments based on equity method	1,478,891,569.69	1,613,305,804.32
Total	1,478,891,569.69	1,613,305,804.32
Less: Impairment losses	35,833,324.53	35,745,915.38
Net long-term equity investments	1,443,058,245.16	1,577,559,888.94

Notes to the Financial Statements

for the Year of 2023

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					Impairment provision period-end balance
					Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	Others	
Henan Asset Management Co., Ltd.	659,700,007.87			60,570,169.18	-3,952,584.19	-20,000,000.00				696,317,592.86
Henan Central China Micro-Lending Co., Ltd.	441,932,053.58			-69,985,739.58		-8,970,000.00		-10,641,654.83		352,334,659.17
Henan Shengrong Juyuan Venture Capital Fund (Limited Partnership)	75,946,110.40			221,791.79						76,167,902.19
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)	51,794,384.58			-718,003.28						51,076,381.30
Luoyang Kaiyuan Technology Innovation Venture Capital Fund (Limited Partnership)	35,831,639.66			-41,089.00						35,790,550.66
Henan Dahecai Cube Media Holdings Co., Ltd.	32,188,384.27			1,859,928.01		-1,350,000.00				32,698,312.28
Henan Luying Environmental Protection Technology Co., Ltd.	30,304,315.57			1,620,120.63			182,524.16			32,106,960.36
Minqian County Innovation Industry Investment Fund (Limited Partnership)	49,153,905.49		3,559,863.65	-13,816,795.99		-1,808,351.74				29,968,894.11
Xinkang Zhongqing Technology Achievement Transformation Fund (Limited Partnership)	21,808,223.63			-1,856,945.73						19,951,277.90
CSI Jiaotong Fund Management Co., Ltd.	19,557,165.38			-99,775.01						19,457,390.37
Henan Zhonglian 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			-237,538.70						16,046,950.18
Luoyang Desheng Biotechnology Co., Ltd.	12,815,284.17									12,577,745.47
Zhengzhou Dahe Zhixin Technology Co., Ltd.	12,158,167.88									12,158,167.88
Luoyang Guohong Industry Development Investment Fund (Limited Partnership)	11,258,919.11			-214,191.25						11,044,727.86
Hebi Magnesium Trading Center Co., Ltd.	9,187,706.05			-278,970.90						8,908,735.15
Weihui Zhongqing Innovation Equity Investment Fund Partnership (Limited Partnership)		4,000,000.00		-14,580.96						3,985,419.04
Henan Jiaoliang Rongmei Information Technology Co., Ltd.	3,985,571.54			-17,532.12						3,968,039.42
Hebi Jingkai Electronic Industry Development Fund Partnership (Limited Partnership)	1,993,267.03			-24,950.32						1,968,316.71

Notes to the Financial Statements

for the Year of 2023

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

12. Long-term equity investments (continued)

(2) Investment in associates (continued)

Investee	Opening balance	Increase/decrease							Impairment provision period-end balance		
		Additional investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment		Others	Closing balance
Puyang Chuangying Industrial Investment Fund Co., Ltd.	1,731,183.28			-66,427.35						1,664,755.93	
Luohe 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									1,376,024.42	
Zhengzhou Nongtao E-commerce Co., Ltd.	1,005,916.36									1,005,916.36	12,473,406.77
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	984,609.53			-266.31						984,343.22	
Henan Investment Realistic Communication Co., Ltd.	810,672.34			-73,125.73						737,546.61	492,987.23
Henan Dudu Computer Technology Co., Ltd.	240,000.00									240,000.00	
Henan Zhongping Financing Guarantee Co., Ltd.	55,673,803.65		55,673,803.65								
Henan Ruida Pharmaceutical Technology Co., Ltd.	7,538,648.78		7,538,648.78								5,059,488.46
Henan Ruitong Diamond Products Co., Ltd.	2,015,338.48		2,015,338.48								
Henan Zhongyuan Big Data Trading Center Co., Ltd.											
Shangcai Fengtuo Agriculture and Forestry Technology Co., Ltd.											4,946,823.89
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.											3,354,112.56
2242257 Ontario Inc.											6,116,750.12
Total	1,577,559,888.94	4,000,000.00	68,787,654.56	-23,173,922.62	-3,952,584.19	182,524.16	-32,128,351.74	-10,641,654.83	1,443,058,245.16	35,833,324.53	

The Group inspected the book long-term equity investment on 31 December 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 31 December 2023, the Group has accumulated a long-term equity investment impairment provision of RMB35,833,324.53.

Notes to the Financial Statements

for the Year of 2023

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) Fixed assets Transferred in	5,171,957.85	5,171,957.85
3. Decrease	7,455,310.42	7,455,310.42
(1) Disposal	11,016.00	11,016.00
(2) Transferred to Fixed assets	7,444,294.42	7,444,294.42
4. Closing balance	43,909,920.74	43,909,920.74
Accumulated depreciation and amortization		
1. Opening balance	19,072,108.59	19,072,108.59
2. Increase	4,107,050.27	4,107,050.27
(1) Accrual or amortization	1,188,326.06	1,188,326.06
(2) Fixed assets Transferred in	2,918,724.21	2,918,724.21
3. Decrease	3,750,264.40	3,750,264.40
(1) Disposal	1,395.36	1,395.36
(2) Transferred to Fixed assets	3,748,869.04	3,748,869.04
4. Closing balance	19,428,894.46	19,428,894.46
Provision for impairment		
1. Opening balance		
2. Increase		
3. Decrease		
4. Closing balance		
Book value		
1. Closing book value	24,481,026.28	24,481,026.28
2. Opening book value	27,121,164.72	27,121,164.72

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

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

Notes to the Financial Statements

for the Year of 2023

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

14. Fixed assets

(1) Book Value

Item	31 December 2023	31 December 2022
Original book value of fixed assets	520,142,181.72	524,545,204.96
Less: Accumulative depreciation	335,678,267.03	333,793,922.68
Less: Provision for impairment		
Total	184,463,914.69	190,751,282.28

(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	7,864,464.42	25,978,334.91		869,236.78	34,712,036.11
(1) Acquisition	420,170.00	25,978,334.91		869,236.78	27,267,741.69
(2) Transferred in from investment properties	7,444,294.42				7,444,294.42
3. Decrease	5,171,957.85	32,249,877.03	525,840.00	1,215,879.52	39,163,554.40
(1) Disposal or scrap		32,249,877.03	525,840.00	1,215,879.52	33,991,596.55
(2) Transferred in to investment properties	5,171,957.85				5,171,957.85
4. Difference by foreign currency translation		26,994.57	20,376.92	1,123.56	48,495.05
5. Closing balance	160,970,835.42	316,729,209.39	20,774,850.90	21,667,286.01	520,142,181.72
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	8,073,265.09	26,730,822.26	603,702.67	1,463,936.82	36,871,726.84
(1) Accrual	4,324,396.05	26,730,822.26	603,702.67	1,463,936.82	33,122,857.80
(2) Transferred in from investment properties	3,748,869.04				3,748,869.04
3. Decrease	2,918,724.21	30,568,030.63	499,548.00	1,043,547.80	35,029,850.64
(1) Disposal or scrap		30,568,030.63	499,548.00	1,043,547.80	32,111,126.43
(2) Transferred in to investment properties	2,918,724.21				2,918,724.21
4. Difference by foreign currency translation		22,253.79	19,322.75	891.61	42,468.15
5. Closing balance	71,252,018.46	229,684,590.74	19,003,045.04	15,738,612.79	335,678,267.03
Provision for impairment					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing book value	89,718,816.96	87,044,618.65	1,771,805.86	5,928,673.22	184,463,914.69
2. Opening book value	92,180,851.27	89,474,211.62	2,400,746.36	6,695,473.03	190,751,282.28

Notes to the Financial Statements

for the Year of 2023

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

14. Fixed assets (continued)

- (3) The depreciation of the fixed asset recognized in the period is RMB33,122,857.80.
- (4) On 31 December 2023, the Group has no fixed assets temporarily idle.
- (5) On 31 December 2023, the Group has no fixed assets that have not completed the title certificate.

15. Construction in progress

(1) Details

Item	31 December 2023			31 December 2022		
	Book balance	Impairment losses	Book value	Book balance	Impairment losses	Book value
Office building construction	189,352,396.39		189,352,396.39	118,898,335.11		118,898,335.11
Total	189,352,396.39		189,352,396.39	118,898,335.11		118,898,335.11

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

Notes to the Financial Statements

for the Year of 2023

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

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	41,739,527.41	41,739,527.41
(1) Rent in	41,739,527.41	41,739,527.41
3. Decrease	45,660,113.25	45,660,113.25
(1) Lease expired	45,660,113.25	45,660,113.25
(2) Others		
4. Difference by foreign currency translation	409,015.56	409,015.56
5. Closing balance	343,961,624.64	343,961,624.64
Accumulative depreciation		
1. Opening balance	151,825,978.82	151,825,978.82
2. Increase	75,328,454.46	75,328,454.46
(1) Accrual	75,328,454.46	75,328,454.46
3. Decrease	45,690,641.11	45,690,641.11
(1) Lease expired	45,690,641.11	45,690,641.11
(2) Others		
4. Difference by foreign currency translation	127,057.74	127,057.74
5. Closing balance	181,590,849.91	181,590,849.91
Book value		
1. Closing balance	162,370,774.73	162,370,774.73
2. Opening balance	195,647,216.10	195,647,216.10

On 31 December 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 the Year of 2023

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	85,450,553.38			122,641.51	85,573,194.89
(1) Purchase	85,450,553.38			122,641.51	85,573,194.89
3. Decrease	3,764,940.45	3,741,039.50			7,505,979.95
(1) Disposal or scrap	3,764,940.45	3,741,039.50			7,505,979.95
(2) Others					
4. Difference by foreign currency translation	3,885.00	9,929.50			13,814.50
5. Closing balance	509,776,051.68	28,937,110.00	105,480,246.53	2,344,188.67	646,537,596.88
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	56,738,322.19	49,999.92	2,637,006.12	41,509.44	59,466,837.67
(1) Accrual	56,738,322.19	49,999.92	2,637,006.12	41,509.44	59,466,837.67
3. Decrease	3,764,940.45	3,290,950.00			7,055,890.45
(1) Disposal or scrap	3,764,940.45	3,290,950.00			7,055,890.45
(2) Others					
4. Difference by foreign currency translation	3,885.00				3,885.00
5. Closing balance	307,642,440.35	28,467,333.24	25,710,809.70	2,086,641.52	363,907,224.81
Impairment allowance					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing balance	202,133,611.33	469,776.76	79,769,436.83	257,547.15	282,630,372.07
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 RMB59,466,837.67 in the current period.

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

Notes to the Financial Statements

for the Year of 2023

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

17. Intangible assets (continued)

(4) Details of seat fees

Item	Original balance	31 December 2022	Amortized or transferred	Accumulated amortization or roll-out	Difference by foreign currency	31 December 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	49,999.92	483,333.24		16,666.76
Hong Kong Stock Exchange	876,200.00	893,270.00	450,089.50	450,089.50	9,929.50	453,110.00
Total	32,651,150.00	959,936.68	500,089.42	32,208,372.74	9,929.50	469,776.76

18. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets before offset

Item	31 December 2023		31 December 2022	
	Deductible Temporary difference	Deferred income tax assets	Deductible Temporary difference	Deferred income tax assets
Provision for impairment of assets	1,358,748,760.27	329,894,415.12	1,328,506,582.68	322,473,810.74
To be carried forward underwriting income and expenditure	3,024,843.12	756,210.78	3,565,193.92	891,298.48
Accrued expenses	30,444,853.96	7,611,213.49	21,918,267.92	5,479,566.98
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	465,050,918.74	98,748,012.97	543,709,381.12	121,683,405.77
Change in fair value of financial assets at fair value through other comprehensive income			54,657,279.96	13,664,319.99
Changes in fair value of financial liabilities at fair value through profit or loss	728,081.24	182,020.31	1,964,608.52	491,152.13
Futures risk reserve	422,299.44	105,574.86	422,299.44	105,574.86
Employee benefits payable	349,319,436.56	87,329,859.14	306,552,159.68	76,638,039.92
Others	448,505,375.39	105,182,023.24	370,605,127.06	85,806,196.41
Total	2,656,244,568.72	629,809,329.91	2,631,900,900.30	627,233,365.28

Notes to the Financial Statements

for the Year of 2023

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

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

(2) Deferred income tax liabilities before offset

Item	31 December 2023		31 December 2022	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Change in fair value of financial assets at fair value through other comprehensive income	1,753,144.24	438,286.06		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	32,545.72	8,136.43	9,133,638.88	2,283,409.72
Others	228,190,177.32	57,047,544.33	313,846,726.88	78,461,681.72
Total	229,975,867.28	57,493,966.82	322,980,365.76	80,745,091.44

(3) Net amount of deferred income tax assets and deferred income tax liabilities after offset

Item	Offset amount between Deferred income tax assets and Deferred income tax liabilities for current period		Offset amount between Deferred income tax assets and Deferred income tax liabilities for previous period	
	Ending balance after offset deferred income tax assets and liabilities	Ending balance after offset deferred income tax assets and liabilities	Beginning balance after offset deferred income tax assets and liabilities	Beginning balance after offset deferred income tax assets and liabilities
Deferred income tax assets	36,734,033.00	593,075,296.91	44,797,177.21	582,436,188.07
Deferred income tax liabilities	36,734,033.00	20,759,933.82	44,797,177.21	35,947,914.23

Notes to the Financial Statements

for the Year of 2023

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

19. Goodwill

(1) Book balance

Investee	31 December 2022	Increase		Decrease		31 December 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		218,340.00			15,279,078.91
Total	22,329,495.28		218,340.00			22,547,835.28

(2) Provision for impairment

Investee	31 December 2022	Increase		Decrease		31 December 2023
		Provision	Others	Disposal	Others	
Central China Financing International Co., Ltd.	3,726,752.89	11,421,648.78	130,677.24			15,279,078.91
Total	3,726,752.89	11,421,648.78	130,677.24			15,279,078.91

- (1) In 2007, the Company acquired 55.68% of Central China Futures Co., Ltd. (original name: Yuliang Futures Brokerage Co., Ltd.) under non-common control. The difference between the fair value of the identifiable assets and liabilities of Central China Futures Co., Ltd. obtained by the merger cost exceeding the proportion is recognized as goodwill related to Central China Futures Co., Ltd.
- (2) Central China International, a subsidiary of the Company, acquired 100% equity interests in Central China International Financial Holdings Co., Ltd. (original name: Pan Asia Corporate Finance Limited) under non-common control in 2016 with a merger consideration of HKD24,416,272.00. The fair value of the identifiable net assets of Central China International Financial Holdings Co., Ltd. on the date of acquisition was HKD7,556,040.59, and the difference of HKD16,860,231.41 was recorded as goodwill after being translated into RMB at the exchange rate on 31 December 2023.
- (3) The main cash flow generated by the above invested unit is independent of the other subsidiaries, and the Company separately manages the above subsidiaries. Therefore, each subsidiary is an asset group and the goodwill formed by the business combination is allocated to the corresponding subsidiaries for impairment test. The recoverable amount of the Company's goodwill is determined by the method of estimating the present value of future cash flows. The discount of cash flow is calculated using an appropriate discount rate and reflects the specific risks of the relevant asset group.

As of 31 December 2023, according to impairment test of the goodwill, the difference between the original carrying amount of goodwill and the estimated recoverable amount was RMB15,279,078.91, and the provision for goodwill impairment for the period was RMB11,421,648.78.

Notes to the Financial Statements

for the Year of 2023

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

20. Other assets

(1) Details

Item	31 December 2023	31 December 2022
Other receivables	230,943,169.55	472,684,886.33
Prepaid expenses	18,304,952.02	19,700,317.19
Long-term deferred expenses	45,879,186.91	48,723,419.51
Pending underwriting expenses	305,805.01	315,904.08
Entrusted loan		
Bulk	107,365,768.25	43,259,156.92
Clearing margin receivable	10,049,604.49	10,049,607.23
Futures membership		1,400,000.00
Others	20,193,702.83	7,496,191.75
Total	433,042,189.06	603,629,483.01

(2) Other receivables

1) By nature

Item	31 December 2023	31 December 2022
Prepayments	49,643,842.71	226,954,318.59
Cash pledge	16,663,113.31	18,097,740.66
Equity transfer fund	25,324,975.10	26,474,975.10
Margins	163,001,703.94	225,815,100.82
Others	24,893,433.98	26,680,511.50
Less: Provision for bad debts	48,583,899.49	51,337,760.34
Book value	230,943,169.55	472,684,886.33

Notes to the Financial Statements

for the Year of 2023

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

20. Other assets (continued)

(2) Other receivables (continued)

2) By evaluation methods

Item	31 December 2023			31 December 2022		
	Book balance	Provision for bad debts	Proportion (%)	Book balance	Provision for bad debts	Proportion (%)
Separate provision for bad debts	204,148,644.82	39,246,978.29	19.22	275,578,092.01	41,996,404.18	15.24
Subtotal	204,148,644.82	39,246,978.29	19.22	275,578,092.01	41,996,404.18	15.24
Combination provision for bad debts						
Within 1 year	34,932,277.65	174,661.39	0.50	206,775,992.99	1,033,879.95	0.50
1-2 years	12,906,541.63	645,327.08	5.00	17,302,129.25	865,106.46	5.00
2-3 years	8,740,365.98	874,036.60	10.00	4,491,905.09	449,190.51	10.00
3-4 years	4,410,274.42	882,054.88	20.00	2,795,892.94	559,178.60	20.00
4-5 years	2,168,207.63	650,462.29	30.00	10,526,582.78	3,157,974.83	30.00
More than 5 years	12,220,756.91	6,110,378.96	50.00	6,552,051.61	3,276,025.81	50.00
Subtotal	75,378,424.22	9,336,921.20		248,444,554.66	9,341,356.16	
Total	279,527,069.04	48,583,899.49		524,022,646.67	51,337,760.34	

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

(3) Long-term deferred expenses

Item	31 December 2022	Increase	Deferred	Difference from foreign currency translation	31 December 2023
Decoration expenses, etc.	48,723,419.51	14,572,800.95	17,420,014.74	2,981.19	45,879,186.91
Total	48,723,419.51	14,572,800.95	17,420,014.74	2,981.19	45,879,186.91

Notes to the Financial Statements

for the Year of 2023

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

20. Other assets (continued)

(4) Entrusted loans

Item	31 December 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	31 December 2023	31 December 2022
Securities lending	3,676,678.87	17,674,884.65
— Financial assets at fair value through profit or loss	2,661,822.87	15,997,699.65
— Securities received through refinancing	1,014,856.00	1,677,185.00
Total amount of securities received through refinancing	1,828,500.00	1,988,900.00

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

Notes to the Financial Statements

for the Year of 2023

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	31 December 2023
			Turn back	Transfer out			
Provision for impairment of margin accounts receivable	73,497,498.14	2,646,125.36				65,217.43	76,208,840.93
Provision for bad debts of accounts receivable	402,882,034.59	11,266,276.69		1,382,552.08	258,438,936.44	14,541.26	671,219,236.90
Provision for bad debts of other receivables	51,337,760.34		2,522,137.81	240,910.07		9,187.03	48,583,899.49
Provision for impairment of financial assets held under resale agreements	460,643,117.72	2,117,613.48	1,936,221.58		-258,438,936.44		202,385,573.18
Provision for impairment of financial assets at amortized costs	363,946,996.16	43,195,119.90				1,808,508.44	408,950,624.50
Provision for impairment of financial assets at fair value through other comprehensive income	60,184,251.34	167,469.41		60,101,051.86			250,668.89
Provision for impairment of other assets	9,967,776.77	102,369.95					10,070,146.72
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	59,494,974.79	4,458,359.39	61,724,514.01		1,897,454.16	1,439,804,367.90
Provision for impairment of long-term equity investments	35,745,915.38					87,409.15	35,833,324.53
Provision for impairment of inventory	1,327.40	1,624,044.98	1,508.17	1,237,398.60			386,465.61
Provision for impairment of goodwill	3,726,752.89	11,421,648.78				130,677.24	15,279,078.91
Subtotal of provision for impairment of other assets	39,473,995.67	13,045,693.76	1,508.17	1,237,398.60		218,086.39	51,498,869.05
Total	1,484,068,808.02	72,540,668.55	4,459,867.56	62,961,912.61		2,115,540.55	1,491,303,236.95

Notes to the Financial Statements

for the Year of 2023

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	31 December 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	22,529,094.73	301,016.11	53,378,730.09	76,208,840.93
Provision for bad debts of accounts receivable		6,737,655.03	664,481,581.87	671,219,236.90
Provision for bad debts of other receivables		9,336,921.20	39,246,978.29	48,583,899.49
Provision for impairment of financial assets held under resale agreements	1,977,746.49		200,407,826.69	202,385,573.18
Provision for impairment of financial assets at amortized costs			408,950,624.50	408,950,624.50
Provision for impairment of financial assets at fair value through other comprehensive income	250,668.89			250,668.89
Provision for impairment of other assets		102,369.95	9,967,776.77	10,070,146.72
Provision for impairment of entrusted loan			22,135,377.29	22,135,377.29
Total	24,757,510.11	16,477,962.29	1,398,568,895.50	1,439,804,367.90

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 the Year of 2023

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

23. Short-term loans

Item	31 December 2023	31 December 2022
Pledge loans (Note 1)		40,197,150.00
Credit loans (Note 2)		17,865,400.00
Guaranteed loans (Note 3)		8,012,466.67
Total		66,075,016.67

Note 1: Pledge loans details:

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

Note 2: Credit loans details:

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

Note 3: Guaranteed loans details:

As of 31 December 2022, guaranteed loans are loans of RMB8,000,000.00 borrowed by subsidiary Yu Xing Investment Co., Ltd. from Zhengzhou High-tech Zone Branch of China Everbright Bank Co., LTD. The loan period does not exceed one year, and the annual interest rate of the loan is 5.10%.

Notes to the Financial Statements

for the Year of 2023

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

24. Short-term financing instruments payable

Item	Par value (10K)	Start Date	Maturity	Issuing amount (10K)	Coupon rate	Book balance of			Book balance of 31 Dec 2023
						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%		1,033,273,352.46		1,033,273,352.46
21 Central China C1 (Note 3)	110,000	22 October 2021	3 years	110,000	4.70%		1,110,196,388.80		1,110,196,388.80
22 Central China s1 (Note 4)	100,000	11 July 2022	1 year	100,000	2.49%	1,011,870,136.98	13,029,863.02	1,024,900,000.00	
23 Central China 02 (Note 5)	100,000	12 June 2023	368 days	100,000	2.61%		1,014,468,720.61		1,014,468,720.61
Income securities issued certificate (Note 6)	91,214.10	6 July 2023 to 29 December 2023	14-182 days	91,214.10	1.95%-6.00%	1,578,480,805.96	6,261,073,952.65	6,921,769,836.90	917,784,921.71
Total	651,214.10			651,214.10		4,132,771,764.91	9,450,821,455.57	9,507,869,836.90	4,075,723,383.58

Note 1: According to the resolution of the company's first extraordinary general meeting of shareholders in 2019, the company was approved to non-publicly issue subordinated bonds with a total amount of no more than RMB3 billion to qualified investors through the Shanghai Stock Exchange's "Letter on No Objection to the Listing and Transfer of Non-public Issuance of Subordinated Corporate Bonds by Zhongyuan Securities Co., Ltd." (SSE Han [2020] No. 544). 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 company's third extraordinary general meeting of shareholders in 2015, the company was approved by the China Securities Regulatory Commission on the Approval of Zhongyuan Securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors (Zheng Jian Xu Xu [2019] No. 326), the company was allowed to publicly issue corporate bonds with a total face value of no more than RMB3 billion to qualified investors. On 4 March 2021, the company issued bonds of RMB1 billion, with a maturity of 3 years and a coupon rate of 4.03%.

Note 3: According to the resolution of the Company's first extraordinary general meeting of shareholders in 2019, the Company was approved to non-publicly issue subordinated bonds with a total amount of no more than RMB3 billion to qualified investors in accordance with the Shanghai Stock Exchange's Letter on No Objection to the Listing and Transfer of Non-public Issuance of Subordinated Corporate Bonds by Zhongyuan Securities Co., Ltd. (SSE Han [2020] No. 544), and the effective date of the SSE Letter was extended from March 2021 to December 2021 in accordance with the requirements of the notice of the Shanghai Stock Exchange. On 21 October 2021, the company issued the first subordinated bond of RMB1.1 billion in 2021, with a maturity of 3 years and a coupon rate of 4.70%.

Note 4: According to the resolution of the company's first extraordinary general meeting of shareholders in 2019, the company was approved by the China Securities Regulatory Commission on the Approval of Zhongyuan Securities Co., Ltd.'s Registration of Public Issuance of Short-term Corporate Bonds to Professional Investors (Zheng Jian Xu Ke [2021] No. 377), and the company was allowed to publicly issue short-term corporate bonds with a total amount of no more than RMB5 billion to professional investors. On 8 July 2022, the company issued bonds of RMB1 billion, with a maturity of 1 year and a coupon rate of 2.49%.

Notes to the Financial Statements

for the Year of 2023

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

24. Short-term financing instruments payable (continued)

Note 5: According to the resolution of the company's first extraordinary general meeting of shareholders in 2019, the company was approved to publicly issue corporate bonds with a total face value of no more than RMB5 billion to professional investors after the China Securities Regulatory Commission's "Reply on The Approval of Zhongyuan Securities Co., Ltd.'s Public Issuance of Corporate Bonds to Professional Investors" (Zheng Jian Xu Ke [2022] No. 2533). On 9 June 2023, the company issued bonds of RMB1 billion, with a maturity of 368 days and a coupon rate of 2.61%.

Note 6: As of 31 December 2023, the company's existing income certificates include Xinyi series income certificates of RMB25,803,000.00, Jinyi series income certificates of RMB295,849,000.00 and Zunyi series income certificates of RMB590,489,000.00, with a term of 14~182 days and an interest rate range of 1.95%~6.00%.

25. Due to banks and other financial institutions

(1) Categories

Item	31 December 2023	31 December 2022
Due to banks	2,995,916,161.16	1,200,279,361.15
Capital from refinancing	301,990,833.32	301,999,999.99
Total	3,297,906,994.48	1,502,279,361.14

(2) Residual maturity of capital from refinancing

Item	31 December 2023		31 December 2022	
	Balance	Rate	Balance	Rate
Within 1 month	201,886,111.10	3.50%		
1-3 months			301,999,999.99	2.50%
3 months-1 year	100,104,722.22	2.90%		
Total	301,990,833.32	2.90%-3.50%	301,999,999.99	2.50%

Notes to the Financial Statements

for the Year of 2023

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

26. Financial liabilities at fair value through profit or loss

Item	31 December 2023		Total
	Classified into FVTPL	Fair value Designated as FVTPL	
Bonds (Note 1)	307,843,920.49		307,843,920.49
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (Note 2)	578,564,904.36		578,564,904.36
Linked stock index income securities issued certificate	503,202,356.18		503,202,356.18
Total	1,389,611,181.03		1,389,611,181.03

Item	31 December 2022		Total
	Classified into FVTPL	Fair value Designated as FVTPL	
Bonds (Note 1)	806,961,469.87		806,961,469.87
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (Note 2)	718,581,188.74		718,581,188.74
Total	1,525,542,658.61		1,525,542,658.61

Note 1: As of 31 December 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.

Note 3: As of 31 December 2023, the Group sold income securities issued certificate to other financial institutions for financing business.

Notes to the Financial Statements

for the Year of 2023

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

27. Financial assets sold under repurchase agreements

(1) By categories

Item	31 December 2023	31 December 2022
Outright repurchase	429,052.73	238,125,757.20
Pledge-style repurchase	10,601,958,426.84	9,649,762,175.12
Total	10,602,387,479.57	9,887,887,932.32

(2) By subject categories

Item	31 December 2023	31 December 2022
Bonds	10,602,387,479.57	9,887,887,932.32
Total	10,602,387,479.57	9,887,887,932.32

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

Item	Fair value on 31 December 2023	Fair value on 31 December 2022
Bonds	11,493,240,612.92	10,635,282,535.62
Total	11,493,240,612.92	10,635,282,535.62

Notes to the Financial Statements

for the Year of 2023

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

28. Accounts payable to brokerage clients

Item	31 December 2023	31 December 2022
General brokerage business		
Individual	9,962,778,842.88	9,923,945,568.29
Institution	870,758,790.03	1,064,790,501.50
Subtotal	10,833,537,632.91	10,988,736,069.79
Credit business		
Individual	687,968,937.04	841,013,361.36
Institution	16,544,033.05	19,917,376.67
Subtotal	704,512,970.09	860,930,738.03
Total	11,538,050,603.00	11,849,666,807.82

29. Employee benefits payable

(1) Categories

Item	31 December 2022	Increase	Decrease	31 December 2023
Short-term benefits	577,737,985.04	781,533,031.02	895,553,434.84	463,717,581.22
Post-employment benefit				
— defined contribution plans	76,584,705.36	135,863,350.65	160,731,344.48	51,716,711.53
Dismissal benefit	193,894.59	1,214,932.34	1,339,279.98	69,546.95
Total	654,516,584.99	918,611,314.01	1,057,624,059.30	515,503,839.70

Notes to the Financial Statements

for the Year of 2023

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

29. Employee benefits payable (continued)

(2) Short-term benefits

Item	31 December 2022	Increase	Decrease	31 December 2023
Wages, bonuses, allowances and subsidies	439,343,995.26	597,083,771.91	716,247,599.32	320,180,167.85
Welfare	62,886.21	45,090,304.64	45,106,883.00	46,307.85
Social insurance contribution	2,087.72	53,330,003.91	53,330,003.93	2,087.70
Including: Medical insurance	1,853.62	39,057,819.24	39,057,819.26	1,853.60
Work-related injury insurance	39.00	814,445.45	814,445.45	39.00
Maternity insurance	195.10	2,251,816.23	2,251,816.23	195.10
Supplementary medical insurance		11,194,412.43	11,194,412.43	
Others		11,510.56	11,510.56	
Housing funds		60,996,289.69	60,996,289.69	
Labor union and employee education costs	138,329,015.85	25,032,660.87	19,872,658.90	143,489,017.82
Total	577,737,985.04	781,533,031.02	895,553,434.84	463,717,581.22

(3) Post-employment benefit — defined contribution plans

Item	31 December 2022	Increase	Decrease	31 December 2023
Basic pension	3,902.40	76,069,568.84	76,069,568.84	3,902.40
Unemployment insurance	97.50	3,051,665.10	3,051,665.10	97.50
Enterprise annuity insurance	76,580,705.46	56,742,116.71	81,610,110.54	51,712,711.63
Total	76,584,705.36	135,863,350.65	160,731,344.48	51,716,711.53

Note: The Company and the domestic subsidiaries make contributions to basic pension insurance (the "Pension Insurance Plan") in accordance with the relevant regulations of the local government. The subsidiaries of the Company in Hong Kong such as Central China International Financial Holdings Company Limited make contributions to the Mandatory Provident Fund (the "MPF Plan") in accordance with the Mandatory Provident Fund Schemes Ordinance of Hong Kong. The Company and the domestic subsidiaries have established the enterprise annuity plans (the "Enterprise Annuity Plans") in accordance with the relevant policies of the domestic enterprise annuity system.

As of 31 December 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.

Notes to the Financial Statements

for the Year of 2023

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

30. Taxes payable

Item	31 December 2023	31 December 2022
Individual income tax	15,673,639.63	29,335,285.74
Enterprise income tax	8,458,155.39	81,116,239.86
Value added tax	807,251.57	610,157.53
Urban maintenance and construction tax	549,135.56	179,072.05
Educational surcharge	490,403.86	225,803.55
Property tax	294,440.00	351,513.35
Land holding tax	52,642.81	59,963.70
Others	111,190.49	20,797.23
Total	26,436,859.31	111,898,833.01

31. Accounts payable

Item	31 December 2023	31 December 2022
Open-end fund liquidation	356,512,718.52	225,940,819.53
Securities liquidation	3,254,604.40	1,472,375.60
Bank custody fee	4,594,888.40	5,745,021.73
Over the counter payable	494,958,985.70	
Others	13,692,147.28	4,369,445.76
Total	873,013,344.30	237,527,662.62

Note: Accounts payable mainly include accounts payable for open-end fund liquidation, securities liquidation and OTC business, 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	31 December 2023	31 December 2022
Fee and commission advances	2,469,798.59	2,688,727.83
Trade advances	5,412,034.78	3,178,127.79
Total	7,881,833.37	5,866,855.62

Notes to the Financial Statements

for the Year of 2023

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

33. Bonds payable

Item	Face value (10K)	Start Date	Maturity	Issuing amount (10K)	Coupon rate	31 December 2022			31 December 2023
						book balance	Increase	Decrease	book balance
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	41,503,611.18	1,151,700,000.00	
22 Central China 01 (Note 3)	200,000	24 February 2022	3 years	200,000	3.20%	2,053,813,706.99	64,329,553.15	64,000,000.00	2,054,143,260.14
22 Central China C1 (Note 4)	50,000	17 October 2022	3 years	50,000	3.30%	503,435,616.43	16,499,999.96	16,500,000.00	503,435,616.39
23 Central China 01 (Note 5)	100,000	13 March 2023	3 years	100,000	3.68%		1,029,176,975.09		1,029,176,975.09
23 Central China C1 (Note 6)	50,000	18 August 2023	3 years	50,000	3.70%		506,893,150.70		506,893,150.70
WENDING	10,000			10,000					
ZHONGYUAN (Note 7)	(US dollar)	22 March 2022	3 years	(US dollar)	4.00%	664,411,080.32	39,115,164.62	75,974,082.00	627,552,162.94
Total						5,364,791,008.73	1,704,884,238.53	2,348,474,082.00	4,721,201,165.26

Note 1: According to the resolution of the company's third extraordinary general meeting of shareholders in 2015, the company was approved by the China Securities Regulatory Commission on the Approval of Zhongyuan Securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2019] No. 326), the company was allowed to publicly issue corporate bonds with a total face value of no more than RMB3 billion to qualified investors. On 4 March 2021, the company issued bonds of RMB1 billion, with a maturity of 3 years and a coupon rate of 4.03%.

Note 2: According to the resolution of the Company's first extraordinary general meeting of shareholders in 2019, the Company was approved to non-publicly issue subordinated bonds with a total amount of no more than RMB3 billion to qualified investors in accordance with the Shanghai Stock Exchange's Letter on No Objection to the Listing and Transfer of Non-public Issuance of Subordinated Corporate Bonds by Zhongyuan Securities Co., Ltd. (SSE Han [2020] No. 544), and the effective date of the SSE Letter was extended from March 2021 to December 2021 in accordance with the requirements of the notice of the Shanghai Stock Exchange. On 21 October 2021, the company issued the first subordinated bond of RMB1.1 billion in 2021, with a maturity of 3 years and a coupon rate of 4.70%.

Note 3: According to the resolution of the company's first extraordinary general meeting of shareholders in 2019, the company was approved by the China Securities Regulatory Commission on the Approval of Zhongyuan Securities Co., Ltd.'s Registration of Public Issuance of Corporate Bonds to Professional Investors (Zheng Jian Xu Ke [2022] No. 39), and the company was allowed to publicly issue corporate bonds with a total face value of no more than RMB2 billion to professional investors. On 23 February 2022, the company issued bonds of RMB2 billion, with a maturity of 3 years and a coupon rate of 3.20%.

Notes to the Financial Statements

for the Year of 2023

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

33. Bonds payable (continued)

Note 4: According to the resolution of the company's first extraordinary general meeting of shareholders in 2019, the company was approved to publicly issue subordinated bonds with a total face value of no more than RMB4 billion to professional investors after the China Securities Regulatory Commission's "Reply on Agreeing to the Registration of Zhongyuan Securities Co., Ltd.'s Public Issuance of Subordinated Corporate Bonds to Professional Investors" (Zheng Jian Xu Ke [2022] No. 2213). On 14 October 2022, the company issued bonds of RMB500 million, with a maturity of 3 years and a coupon rate of 3.30%.

Note 5: According to the resolution of the company's first extraordinary general meeting of shareholders in 2019, the company was approved to publicly issue corporate bonds with a total face value of no more than RMB5 billion to professional investors after the China Securities Regulatory Commission's "Reply on Agreeing to the Registration of Zhongyuan Securities Co., Ltd.'s Public Issuance of Corporate Bonds to Professional Investors" (Zheng Jian Xu ke [2022] No. 2533). On 10 March 2023, the company issued bonds of RMB1 billion, with a maturity of 3 years and a coupon rate of 3.68%.

Note 6: According to the resolution of the company's first extraordinary general meeting of shareholders in 2019, the company was approved to publicly issue subordinated bonds with a total face value of no more than RMB4 billion to professional investors after the China Securities Regulatory Commission's "Reply on Agreeing to the Registration of Zhongyuan Securities Co., Ltd.'s Public Issuance of Subordinated Corporate Bonds to Professional Investors" (Zheng Jian Xu ke [2022] No. 2213). On 18 August 2023, the company issued bonds of RMB500 million, with a maturity of 3 years and a coupon rate of 3.70%.

Note 7: Wending Zhongyuan Company Limited, a subsidiary of the Company, issued US\$100 million bonds with a coupon rate of 4% on 22 March 2022, after the 10th meeting of the 6th session of the Board of Directors of the Company and the 1st Extraordinary General Meeting of Shareholders in 2019 deliberated and approved the "Proposal on the General Authorization of the Company to Issue Domestic and Overseas Debt Financing Instruments". The company provides joint and several liability guarantees.

34. Lease liabilities

Item	31 December 2023	31 December 2022
Lease liabilities	159,674,911.48	192,051,033.00
Including: less than 1 year	66,335,598.42	71,635,265.19
Total	159,674,911.48	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 the Year of 2023

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

35. Provisions

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

36. Other liabilities

(1) Details

Item	31 December 2023	31 December 2022
Other payables	224,003,199.09	345,541,387.79
Receipts in advance	38,153,283.30	20,957,634.77
Futures risk reserve	34,714,760.36	31,682,059.19
Investor protection fund	6,002,456.29	6,691,035.38
Others	2,125,079.22	1,590,141.72
Total	304,998,778.26	406,462,258.85

(2) Other payables

Item	31 December 2023	31 December 2022
Equity transfer payables	14,813,893.20	111,658,750.00
Warranty deposit (note 1)	50,260,864.00	26,335,040.00
Withholding supervision fees, rent, utilities, etc.	49,499,181.81	36,469,012.45
Temporary receipts	48,414,991.31	47,565,295.31
Others	61,014,268.77	123,513,290.03
Total	224,003,199.09	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 RMB35,341,824.00, and the book value of the pledged bulk commodity inventory set for after-sales repurchase financing business is RMB18,374,231.41.

Notes to the Financial Statements

for the Year of 2023

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	31 December 2023
Total share capital	4,642,884,700.00						4,642,884,700.00

38. Capital reserve

Item	31 December 2022	Increase	Decrease	31 December 2023
Premium on share capital	6,575,416,411.00		35,122,159.78	6,540,294,251.22
Other capital reserves	-270,482,949.70	182,524.16		-270,300,425.54
Total	6,304,933,461.30	182,524.16	35,122,159.78	6,269,993,825.68

Note: The change in capital reserve — equity premium in the current period was formed by the acquisition of minority shareholders' equity in subsidiaries; Change in capital reserves — other capital reserves is formed by the passive dilution of shareholding ratios under the equity method.

Notes to the Financial Statements

for the Year of 2023

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	31 December 2023
				Less: Income tax	Total			
OCI to be reclassified subsequently to profit or loss	62,923,244.73	9,228,795.45	9,337,758.97	-880,789.57	771,826.05	771,826.05		63,695,070.78
Including: the change of the fair value of FVTOCI	-40,992,959.95	5,647,131.31	-50,763,292.89	14,102,606.05	42,307,818.15	42,307,818.15		1,314,858.20
Credit impairment allowance of FVTOCI	45,138,188.49	167,469.41	60,101,051.86	-14,983,395.62	-44,950,186.83	-44,950,186.83		188,001.66
Other comprehensive income convertible to profit or loss under the equity method	5,687,612.75	-3,952,584.19			-3,952,584.19	-3,952,584.19		1,735,028.56
Difference by foreign currency	53,090,403.44	7,366,778.92			7,366,778.92	7,366,778.92		60,457,182.36
Total	62,923,244.73	9,228,795.45	9,337,758.97	-880,789.57	771,826.05	771,826.05		63,695,070.78

40. Surplus reserve

Item	31 December 2022	Increase	Decrease	31 December 2023
Statutory reserve	733,288,595.79	40,026,086.22		773,314,682.01
Discretionary reserve	209,222,172.00	20,013,043.11		229,235,215.11
Total	942,510,767.79	60,039,129.33		1,002,549,897.12

41. General risk reserve

Item	31 December 2022	Increase	Decrease	31 December 2023
The funds for general risk provision	864,783,967.18	47,826,858.30		912,610,825.48
The funds for transactional risk provision	728,534,793.69	40,026,086.22		768,560,879.91
Total	1,593,318,760.87	87,852,944.52		1,681,171,705.39

General risk reserves include the general risk reserves and transaction risk reserves provided by the Company and its subsidiaries. For details, please refer to Note IV. 28.

Notes to the Financial Statements

for the Year of 2023

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

42. Retained earnings

Item	FY 2023	FY 2022
Retained earnings at the closing of prior year Adjusted	211,258,110.35	295,251,945.46
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	211,601,553.51	106,577,985.92
Less: Statutory reserve	40,026,086.22	22,665,558.36
Discretionary reserve	20,013,043.11	11,332,779.18
General risk reserve	47,826,858.30	36,407,346.43
Transaction risk reserve	40,026,086.22	22,665,558.36
Distribution of common stock dividends	32,500,192.90	97,500,578.70
Others		
Balance at the end of current period	242,467,397.11	211,258,110.35

Notes to the Financial Statements

for the Year of 2023

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

43. Net interest income

Item	FY 2023	FY 2022
Interest income	813,456,863.57	854,861,787.59
Including: Interest income from bank balances and clearing settlement funds	248,731,162.82	247,758,004.50
Interest income on margin trading business	480,128,684.03	496,076,642.91
Interest income from financial assets held under resale agreements	53,041,910.28	79,682,367.56
Including: Interest income from agreed repurchase	389,700.52	621,221.55
Interest income from stock-pledged repurchase	48,118,590.80	76,369,233.23
Interest income from financial assets measured at amortized cost	350,000.00	
Interest income from financial assets at fair value through other comprehensive income	31,205,106.44	31,344,772.62
Interest expenses	687,388,404.06	723,328,184.38
Including: Interest expenses of loans	322,625.58	4,338,969.73
Interest expenses of income securities issued certificate	49,105,952.65	70,320,887.42
Interest expenses of due to banks and other financial institutions	19,327,829.88	12,314,160.72
Including: Interest expenses of refinancing interest	10,507,524.89	5,644,777.42
Interest expenses of financial assets sold under repurchase agreements	270,524,897.67	235,233,617.43
Interest expenses of accounts payable to brokerage clients	33,401,291.89	41,661,052.99
Interest expenses of bonds payable	285,231,180.65	335,902,240.81
Including: Interest expenses of subordinated bonds	94,073,880.56	157,254,212.94
Interest expenses of bond lending	13,719,191.95	8,498,252.03
Others	15,755,433.79	15,059,003.25
Net interest income	126,068,459.51	131,533,603.21

Notes to the Financial Statements

for the Year of 2023

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

44. Net fee and commission income

(1) Details

Item	FY 2023	FY 2022
Securities brokerage services net income	436,874,115.80	522,901,739.60
— Securities brokerage services income	584,208,514.12	701,836,561.84
— Funds received as agent of stock exchange	568,727,704.78	678,748,228.99
Leasing of trading unit seats	44,205.69	167,918.24
Sales agent of financial products	15,322,193.88	22,661,090.31
— Securities brokerage services expenses	147,334,398.32	178,934,822.24
— Funds received as agent of stock exchange	147,282,166.18	178,877,235.76
Sales agent of financial products	232.82	17,943.10
Futures brokerage business net income	94,987,938.70	108,870,025.05
— Futures brokerage business income	177,763,305.23	172,672,045.91
— Futures brokerage business expenses	82,775,366.53	63,802,020.86
Investment bank business net income	91,944,011.98	267,706,018.37
— Investment bank business income	96,074,321.50	270,726,080.40
— Securities underwriting business	47,916,765.70	219,903,702.77
Sponsor business of securities	13,963,773.58	13,561,958.99
Financial advisory business	34,193,782.22	37,260,418.64
— Investment bank business expenses	4,130,309.52	3,020,062.03
— Securities underwriting business	1,358,490.56	811,320.75
Sponsor business of securities		
Financial advisory business	2,771,818.96	2,208,741.28
Asset management business net income	48,701,535.95	46,818,596.15
— Asset management business income	48,701,535.95	46,893,718.99
— Asset management business expenses		75,122.84
Fund management business net income	14,478,808.90	11,891,278.20
— Fund management business income	16,500,827.87	18,371,220.93
— Fund management business expenses	2,022,018.97	6,479,942.73
Investment consulting business net income	43,276,167.10	54,108,288.84
— Investment consulting business income	43,276,167.10	54,108,288.84
— Investment consulting business expenses		
Other fee and commission net income	15,725,751.28	20,993,987.81
— Other fee and commission income	15,815,504.70	20,993,987.81
— Other fee and commission expenses	89,753.42	
Total	745,988,329.71	1,033,289,934.02
Including: Total fee and commission income	982,340,176.47	1,285,601,904.72
 Total fee and commission expenses	236,351,846.76	252,311,970.70

Notes to the Financial Statements

for the Year of 2023

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

44. Net fee and commission income (continued)

(2) Net income from financial advisory business

Item	FY 2023	FY 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	849,056.61	216,981.13
Others	30,384,227.41	34,834,696.23
Total	31,421,963.26	35,051,677.36

45. Investment income

(1) By categories

Item	FY 2023	FY 2022
Long-term equity investments income calculated by equity method	-23,173,922.62	54,930,970.97
Disposal income of long-term equity investment	-13,421,087.96	10,870,645.48
Financial instruments investment income	909,772,487.30	967,876,814.08
Including: Income generated during holding period	748,039,526.43	775,503,941.36
Including: Financial assets at fair value through profit or loss	691,235,214.10	720,142,348.31
Financial liabilities at fair value through profit or loss	56,804,312.33	55,361,593.05
Disposal income of financial instruments	161,732,960.87	192,372,872.72
Including: Financial assets at fair value through profit or loss	69,938,207.42	112,182,234.06
Financial assets at fair value through other comprehensive income	63,690,575.55	4,205,615.46
Derivative financial instruments	56,340,363.86	39,606,109.45
Financial liabilities at fair value through profit or loss	-28,236,185.96	36,378,913.75
Total	873,177,476.72	1,033,678,430.53

Notes to the Financial Statements

for the Year of 2023

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		FY 2023
Classified into financial assets measured at fair value through profit or loss	Holding period income	748,039,526.43
	Disposal income	69,938,207.42
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	56,804,312.33
	Disposal income	-28,236,185.96
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	FY 2023	FY 2022
Financial assets at fair value through profit or loss	-37,780,111.04	-455,127,950.94
Including: Designated as financial assets measured at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	1,236,527.27	-1,964,608.52
Including: Designated as financial liabilities measured at fair value through profit or loss		
Derivative financial instruments	-60,112,944.37	15,867,980.32
Total	-96,656,528.14	-441,224,579.14

47. Other operating income

Item	FY 2023	FY 2022
Commodity sales income	289,628,561.31	88,316,516.11
Penalty interest income from stock pledge business	6,247,656.63	2,733,349.32
Rental income	2,167,699.45	2,628,818.81
Others	2,771,861.83	2,533,904.05
Total	300,815,779.22	96,212,588.29

Notes to the Financial Statements

for the Year of 2023

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

48. Gains from assets disposal

Item	FY 2023	FY 2022
Non-current asset disposal income	40,069.74	-125,883.14
Including: Fixed asset disposal income	12,231.42	23,824.97
Right of use asset disposal income	27,838.32	-149,708.11
Total	40,069.74	-125,883.14

49. Other income

(1) Detail of other income

Item	FY 2023	FY 2022
Government grants	18,195,183.98	25,965,466.55
Total	18,195,183.98	25,965,466.55

(2) Description of major government grants included in other income:

- a) According to the "Opinions on Financial Support for Economic Development in Pudong New Area during the 14th Five-Year Plan Period" (Pu Fu Gui [2021] No. 7), the Company received support funds for the development of the financial industry from the Finance Bureau of Pudong New Area of Shanghai in 2023, which was included in other income in the amount of RMB6,161,000.00 in accordance with the relevant provisions of accounting standards.
- b) According to the document "Notice of the Ministry of Finance, the State Administration of Taxation and the People's Bank of China on Further Strengthening the Administration of Withholding and Collection of Tax Handling Fees" (Cai Hang [2019] No. 11), the Company and its subsidiaries received the "three generations" tax handling fee refund in 2023, which was included in other income in accordance with the relevant provisions of accounting standards, amounting to RMB8,880,916.83.
- c) According to the document "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 the job stabilization subsidy in 2023, which was included in other income in accordance with the relevant provisions of accounting standards, amounting to RMB1,861,067.91.

Notes to the Financial Statements

for the Year of 2023

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

49. Other income (continued)

(2) Description of major government grants included in other income (continued)

- d) According to the document "Several Policies for Supporting the Listing and Development of Enterprises in Xi'an High-tech Zone", the Company completed the IPO project and was successfully listed on the Growth Enterprise Market of the Shenzhen Stock Exchange on 15 July 2021, and obtained the corresponding rewards of the "Notice of the Management Committee of Xi'an High-tech Zone on Implementing the Three Preferential Policies for Entrepreneurship in 2020 (the Second and Third Batches) and the Industrial (First Batch) Request", which was included in other income in accordance with the relevant provisions of the accounting standards, amounting to RMB943,396.23.
- e) According to the document "Notice on Organizing the Application of Industrial Support Funds in 2022" (Qinglao Cai [2022] No. 107), the Company received a government incentive from the Local Financial Administration of Laoshan District, Qingdao City, which was included in other income in accordance with the relevant provisions of accounting standards, amounting to RMB157,203.01.
- f) According to the document "Measures for Financial Support for Promoting the Development of the Financial Industry in Pudong New Area during the 14th Five-Year Plan Period" (Puhu Finance [2022] No. 2), the Company's subsidiaries received the support funds allocated by the Finance Bureau in 2023 to promote the development of the financial industry in 2023, which was included in other income in the amount of RMB108,000.00 in accordance with the relevant provisions of accounting standards.

50. Taxes and surcharges

Item	FY 2023	FY 2022
City maintenance and construction tax	4,790,045.88	6,193,168.16
Educational surcharges	3,459,097.79	4,545,936.51
Others	2,905,267.45	2,861,447.28
Total	11,154,411.12	13,600,551.95

Notes to the Financial Statements

for the Year of 2023

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

51. Business and administrative expenses

Item	FY 2023	FY 2022
Employee expenses	918,611,314.01	1,061,733,448.91
Depreciation of right-of-use assets	75,328,454.46	74,811,823.29
Electronic equipment operating fees	61,583,055.89	55,027,567.68
Amortization of intangible assets	59,466,837.67	48,234,590.19
Depreciation fee of fixed assets	33,122,857.80	31,248,317.61
Advertising fees	28,917,302.16	33,319,111.26
Consulting fees	22,114,586.87	28,642,440.32
Communication fees	17,972,110.56	17,612,293.41
Amortization of long-term deferred expenses	17,420,014.74	15,322,983.11
Member fees	14,824,029.38	16,208,317.66
Travel expenses	14,177,805.96	8,126,391.55
Business entertainment expenses	12,826,610.20	11,376,971.26
Securities investors protection funds	11,677,884.61	10,737,016.77
Information fees	10,338,461.65	8,637,311.19
Others	83,216,072.43	86,593,115.50
Total	1,381,597,398.39	1,507,631,699.71

Note: The business and administrative expenses for 2023 include audit fees of RMB3,467,393.78, which including audit service fees of RMB2,957,016.42 and other non-audit service fees of RMB510,377.36.

52. Expected credit losses

Item	FY 2023	FY 2022
Provision for bad debts	8,744,138.88	10,462,696.92
Provision for impairment of financial assets at amortized costs	43,195,119.90	39,552,477.88
Provision for impairment of financial assets at fair value through other comprehensive income	167,469.41	14,880,690.68
Entrusted loan loss provision		-428,183.66
Provision for impairment of margin accounts receivable	2,646,125.36	-3,844,911.26
Provision for impairment of financial assets held under resale agreements	181,391.90	85,222,627.13
Provision for impairment of risk reserve receivable	102,369.95	
Total	55,036,615.40	145,845,397.69

Notes to the Financial Statements

for the Year of 2023

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

53. Other assets impairment losses

Item	FY 2023	FY 2022
Provision for impairment of inventory	1,622,536.81	373,420.17
Impairment losses of long-term equity investments		8,756,765.34
Impairment losses of goodwill	11,421,648.78	1,974,839.70
Total	13,044,185.59	11,105,025.21

54. Other operating costs

Item	FY 2023	FY 2022
Costs of commodity sold	296,058,350.98	86,300,377.27
Investment property depreciation	1,188,326.06	855,817.42
Others	664,846.63	159,064.88
Total	297,911,523.67	87,315,259.57

55. Non-operating income

(1) Details

Item	FY 2023	FY 2022	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	187,056.55	33,770.16	187,056.55
Government grants	2,635,000.00	600,000.00	2,635,000.00
Others	3,447,112.65	473,425.15	3,447,112.65
Total	6,269,169.20	1,107,195.31	6,269,169.20

Notes to the Financial Statements

for the Year of 2023

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

55. Non-operating income (continued)

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

- a) According to the relevant requirement document of "Circular of the Administrative Committee of Zhengzhou New Area on Units with Outstanding Contributions to the Development of the Financial Industry in Zhengdong New Area in 2021" (Zheng Dong Wen [2022] No. 29), the Company and its subsidiaries received the 2021 Outstanding Contribution Award for the Development of the Financial Industry in Zhengdong New Area, which was included in non-operating income in the amount of RMB500,000.00 in accordance with the relevant provisions of accounting standards.
- b) According to the document "Notice on the Allocation of Incentives and Subsidies for Listed and Financing Enterprises in Zhengzhou in 2020" (Zheng Cai Yu [2023] No. 47), the Company received the 2020 Zhengzhou Listed and Financing Enterprises Incentives and Subsidy Funds in Zhengdong New District, which was included in non-operating income in the amount of RMB635,000.00 in accordance with the relevant provisions of accounting standards.
- c) According to the relevant requirement document of "Notice on the Allocation of Special Incentives and Subsidies for the Development of the Financial Industry in 2022" (Yu Cai Jin [2023] No. 67), the Company and its subsidiaries received the 2022 Special Incentives and Subsidies for the Development of the Financial Industry from the Government, which was included in non-operating income in the amount of RMB1,000,000.00 in accordance with the relevant provisions of accounting standards.
- d) According to the relevant document of "Financial Services Cooperation Agreement", the Company and its subsidiaries received government grants,, which was included in non-operating income in the amount of RMB500,000.00 in accordance with the relevant provisions of accounting standards.

56. Non-operating expenses

Item	FY 2023	FY 2022	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	1,837,747.06	1,207,284.57	1,837,747.06
Donations and sponsorship expenditures	101,500.00	110,110.00	101,500.00
Others	1,353,797.35	2,139,462.17	1,353,797.35
Total	3,293,044.41	3,456,856.74	3,293,044.41

57. Income tax expenses

(1) Income tax expenses

Item	FY 2023	FY 2022
Current income tax expenses	34,105,926.42	100,319,857.30
Deferred income tax expenses	-24,081,168.08	-94,764,681.88
Total	10,024,758.34	5,555,175.42

Notes to the Financial Statements

for the Year of 2023

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

57. Income tax expenses (continued)

(2) Reconciliation of accounting profit to income tax expenses

Item	FY 2023
Profit before tax	212,248,563.49
Tax at the applicable tax rate	53,062,140.87
Effect of different tax rates applicable to subsidiaries	8,001,034.99
Effect of prior income tax reconciliation	1,623,676.05
Effect of non-taxable incomes	-87,663,130.15
Effect of non-deductible costs, expenses and losses	15,634,921.68
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	19,269,440.22
Others	96,674.68
Income tax expenses	10,024,758.34

58. Earnings per share

Item	FY 2023	FY 2022
Net profit attributable to owners of the parent company	211,601,553.51	106,577,985.92
Non-recurring net profit and loss attributable to owners of the parent company	15,727,258.33	16,343,562.57
Net profit attributable to owners of the parent company after deducting non-recurring gains and losses	195,874,295.18	90,234,423.35
Weighted average number of ordinary shares outstanding	4,642,884,700.00	4,642,884,700.00
Basic earnings per share	0.05	0.02
Basic earnings per share after deducting non-recurring gains and losses	0.04	0.02

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

Notes to the Financial Statements

for the Year of 2023

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

59. Items of the cash flow statement

1) Other cash received related to operating activities

Item	FY 2023	FY 2022
Liquidation	132,354,127.79	118,534,522.52
Government grants	20,830,183.98	26,565,466.55
Other operating income	300,815,779.22	96,212,588.29
Over the counter options payable	480,062,806.33	
Decrease in receivables	125,092,429.26	
Over the counter options fee	14,896,179.37	
Others	61,421,320.68	7,483,087.50
Total	1,135,472,826.63	248,795,664.86

2) Other cash payments related to operating activities

Item	FY 2023	FY 2022
Over the counter receivable	308,673,293.60	
Inventory changes	64,106,611.33	24,626,403.43
Increase in refundable deposits	146,845,635.25	137,692,057.07
Payment of business and administrative expenses	277,647,919.71	276,280,536.60
Other operating costs	296,723,197.61	86,459,442.15
Equity transfer payment	95,883,706.27	
Others	70,802,539.38	17,349,267.61
Total	1,260,682,903.15	542,407,706.86

3) Other cash payments related to financing activities

Item	FY 2023	FY 2022
Cash payments for acquiring minority shareholders' equity	110,520,406.50	119,406,443.50
Cash payments to repay lease liabilities	81,597,052.99	78,471,502.60
Others	7,958,842.97	4,577,718.07
Total	200,076,302.46	202,455,664.17

Notes to the Financial Statements

for the Year of 2023

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

60. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Item	FY 2023	FY 2022
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	202,223,805.15	107,644,488.14
Add: Expected credit losses	55,036,615.40	145,845,397.69
Provision for impairment of other assets	13,044,185.59	11,105,025.21
Depreciation of investment properties and fixed assets	34,311,183.86	32,104,135.03
Right-of-use assets depreciation	75,328,454.46	74,811,823.29
Amortization of intangible assets	59,466,837.67	48,234,590.19
Amortization of long-term prepaid expenses	17,420,014.74	15,322,983.11
Losses on disposal of fixed assets, intangible assets and other long-term assets (or revenue: "-")	1,610,620.77	1,299,397.55
Gains and losses on changes in fair value (or revenue: "-")	96,656,528.14	441,224,579.14
Interest expenses	334,659,758.88	410,562,097.96
Exchange losses (or revenue: "-")	-387,802.13	-1,717,698.80
Investment losses (or revenue: "-")	-58,650,671.41	-101,352,004.53
Decrease in deferred income tax assets (or increase: "-")	-8,893,187.65	-92,149,488.45
Increase in deferred income tax liabilities (or decrease: "-")	-15,187,980.41	-2,615,193.43
Decrease of operating receivables (or increase: "-")	-415,290,075.23	1,211,090,486.89
Increase of operating payable (or decrease: "-")	-858,646,455.88	-298,911,765.89
Net cash flow from operating activities	-467,298,168.05	2,002,498,853.10
2. Significant investing and financing business not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets rented in under finance leases		
3. Net increase/(decrease) in cash and cash equivalents:		
Closing balance of cash	13,393,530,130.84	13,297,323,968.54
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 equivalent and cash	96,206,162.30	-1,572,743,167.34

Notes to the Financial Statements

for the Year of 2023

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

60. Supplementary information on cash flow statement (continued)

(2) Cash and cash equivalents

Item	31 December 2023	31 December 2022
Cash	13,393,530,130.84	13,297,323,968.54
Including: Cash on hand	121,206.68	179,929.41
Bank deposits available for payment	9,653,387,458.97	10,173,467,914.93
Other cash	290,633,313.58	9,334,601.14
Clearing settlement funds	3,449,388,151.61	3,114,341,523.06
Cash equivalents		
Including: bond investment maturing within three months		
Cash and cash equivalents at the end of the period	13,393,530,130.84	13,297,323,968.54

61. Assets with restricted ownership or use rights

Item	Book value as of 31 December 2023	Reasons
Cash and bank balances	23,487,092.38	Risk reserve account for asset management business
Financial assets at fair value through profit or loss	4,250,000.00	Guarantee for bank's acceptance
	10,797,226,684.80	Pledged for repurchase financing, pledged for bond lending
	29,405,934.81	Bonds default
	23,750,347.80	Restricted share
	2,661,822.87	Securities financed
	1,196,100.00	Undue underlying trust assets
Financial assets at fair value through other comprehensive income	13,050,487.72	Lock-in or closed period cannot exit
Other assets	42,292,691.53	Pledge for repurchase financing
	18,374,231.41	Warranty deposit

Notes to the Financial Statements

for the Year of 2023

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	11.00	2.00	2.00
Number of customers at the end of the period	47,241.00	2.00	22.00
Including: individual clients	47,199.00	1.00	
Institutional clients	42.00	1.00	22.00
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	4,647,641,052.88	26,000,000.00	1,014,491,556.30
Including: Own capital investment	14,800,000.00		150,202,340.74
Individual clients	2,164,482,118.51	10,000,000.00	
Institutional clients	2,468,358,934.37	16,000,000.00	864,289,215.56
Initial cost of main entrusted assets at the end of the period	4,286,370,317.98	25,855,916.94	977,640,000.00
Including: Stocks		15,855,916.94	
Other bonds	1,561,948,202.78		
Funds	27,082,859.78		
Trust plans	2,385,500,000.00		767,000,000.00
Others	311,839,255.42	10,000,000.00	210,640,000.00
Net income of asset management business in the current period	47,844,315.77	687,408.89	169,811.29

Notes to the Financial Statements

for the Year of 2023

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

63. Foreign currency

Item	Amount of original currency as of 31 December 2023	Exchange rate	RMB amount as of 31 December 2023
Cash and bank balances			301,877,116.55
Including: USD	26,490,608.96	7.0827	187,624,994.10
EUR	6,951.65	7.8592	54,634.42
HKD	125,757,670.44	0.9062	113,964,116.12
CAD	760.04	5.3673	4,079.37
AUD	47,292.37	4.8484	229,292.51
THB	0.15	0.2074	0.03
Clearing settlement funds			8,220,252.15
Including: USD	1,016,805.13	7.0827	7,201,725.69
HKD	1,123,928.47	0.9062	1,018,526.46
Refundable deposits			948,899.00
Including: USD	70,000.00	7.0827	495,789.00
HKD	500,000.00	0.9062	453,110.00
Accounts receivables			1,251,555.52
Including: HKD	1,381,072.50	0.9062	1,251,555.52
Other receivables			4,273,660.79
Including: HKD	3,934,354.00	0.9062	3,565,390.28
USD	100,000.07	7.0827	708,270.51
Accounts payable to brokerage clients			66,248,539.05
Including: USD	2,391,931.46	7.0827	16,941,332.95
HKD	54,409,752.71	0.9062	49,307,206.10
Accounts payables			2,166,893.83
Including: HKD	2,361,440.18	0.9062	2,139,984.32
USD	3,799.33	7.0827	26,909.51
Other payables			22,584,632.78
Including: HKD	22,045,536.06	0.9062	19,978,105.69
USD	368,013.20	7.0827	2,606,527.09
Bond payable			627,552,162.94
Including: USD	88,603,542.40	7.0827	627,552,162.94
Financial assets sold under repurchase agreements			429,052.73
Including: USD	60,577.58	7.0827	429,052.73

Notes to the Financial Statements

for the Year of 2023

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

64. Overseas business entities

The consolidated statements of the Company from January to December 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 (HKD1: RMB0.906220); the owner's equity items, except for the "undistributed profits", are exchanged at the spot exchange rate when the business occurs; the income and expense items in the income statement are exchanged at the approximate exchange rate of the spot exchange rate on the transaction date (the average exchange rate of the current period is HKD1: RMB0.900179). The differences arising from the above exchanging of foreign currency statements shall be separately presented under the item of owners' equity. Foreign currency cash flows are exchanged using the approximate exchange rate of the spot exchange rate on the date of cash flow. The impact of exchange rate changes on cash shall be separately presented in the cash flow statement.

VII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Other reason for changes in the scope of consolidation

As of 31 December 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 the Year of 2023

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, the PRC	Zhengzhou, the PRC	Futures brokerage	RMB330M	92.29		Acquisition
Yuxin Investment Management (Shanghai) Co. Ltd	Limited Company	Zhengzhou, the PRC	Shanghai, the PRC	Investment management	RMB160M		92.29	Investment establishment
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Limited Company	Zhengzhou, the PRC	Beijing, the PRC	Private equity investment fund management	RMB280M	100.00		Investment establishment
Henan Kaiyuan Private Equity Fund Management Co., Ltd.	Limited Company	Zhengzhou, the PRC	Luoyang, the PRC	Equity investment management	RMB100M		60.00	Investment establishment
Central China Blue Ocean Investment Management Co., Ltd.	Limited Company	Zhengzhou, the PRC	Xuchang, the PRC	Alternative investment	RMB3,200M	100.00		Investment establishment
Central China Equity Exchange Co., Ltd.	Corporation	Zhengzhou, the PRC	Zhengzhou, the PRC	Regional equity market	RMB350M	36.00		Investment establishment
Central China International Financial Holdings Co., Ltd.	Limited Company	Hong Kong SAR, China	Hong Kong SAR, China	Holding company	HKD1,800M	100.00		Investment establishment
Central China International Holdings Co., Ltd.	Limited Company	Hong Kong SAR, China	British Virgin Islands	Holding company	USD50,000		100.00	Investment establishment
Central China International Financial Group Ltd.	Limited Company	Hong Kong SAR, China	Cayman Islands	Holding company	HKD1,000M		100.00	Investment establishment
Central China International Financing Co., Ltd.	Limited Company	Hong Kong SAR, China	Hong Kong SAR, China	Investment bank	HKD40M		100.00	Acquisition
Central China International Securities Co., Ltd.	Limited Company	Hong Kong SAR, China	Hong Kong SAR, China	Securities business	HKD600M		100.00	Investment establishment
Central China International Investment Co., Ltd.	Limited Company	Hong Kong SAR, China	Hong Kong SAR, China	Proprietary investment	HKD10M		100.00	Investment establishment
Central China International Futures Co., Ltd.	Limited Company	Hong Kong SAR, China	Hong Kong SAR, China	Futures brokerage	HKD20M		100.00	Investment establishment
Wending Zhongyuan Company Limited	Limited Company	Hong Kong SAR, China	British Virgin Islands	Bond issuing entity	USD1		100.00	Investment establishment

Notes to the Financial Statements

for the Year of 2023

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (continued)

(1) Composition of enterprise groups (continued)

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

Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a concerted action agreement with other investors. Through this agreement, the Company can control 51% of the voting rights of Central China Equity Exchange Co., Ltd.

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

As of 31 December 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 31 December 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 31 December 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

Notes to the Financial Statements

for the Year of 2023

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (continued)

(2) Important non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit and loss attributable to minority shareholders in the current period	Dividends declared to be distributed to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period	Remarks
Central China Futures Co., Ltd.	7.71	3,197,991.08		37,487,517.13	
Central China Equity Exchange Co., Ltd.	64.00	-27,079,225.37		226,629,029.31	

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

Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a concerted action agreement with other investors. Through this agreement, the Company can control 51% of the voting rights of Central China Equity Exchange Co., Ltd.

(3) Main financial information of important non-wholly owned subsidiaries

The main financial information of these subsidiaries is the amount before mutual offset between enterprises in the Company, but after adjustment of fair value and unified accounting policies on the merger date:

Item	Ending balance/Current period	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	2,797,587,463.71	393,636,236.74
Total liabilities	2,334,904,929.96	37,249,250.90
Operating income	409,038,301.81	-34,261,098.26
Net profit	10,843,939.62	-42,311,289.64
Total comprehensive income	10,843,939.62	-42,311,289.64
Cash flow from operating activities	98,091,328.39	-17,920,770.13

Notes to the Financial Statements

for the Year of 2023

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (continued)

(3) Main financial information of important non-wholly owned subsidiaries (continued)

Item	Opening balance/Previous period	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	2,361,620,921.95	447,148,455.38
Total liabilities	1,909,782,327.82	48,450,179.90
Operating income	211,843,309.54	-28,047,299.34
Net profit	16,402,212.92	-33,023,732.67
Total comprehensive income	16,402,212.92	-33,023,732.67
Cash flow from operating activities	-19,460,399.59	2,644,357.48

2. Rights and interests in joint ventures or associates

(1) Important joint ventures or associates

The name of the joint venture or associates	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
Henan Central China Micro-Lending Co., Ltd.	Luohe	Luohe	Other financial industries		39.00	Equity method

a) Basis for holding less than 20% of the voting rights but having significant impact

Central China Blue Ocean Investment Management Co., Ltd. 10% of the shares of Henan Asset Management Co., Ltd., and has a significant impact by sending a director to Henan Asset Management Co., Ltd.

Notes to the Financial Statements

for the Year of 2023

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Rights and interests in joint ventures or associates (continued)

(2) Key financial information of significant associates

Item	Closing balance/ Current period Henan Asset Management Co., Ltd	Closing balance/ Current period Henan Central China Micro-Lending Co., Ltd.
Total assets	35,420,889,003.51	907,343,409.46
Total liabilities	21,006,929,746.67	3,921,206.46
Minority Shareholders' equity	1,750,783,328.23	
Equity attributable to owners of the parent company	12,663,175,928.61	903,422,203.00
Share of net assets based on shareholding percentage	1,266,317,592.86	352,334,659.17
Adjustment item		
— Others	-570,000,000.00	
The book value of the equity investment in the associate	696,317,592.86	352,334,659.17
Operating income	2,731,388,752.40	49,184,089.49
Net profit attributable to owners of the parent company	604,990,717.01	-179,450,614.30
Net after-tax amount of other comprehensive income attributable to owners of the parent company	-12,574,128.93	
Total comprehensive income attributable to owners of the parent company	592,416,588.08	-179,450,614.30
Dividends received from associates in the current period	20,000,000.00	8,970,000.00

(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	394,405,993.13	917,859,881.07
The following items are sums which are calculated according to the proportion of shareholding		
Net profit	-13,758,352.22	-637,762.74
Other comprehensive income		
Total comprehensive income	-13,758,352.22	-637,762.74

(4) Unconfirmed commitments related to joint venture investment

The Company has no commitments that need to be disclosed.

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

The Company has no contingencies that need to be disclosed.

Notes to the Financial Statements

for the Year of 2023

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

3. Equity in structured entities not included in the scope of consolidated financial statements

The structured entities initiated and established by the Company that are not included in the scope of consolidated financial statements mainly include collective asset management plans, single asset management plans, special asset management plans, and partnerships. The nature and purpose of these structured entities are mainly to manage investors' assets and charge management fees. Their financing method is to issue investment products to investors. The rights and interests enjoyed by the Company in these structured entities not included in the scope of consolidated financial statements mainly include the income from directly holding investments or collecting management fees through managing these structured entities. The variable returns related to product income enjoyed by the Company is not significant, so such structured entities are not consolidated.

As of 31 December 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 were RMB3,703,530,564.82, the total assets of the single asset management plan were RMB50,845,836.44, the total assets of the special asset management plan are RMB977,723,171.87, and the total assets of the partnership were RMB1,049,126,089.89.

As of 31 December 2023, the Group's equity in structured entities not included in the scope of consolidated financial statements was 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	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss	2,474,664,462.55	2,061,288,154.32
Financial assets measured at amortized costs and receivables	432,557,089.74	461,286,955.33
Total	2,907,221,552.29	2,522,575,109.65

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS

The Group's risk management objective is to uphold the risk management concept of matching capital, risk and income, so as to bear appropriate risks, achieve the optimal balance of business scale, profitability and risk tolerance, and bring sustained and stable profit returns to shareholders. The Group's risk management strategy aims to identify and evaluate various risks faced by the Group, set an appropriate risk tolerance level, timely and reliably measure and monitor risks, and ensure that risks are controlled within an acceptable range.

The main risks faced by the Group include: credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risk. The Group has adopted risk management policies and procedures to identify and assess these risks, established appropriate risk indicators, risk limit levels, risk policies and internal control procedures, and continuously monitored and managed risks through the information system.

The organizational structure of risk management is divided into four levels, including (i) The board of directors and the board of supervisors; (ii) Risk control committee, audit committee and managers; (iii) Risk management headquarters, compliance management headquarters, legal affairs headquarters and internal audit headquarters; and (iv) Departments, branches and subsidiaries.

Level 1: The Board of directors and the board of supervisors

The Board of Directors is 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.

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

The main responsibilities of risk management of Managers: Formulate and adjust the company's risk management system in a timely manner; Establish and improve the company's comprehensive risk management structure, clarify the division of responsibilities of the comprehensive risk management functional departments, business departments and other departments in risk management, and establish an effective check and balance and mutual coordination operation mechanism between departments; Formulate specific implementation plans for risk appetite, risk tolerance and major risk limits to ensure their effective implementation; supervise it, analyze the causes in a timely manner, and deal with them in accordance with the authorization of the Board of Directors; Regularly evaluate the company's overall risk and various important risk management status, solve problems in risk management and report to the board of directors; Establish a performance appraisal system covering the effectiveness of risk management; Establish a complete information technology system and data quality control mechanism; Other responsibilities for risk management.

Level 3: Risk Management Headquarters, Compliance Management Headquarters, Legal Affairs Headquarters, Internal Auditing Headquarters

At the third level of the Company's risk control framework is the collaborative comprehensive risk management arrangement through which the Risk Management Headquarters, Compliance Management Headquarters, Legal Affairs Headquarters and Internal Auditing Headquarters work together to manage risks.

The main responsibilities of the Risk Management Headquarters: Assist the company's managers to formulate the basic system of corporate risk management, and assist in promoting the implementation of the risk management system; Assist the company's managers to formulate risk management indicators such as the company's risk appetite, risk tolerance and risk limit, and monitor and report the implementation of the indicators; Lead the risk management of the company's market risk, credit risk, operational risk and reputation risk, monitor, evaluate and report the company's overall risk level, and provide risk management suggestions for business decisions; Establish and improve the company's stress testing mechanism to provide a basis for the company's major decision-making and daily operation adjustment; Assist, guide and inspect the risk management work of various departments, branches and subsidiaries; Other risk management work.

The main responsibilities of the Compliance Management Headquarters: Assist the Chief Compliance Officer to formulate and implement compliance policies, systems and procedures; Track changes in laws, regulations and standards, make management recommendations to the senior management in a timely manner, and supervise relevant departments to evaluate, modify and improve relevant systems and business processes; Conduct compliance review on internal management system, major decisions, new products and new business plans; Provide compliance consulting advice to the Company's management and various branches and subsidiaries, and supervise and inspect the compliance of their business and management activities; Organize compliance training and publicity to cultivate the Company's compliance culture; Organize the implementation of information isolation and conflict of interest prevention management requirements; Assist the Chief Compliance Officer to take the lead in organizing money laundering risk management; Organize the monitoring and management of employees' securities investment behavior and abnormal customer transactions; Organize compliance assessment and accountability to enhance the effectiveness of compliance management; Perform the compliance reporting obligations to the Board of Directors, the Board of Supervisors, senior management, regulatory authorities and self-regulatory organizations as required.

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

The main responsibilities of the Legal Affairs Headquarters: Under the leadership of the Company's board of directors and the board of supervisors, assist the Company's managers to build a legal management system and legal risk prevention mechanism, participate in the Company's major economic business, provide legal opinions for major business decisions, and be responsible for Company contract management, litigation and arbitration management, responsible for the selection, management, and be responsible for the selection and employment of the company's legal counsel, participate in the selection and employment of lawyers required by the business department, and provide legal support and consulting services for the Company's business management and the business development of various departments and branches, and organize and carry out legal education and training, organize and implement the prevention of illegal fund-raising, guide and coordinate affiliated enterprises to carry out legal risk prevention.

Internal Auditing Headquarters is responsible for organizing the audit of all departments, business lines, branches and subsidiaries of the Company, and performing the functions of checking, evaluating, reporting and advising on the appropriateness and effectiveness of business activities, internal control and risk management.

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

The fourth level of risk control is the front-line risk control systems by business departments, branch outlets and subsidiaries.

As independent risk management responsibility units, each department, branch and subsidiary shall assume risk management responsibilities within the scope of their respective responsibilities, implement specific risk management systems, perform front-line risk management responsibilities, and formulate risk management measures.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

1. Credit risk

Credit risk refers to the risk of losses due to defaults by financing parties, counterparties or issuers. The Company's credit risks mainly come from financial assets which include bank balances, clearing settlement funds, financial assets at fair value through other comprehensive income, financial assets held under resale agreements, financial assets at amortized costs, margin accounts receivable, entrusted loans, other current assets, and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited, with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or China Securities Depository and Clearing Corporation Limited, the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Company invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

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

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, and asset management plans with a proper approval process.

Control of credit risk from securities financing business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the accounting standards of China Accounting Standards for Business Enterprises 22.

(1) Expected credit loss measurement

Since the first implementation of the new financial instrument standards on 1 January, 2018, for financial assets measured at amortized cost (including margin accounts receivable, financial assets held under resale agreements, financial instruments measured at amortized cost) and financial assets instruments at fair value through other comprehensive income, the Company uses general methods to measure its expected credit losses, models and assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behavior (for example, the likelihood of customer default and associated losses). The Company uses a simple method to measure the expected credit losses of accounts receivable and other receivables. According to the simple method, the Company measures the loss provision based on the expected credit losses of the entire duration.

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

(1) Expected credit loss measurement (continued)

For financial assets that use general methods to measure expected credit losses, the Company uses an impairment model in which the credit quality of the financial assets has changed in three stages since the initial recognition of the financial assets to measure the expected credit losses respectively, including:

- A financial instrument whose credit risk has not increased significantly since initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, but it will not be regarded as the instrument for credit impairment, the Company will transfer it to “Stage 2”.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.

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

For such financial assets classified under Stages 1 and 2, management considered forward-looking factors and assesses credit loss allowances using the risk parameter 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 judgement, assumptions and estimations, including: determination of the criteria for SICR; selection of the appropriate models and assumptions; establishment of the number and relative weightings of forward-looking scenarios for each type of product.

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

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

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Company takes full account of forward-looking information when measuring ECL. ECL is the result after discounting the product of PD, LGD and EAD that takes into account the forward-looking impact:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For margin loan financing, the Company determines the PD by borrower, based on factors including the coverage ratio of margin loans to underlying collateral value and, the volatility of such collateral's valuation. For debt securities investments, the external credit rating and related PD are taken into consideration.
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. For margin loan financing, the Company determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and the type of securities.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

(3) Judgment criteria of significant increase in credit risk

The Company evaluates the financial instruments at each financial statement date after considering whether SICR has occurred since initial recognition. An ECL allowance for financial assets is recognized according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking. The Company considers a financial instrument to have experienced SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

The Company considers margin financing to have experienced SICR if margin calls were triggered by a decrease in the ratio of margin loan to collateral below the liquidation line.

A financial instrument is considered to have experienced SICR if the borrower or the debtor is overdue for more than 30 days after the contract payment date.

On 31 December 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 the Year of 2023

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 falls 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 restructuring.

When a financial asset is considered to be credit-impaired, it may be from multiple events, not due to a separately identifiable event.

Notes to the Financial Statements

for the Year of 2023

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 that non-linearity is captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 1 January 2023 and 31 December 2023, for all portfolios, the Company concluded that 3 scenarios appropriately captured the non-linearity of economic variables. The scenario weightings are determined by a combination of statistical analysis and experts' judgement, taking account of the range of possible outcomes represented by each scenario.

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. The Company measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stage 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

(6) Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments impact the assessment of SICR and the measurement of ECL.

(7) Collateral and other credit enhancements

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

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

(8) Maximum credit risk exposure

The Group's financing business customers have considerable asset quality. Over 90% of the Margin accounts receivable and bond reverse repurchase business maintain guarantee ratios above the liquidation line, and there is sufficient collateral information to indicate that the assets are not expected to default.

The maximum credit risk exposure of the Group is as follows:

Item	Expressed in RMB'0000	
	31 December 2023	31 December 2022
Cash and bank balances	997,718.96	1,021,163.00
Clearing settlement funds	344,997.84	311,510.47
Margin accounts receivable	760,485.38	701,688.54
Refundable deposits	108,679.22	93,994.59
Accounts receivable	42,111.56	8,768.00
Financial assets held under resale agreements	101,020.13	114,142.80
Financial assets at fair value through profit or loss	2,208,924.31	1,791,841.98
Financial assets measured at amortized costs	12,037.05	19,599.12
Financial assets at fair value through other comprehensive income	41,092.15	228,825.86
Other assets	33,833.82	51,612.35
Total	4,650,900.42	4,343,146.71

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (continued)

(9) Credit quality analysis

The credit quality of each financial asset item is as follows as of 31 December, 2023:

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Entrusted loans			2,213.54	2,213.54
Margin accounts receivable	758,972.16	3,517.23	5,616.88	768,106.27
Financial assets at fair value through other comprehensive income	41,092.15			41,092.15
Financial assets measured at amortized costs			52,932.11	52,932.11
Financial assets held under resale agreements	96,613.22		24,645.47	121,258.69
Subtotal	896,677.53	3,517.23	85,408.00	985,602.76
Less: Provision for impairment	2,475.75	30.10	68,487.26	70,993.11
Total	894,201.78	3,487.13	16,920.74	914,609.65

2. Liquidity risk

Liquidity risk refers to the risk that the Company cannot obtain sufficient funds in time at a reasonable cost to pay its due debts, fulfill other payment obligations and meet the capital needs of normal business.

In order to prevent liquidity risk, the following measures are taken: first, strengthen the management of capital position and cash flow, adopt the advance reservation mode of large amount of funds, strengthen the monitoring and management of large amount of funds, scientifically predict the cash flow gap in different time periods in the future, and ensure the consistency of financing arrangement and business capital utilization rhythm; Second, actively expand financing channels, comprehensively use a variety of financing methods, balance the distribution of debt maturity, improve the diversification and stability of financing, and avoid the repayment risk due to too single financing channels or concentrated debt maturity; Third, establish the operation and management mechanism of liquidity reserve funds, reasonably set the minimum holding scale of liquidity reserve funds and the allocation proportion of high-quality liquidity assets, hold sufficient high-quality liquidity assets, and ensure that the Company can realize sufficient funds in time to deal with the capital gap under normal and pressure situations; Fourth, adopt the risk monitoring system with net capital and liquidity as the core to monitor the risk control indicators, and use stress test to evaluate the impact of business activities on the Company's liquidity; Fifth, establish and continuously improve the liquidity risk emergency mechanism, and regularly conduct emergency drills on liquidity risks to ensure the timeliness and effectiveness of the Company's liquidity crisis response.

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk (continued)

As of 31 December 2023, the company has obtained comprehensive credit facilities of RMB40.566 billion from multiple financial institutions.

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

Expressed in RMB'0000

Non-derivative financial liabilities	31 December 2023							Total
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	
Short-term financing instruments payable		28,150.31	139,568.70	246,383.46				414,102.47
Due to banks and other financial institutions		319,845.33		10,147.42				329,992.75
Financial liabilities at fair value through profit or loss				56,862.46		994.03	81,104.63	138,961.12
Financial assets sold under repurchase agreements	42.91	1,060,299.50						1,060,342.41
Accounts payable to brokerage clients	205,579.48	948,225.58						1,153,805.06
Bonds payable			11,418.87	4,894.80	482,462.52			498,776.19
Accounts payable							87,301.33	87,301.33
Other liabilities							23,000.57	23,000.57
Total	205,622.39	2,356,520.72	150,987.57	318,288.14	482,462.52	994.03	191,406.53	3,706,281.90

Continued:

Non-derivative financial liabilities	31 December 2022							Total
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	
Short-term loans				6,627.62				6,627.62
Short-term financing instruments payable		49,163.01	66,588.97	301,597.92				417,349.90
Due to banks and other financial institutions		120,043.61	30,381.25					150,424.86
Financial liabilities at fair value through profit or loss					71,858.12		80,696.15	152,554.27
Financial assets sold under repurchase agreements		989,047.52						989,047.52
Accounts payable to brokerage clients	163,122.17	1,021,844.51						1,184,966.68
Bonds payable			11,789.20	8,205.33	554,961.73			574,956.26
Accounts payable							23,752.77	23,752.77
Long-term borrowings								
Other liabilities							35,118.24	35,118.24
Total	163,122.17	2,180,098.65	108,759.42	316,430.87	626,819.85		139,567.16	3,534,798.12

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk

Market risk refers to the risk of the fair value of financial instruments held due to adverse changes in market prices, including interest rate risk, price risk, exchange rate risk, etc. Since the Company's main positions are self-operated investments, the price risk and interest rate risk of stocks and derivatives have a greater impact on the investment business.

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

(1) Exchange rate risk

The fluctuation of exchange rate will bring certain exchange risks to the Group. As of 31 December, 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 at amortized costs.

The Group utilizes sensitivity analysis as the main tool for monitoring interest rate risk. Under the assumption that other variables remain unchanged, sensitivity analysis is adopted to measure the possible impact on total profits and shareholder equity when changes in interest rates occur. The Group's bond investment is mainly based on a steady buy-and-hold strategy and a spread arbitrage strategy. Control the basis point value, bond rating and duration of proprietary business to prevent and reduce interest rate risk.

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(2) Interest rate risk (continued)

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

Expressed in RMB'0000

Item	31 December 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	997,706.84					12.12	997,718.96
Clearing settlement funds	344,997.84						344,997.84
Margin accounts receivable	56,890.13	211,720.19	491,875.06				760,485.38
Derivative financial assets						2,791.01	2,791.01
Refundable deposits						108,679.22	108,679.22
Accounts receivable						42,111.56	42,111.56
Financial assets held under resale agreements	35,143.94	8,188.26	57,687.93				101,020.13
Financial assets at fair value through profit or loss	22,730.68	36,181.81	155,615.02	1,215,117.54	561,897.45	435,578.27	2,427,120.77
Financial assets at amortized costs	12,037.05						12,037.05
Financial assets at fair value through other comprehensive income			15,262.04	20,165.10	5,665.01		41,092.15
Other assets						23,097.24	23,097.24
Subtotal of financial assets	1,469,506.48	256,090.26	720,440.05	1,235,282.64	567,562.46	612,269.42	4,861,151.31
Short-term financing instruments payable	28,121.67	138,711.00	240,739.67				407,572.34
Due to banks and other financial institutions	319,780.23		10,010.47				329,790.70
Financial liabilities at fair value through profit or loss			56,862.46		994.03	81,104.63	138,961.12
Financial assets sold under repurchase agreements	1,060,238.75						1,060,238.75
Accounts payable to brokerage clients	1,153,805.06						1,153,805.06
Derivative financial liabilities						1,803.38	1,803.38
Bonds payable		9,105.44	1,032.88	461,981.80			472,120.12
Accounts payable						87,301.33	87,301.33
Other liabilities						23,000.57	23,000.57
Subtotal of financial liabilities	2,561,945.71	147,816.44	308,645.48	461,981.80	994.03	193,209.91	3,674,593.37
Interest rate sensitivity gap	-1,092,439.23	108,273.82	411,794.57	773,300.84	566,568.43	419,059.51	767,498.43

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(2) Interest rate risk (continued)

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		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

Notes to the Financial Statements

for the Year of 2023

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

Expressed in RMB'0000

Item	31 December 2023		31 December 2022	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
Increase by 10%	28,584.11	4,109.21	36,638.31	22,882.59
Decrease by 10%	-28,584.11	-4,109.21	-36,638.31	-22,882.59

4. Operational risk

Operational risk is the risk of loss to the Group due to the imperfection or failure of internal procedures, personnel, and information technology 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 carrying out the business of various securities companies under the premise of sound control of operational risks. In the case of cost permitting, the Group will continue to strengthen the operational risk management system and implement the internal control system to achieve the controllability of operational risk under the established business income.

Notes to the Financial Statements

for the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

5. Compliance risk

Compliance risk refers to the risk of the Company being legally held accountable, subjected to supervisory measures, given self-discipline penalties or suffering from loss of property or reputation arising from violation of laws, regulations or rules by the operation and management or licensed practices of the Company or its personnel.

The Company's management of compliance risks mainly includes: (1) strengthening system construction, continuously tracking laws, regulations and guidelines, establishing and improving the Company's institutional system, optimizing and improving compliance risk control measures, and consolidating the foundation for the Company's effective compliance operation. The second is to strengthen compliance promotion and training. Actively advocate the compliance concept of "compliance is everyone's responsibility, compliance creates value", and guide cadres and employees to internalize the cultural concept in their hearts and externalize it in their actions. The third is to strengthen compliance review and consultation. Conduct compliance reviews on internal systems, major decisions, products, and business plans. Provide daily consulting services on the application and understanding of rules arising from the company's business development and internal management. Fourth, strengthen compliance supervision and inspection. Combined with the actual operation and management, organize and carry out compliance supervision, inspection and monitoring of key businesses and key areas, prevent and resolve hidden compliance risks, and report in a timely manner in accordance with regulations. Fifth, strengthen compliance assessment and accountability. The effectiveness of compliance management and the compliance of professional conduct will be included in the annual assessment scope of all units and staff of the company, and the compliance assessment index system will be continuously improved and improved, and the accountability system will be effectively implemented to play a sharp role. Sixth, promote self-assessment. Regularly organize and carry out comprehensive assessments of the effectiveness of compliance management, promptly supervise the implementation of rectification in response to assessment problems, and continue to promote a positive cycle of self-assessment and self-improvement. Seventh, strengthen the application of information technology. Efficient use of financial technology to improve the level of informatization and professionalism of compliance 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 the Year of 2023

IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

6. Capital management (continued)

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2020) issued by the China Securities Regulatory Commission and effective on 20 March, 2020, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%.

X. FAIR VALUE

1. Financial instruments measured at fair value

The Company presents the book value of financial instruments measured at fair value on 31 December, 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 intervals; 4) Input values for market validation, etc.

Level 3: It is the unobservable input value of related assets or liabilities.

Notes to the Financial Statements

for the Year of 2023

X. FAIR VALUE (CONTINUED)

2. Fair value measurement at the end of the period

(1) Continuous fair value measurement

Item	Fair value at the end of the period			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	1,371,592,448.20	20,677,027,124.24	2,222,588,119.57	24,271,207,692.01
(1) Bond investment	544,901,139.85	19,077,271,531.28	29,405,934.81	19,651,578,605.94
(2) Equity investment	447,245,286.40	14,096,050.00	378,937,787.67	840,279,124.07
(3) Public fund	379,446,021.95	925,239,477.50		1,304,685,499.45
(4) Others		660,420,065.46	1,814,244,397.09	2,474,664,462.55
Derivative financial assets	707,416.00		27,202,732.17	27,910,148.17
Financial assets at fair value through other comprehensive income		410,921,462.71		410,921,462.71
Total assets	1,372,299,864.20	21,087,948,586.95	2,249,790,851.74	24,710,039,302.89
Financial liabilities at fair value through profit or loss		811,046,276.67	578,564,904.36	1,389,611,181.03
Derivative financial liabilities	2,183,680.00		15,850,099.39	18,033,779.39
Total liabilities	2,183,680.00	811,046,276.67	594,415,003.75	1,407,644,960.42

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 the 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 the Shanghai Stock Exchange and Shenzhen Stock Exchange listed as trading financial assets and financial assets at fair value through other comprehensive income.

4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted

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

Notes to the Financial Statements

for the Year of 2023

X. FAIR VALUE (CONTINUED)

4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted (continued)

Bond investment:

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

Equity investment:

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

Public fund:

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

Others:

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

Notes to the Financial Statements

for the Year of 2023

X. FAIR VALUE (CONTINUED)

4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted (continued)

Others: (continued)

The following table lists the relevant valuation techniques and input parameters of the main financial instruments at the second level:

Financial instruments	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Impact of unobservable input parameters on fair value
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

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 the discounted cash flow method and market comparison method. Its fair value is measured by important unobservable parameters, such as liquidity discount, volatility and market multiplier. The fair values of unlisted equity investments, bond investments, other investments and financial liabilities are not significantly sensitive to the reasonable changes of these unobservable inputs.

As year 2023, the valuation technology used by the Group for the above continuous level 3 fair value measurements has not changed.

Notes to the Financial Statements

for the Year of 2023

X. FAIR VALUE (CONTINUED)

5. For the items measured at fair value at the third level of continuous and non-continuous, the valuation techniques and the qualitative and quantitative information of important parameters are adopted (continued)

(2) Unobservable input value information

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

Financial assets/ financial liabilities	Fair value level	Valuation technology and 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 higher the future cash flow, the higher the fair value;
			— The discount rate corresponding to the expected risk level; — Stock price volatility;	— The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value; — The greater the fluctuation of stock price, the higher the fair value;

Notes to the Financial Statements

for the Year of 2023

X. FAIR VALUE (CONTINUED)

5. For the items measured at fair value at the third level of continuous and non-continuous, the valuation techniques and the qualitative and quantitative information of important parameters are adopted (continued)

(2) Unobservable input value information (continued)

Financial assets/ financial liabilities	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Relationship between unobservable input parameters and fair value
— Unlisted equity	The third level	— Adopt the comparable company method to select comparable companies in the same industry similar to the important financial indicators of the target company, and calculate the PE, PB and PS of comparable companies; Considering the liquidity discount, estimate the expected exit date of equity, calculate the volatility of comparable companies, and use the option model to calculate the liquidity discount of comparable companies;	— Expected recovery date; — Stock price volatility;	— The earlier the expected recovery date, the higher the fair value; — The greater the fluctuation of stock price, the higher the fair value;
— 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;

Notes to the Financial Statements

for the Year of 2023

X. FAIR VALUE (CONTINUED)

6. The movement of Level 3 financial instruments

Item	1 January 2023	Increase	Decrease	31 December 2023
Financial assets at fair value through profit or loss	1,851,465,599.75	371,122,519.82		2,222,588,119.57
Financial liabilities at fair value through profit or loss	718,581,188.74		140,016,284.38	578,564,904.36
Financial assets at fair value through other comprehensive income	89,606,629.46		89,606,629.46	
Derivative financial assets		27,202,732.17		27,202,732.17
Derivative financial liabilities		15,850,099.39		15,850,099.39

Continued:

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 at the end of the current period.

Notes to the Financial Statements

for the Year of 2023

X. FAIR VALUE (CONTINUED)

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

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

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

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

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS

1. Parent company of the Company

As of 31 December, 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, China	Investment management	Yan Wanpeng	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.

Notes to the Financial Statements

for the Year of 2023

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

2. Joint ventures and associates of the Company

For important joint ventures or associates of the Company, see note VIII.2 Rights and interests in joint ventures or associates.

The associates are as follows:

Name of joint venture or associate	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 the Year of 2023

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.	Original 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 Gaoko 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
Henan Huirong Renda Strategy Management Consulting Co., Ltd.	Ultimately controlled by the same controlling party	91410105MA9F8B3T7G
Li'an Excellent Insurance Brokerage Co., Ltd.	Ultimately controlled by the same controlling party	91410100678075487T
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 Province South-to-North Water Diversion Counterpart Collaborative 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
Runan County Huaxiang Animal Husbandry Co., Ltd.	Subsidiaries of associates	91411727596297983R
Henan Railway Construction Investment Group Co., Ltd.	Minority shareholders of subsidiaries	91410000694858692Q
Zhongyuan Asset Management Co., Ltd.	An enterprise in which executives of Henan Investment Group serve as executives	91410000356141357Q

Notes to the Financial Statements

for the Year of 2023

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions

(1) Commission income generated from providing agency securities trading services

Name of related party	FY 2023	FY 2022
Bohai Industrial Investment Fund Management Co., Ltd.		148,342.83
Henan Investment Group and its subsidiaries, joint ventures and associates	105,535.66	155,435.24
Zhongyuan Asset Management Ltd.	17,469.92	21,631.30
Anyang Gangtie Group Co., Ltd.		10.19
Jiangsu Suhao Private Equity Fund Management Co., Ltd.	27,088.61	
Henan Railway Construction Investment Group Co., Ltd.	56,814.04	4,247.11
Angang Group International Trade Co., Ltd.	1,623.38	13,545.47
Directors, supervisors and senior managers of the Company and Henan Investment Group and their close family members	50,250.16	28,717.46

Notes to the Financial Statements

for the Year of 2023

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(2) Related transaction balance

Name of related party	Account name	Transaction content	31 December 2023	31 December 2022
Henan Investment Group Co., Ltd.	Accounts receivable	Income from asset management business	3,238,290.83	2,639,923.94
Luoyang Desheng Biotechnology Co., Ltd.	Accounts receivable	Financial advisory fee		170,000.00
Henan Railway Construction Investment Group Co., Ltd.	Other receivables	Prepaid for purchase share		115,031,443.50
Henan Coal Storage and Distribution Trading Center Co., Ltd.	Agent for buying and selling securities	Futures Brokerage		146,919.81
Anyang Iron & Steel Co., Ltd.	Agent for buying and selling securities	Futures Brokerage	1,921,146.96	1,921,146.96
Anyang Iron & 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	Partnership funds	8,591,692.49	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	
Central China Asset Management Ltd.	Financial assets at fair value through profit or loss	Purchase bond	35,590,559.17	35,190,397.17
Henan Investment Group and its subsidiaries, joint ventures and associates, Etc.	Agent for buying and selling securities	Securities Brokerage	928,162.81	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	3,504,972.34	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	419,977.70	387.59
Central China Asset Management Ltd.	Agent for buying and selling securities	Securities Brokerage	3,562.71	9,184.88
Henan Railway Construction Investment Group Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	2,191,578.51	15,765.61
Jiangsu Suhao Private Equity Fund Management Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	1,099,696.34	
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	Contract Liabilities	Equity custodian fee income	10,174.18	

Notes to the Financial Statements

for the Year of 2023

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(2) Related transaction balance (continued)

Continued:

Name of related party	Account name	Transaction content	31 December 2023	31 December 2022
Joint venture of Henan Investment Group	Bank deposit	Bank balance	1,814,535.19	3,133,056.18
Joint venture of Henan Investment Group	Other assets	Expenses	235,849.06	
Joint venture of Henan Investment Group	Bonds payable	Subscription of corporate bonds	141,297,722.21	305,822,609.89
Joint venture of Henan Investment Group	Financial assets at fair value through profit or loss	Purchase bond		99,299,031.51

(3) Other related party transactions

Name of related party	Transaction content	FY 2023	FY 2022
Henan Investment Group Co., Ltd.	Income from underwriting and sponsorship, and asset management business, etc.	658,836.67	634,014.43
Henan Dahe Finance Cube Media Holdings Co., Ltd.	Expenses	424,528.29	962,264.13
Luoyang Desheng Biotechnology Co., Ltd.	Income from supervision fees		141,509.43
Henan Talent Group Co., Ltd.	Expenses	148,113.20	78,569.47
Henan Tiandi Hotel Co., Ltd.	Equity escrow	256,829.44	
Zhengzhou Dahe Zhixin Technology Co., Ltd.	Equity custodian fee income	6,499.94	
Henan Huirong Renda Strategy Management Consulting Co., Ltd.	Expenses	418,811.88	684,466.03
Li'an Excellent Insurance Brokerage Co., Ltd.	Expenses	281,856.56	272,373.72
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
Runan Huaxiang Animal Husbandry Co., Ltd.	Pledge registration fee		2,830.19
Angang Group International Trade Co., Ltd.	Income from the sale of goods	4,519,469.03	31,610,177.01
Henan Xinchang Software Co., Ltd.	Expenses		17,109.14
Henan Asset Fund Management Co., Ltd.	Fund investment income	-3,129,003.37	-8,394,931.39
Henan Railway Construction Investment Group Co., Ltd.	Underwriting income	197,488.68	260,660.38
Henan Ancai Gaoke Co., Ltd.	Underwriting sponsorship income		1,945,131.99
Central China Asset Management Ltd.	Bond investment income	2,448,205.93	6,770,468.44
Henan Railway Construction Investment Group Co., Ltd.	Purchase equity	225,551,850.00	
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	Equity custodian fee income	7,267.25	

Notes to the Financial Statements

for the Year of 2023

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(3) Other related party transactions (continued)

Continued:

Name of related party	Transaction content	FY 2023	FY 2022
Joint venture of Henan Investment Group	Income from bank deposits and financial products	7,178.16	11,488.72
Joint venture of Henan Investment Group	Interest expenses of pledged repurchase		305,243.08
Joint venture of Henan Investment Group	Interest expense of bond borrowing	2,602.74	
Joint venture of Henan Investment Group	Bond investment income	960,178.22	2,637,991.88
Joint venture of Henan Investment Group	Interest income from buyout repurchase		4,378.08
Joint venture of Henan Investment Group	Income from financial advisory fees and underwriting income	185,723.58	247,169.81
Joint venture of Henan Investment Group	Bank loan interest expenses and interest expenses on subordinated debt payable	8,583,112.32	13,108,000.00

(4) Guarantee for subsidiaries

As of 31 December 2023, the Company provided a guarantee for the issuance of offshore bonds of up to US\$100 million by Wending Zhongyuan Company Limited, a wholly-owned overseas subsidiary, the guarantee balance is RMB623,277,600.00 (US\$88,000,000.00).

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

Item	Expressed in RMB'0000	
	FY 2023	FY 2022
Benefits of key management personnel (before tax)	1,332.43	2,443.95

The remuneration of the Company's directors, supervisors and senior management includes: wages and salaries, various insurance benefits, housing provident fund and annuity, etc.

During the Reporting Period, the pre-tax remuneration of the directors, supervisors and senior management of the Company who performed their duties with full pay in previous years were: Lu Zhili RMB560,000, Jian Mingjun RMB530,000, Li Zhaoxin RMB900,000, Zhu Jianmin RMB560,000, Zhu Junhong RMB500,000, Xu Haijun RMB500,000, Hua Jinzhong RMB500,000, Zhu Qiben RMB500,000, Liu Hao RMB2,404,900, Li Feng RMB500,000, Wang Xiaogang RMB500,000, Shi Hongxing RMB527,800, Han Junyang RMB443,700, Xiao Yichen RMB220,000, Ba Guanhua RMB273,000 and Xu Changyu RMB402,600.

Notes to the Financial Statements

for the Year of 2023

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(5) Benefits of directors, supervisors and employees (continued)

2) Remuneration of directors and supervisors

The remunerations (before tax) paid and payable by the Company to directors and supervisors in 2023 are as follows:

Expressed in RMB'0000

Name	Remuneration	Wages, allowances and other allowances	Pension	Discretionary bonus	Total
Executive director					
Lu Zhili		62.64	8.00	21.29	91.93
Jian Mingjun		37.46	8.00	11.38	56.84
Non-executive director					
Zhang Dongming	25.00				25.00
Zeng Song	25.00				25.00
Chen Zhiyong	25.00				25.00
He jun	25.00				25.00
Lu Zhengxin	1.80				1.80
Zhang Xiaoqi	1.80				1.80
Supervisor					
Xiao Yichen		59.51		19.40	78.91
Ba Guanhua		32.16	35.25	15.04	82.45
Xu Changyu		32.22	23.47	15.27	70.96
Xiang Siying	12.00				12.00
Xia Xiaoning	12.00				12.00

Note: The remuneration of the above directors and supervisors for year 2023 has not yet been finalized, but it is expected that the unaccrued remuneration will not have a significant impact on the Group's 2023 financial statements.

Notes to the Financial Statements

for the Year of 2023

XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(5) Benefits of directors, supervisors and employees (continued)

3) Five highest paid individuals

In 2023, the five highest paid individuals of the Company have no directors and supervisors. The remunerations paid and payable (after tax) are as follows:

Item	Expressed in RMB	
	FY 2023	FY 2022
Wages, allowances and other allowances	3,541,764.30	3,269,926.18
Pension	268,540.80	265,663.20
Discretionary bonus	15,791,579.74	29,407,474.55
Total	19,601,884.84	32,943,063.93

The number of employees whose remuneration falls in the following ranges is listed below:

Range	Number of employees	
	2023	2022
RMB 2,000,001 to RMB 2,500,000		
RMB 2,500,001 to RMB 3,000,000	1	
RMB 3,000,001 to RMB 3,500,000	1	
RMB 3,500,001 to RMB 4,000,000	1	
RMB 4,000,001 to RMB 4,500,000		
RMB 4,500,001 to RMB 5,000,000	1	1
RMB 5,000,001 to RMB 5,500,000	1	
RMB 5,500,001 to RMB 6,000,000		1
RMB 6,000,001 to RMB 6,500,000		
RMB 6,500,001 to RMB 7,000,000		
RMB 7,000,001 to RMB 7,500,000		1
RMB 7,500,001 to RMB 8,000,000		2
RMB 8,000,001 to RMB 8,500,000		
RMB 8,500,001 to RMB 9,000,000		
Total	5	5

Note: The remuneration paid by the Company to the above non-directors or non-supervisors during the year is based on the service provided by the above personnel to the Company.

4) Loans and advances to key management personnel

At the end of the reporting period, the Company did not issue loans or advances to members of the Board of Directors, the Board of Supervisors, and other senior management personnel.

Notes to the Financial Statements

for the Year of 2023

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

The Company has entered into a contract but has not confirmed the capital commitment in the financial statements as follows:

Item	31 December 2023	31 December 2022
Contracted but not paid	475,434,258.49	519,485,968.89
Total	475,434,258.49	519,485,968.89

In addition to the above undertakings, as of 31 December 2023, the Company has no other major commitments that should be disclosed.

2. Significant contingencies

The Company has no significant contingencies that have not been disclosed.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

1. Significant non adjustment events

(1) Public issuance of corporate bonds to professional investors

Registered with the China Securities Regulatory Commission (CSRC License [2022] No. 2533), the Company is approved to publicly issue subordinated bonds of not more than RMB5 billion to professional investors. On 25 January 2024, 24 Zhongyuan 01 (Code 240528) bonds were completed, with an actual issuance scale of RMB700 million and a coupon rate of 2.90%, and will be listed on the Shanghai Stock Exchange from 30 January 2024.

2. Profit distribution

The company's profit distribution plan for 2023 deliberated by the 24th meeting of the seventh board of directors is: a cash dividend of RMB0.14 (tax inclusive) for every 10 shares. As of 31 December 2023, the Company had a total share capital of 4,642,884,700 shares. Based on this calculation, the total proposed cash dividend is RMB65,000,385.80 (tax included). The company does not convert capital reserve to increase share capital and does not issue bonus shares. This plan is still subject to approval of the Company's general meeting of shareholders.

3. Other events after the balance sheet date

As at the date of approval of the financial statement the Company has no other significant events after the balance sheet date that need to be disclosed but have not been disclosed.

Notes to the Financial Statements

for the Year of 2023

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.

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 the Year of 2023

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment information (continued)

(2) The Company determines the factors considered by the reporting segment and the types of products and services of the reporting segment

According to the different business types, the Company's reporting segments are mainly divided into: securities brokerage business segment, proprietary business segment, investment banking business segment, credit business segment, investment management business segment, futures business segment, overseas business segment, headquarters and other business segment.

(3) Segment financial information

Expressed in RMB'0000

Item	Securities brokerage business	Proprietary trading business	Investment banking business	Closing balance/Current amount ²					Offset	Total
				Credit business	Investment management business	Futures business	Overseas business	Headquarters and others		
1. Operating income	65,185.67	55,206.06	8,488.38	40,903.18	-397.63	40,903.83	-3,201.07	-10,402.63	115.88	196,801.66
Net fee and commission income	47,953.37		8,409.32		4,241.06	11,812.99	613.91	1,894.82	-326.63	74,598.84
Investment income (or less: losses)		82,920.19			7,063.65	-976.44	3,318.72	-5,569.34	560.97	87,317.75
Gains on changes in fair value (or less: losses)		8,937.59			-12,271.89	-198.24	-5,602.51	-550.08	19.48	-9,665.65
Gains on foreign exchange (or less: losses)	3.33						32.47	2.98		38.78
Other operating income	977.58	705.41	94.34	624.86	16.87	29,249.23	8.4	503.18	-274.77	31,905.10
Net interest income	16,251.39	-37,357.13	-15.28	40,278.31	552.67	1,016.29	-1,572.06	-6,684.19	136.83	12,606.85
2. Operating cost	58,066.86	14,444.44	16,047.94	2,284.59	9,133.66	39,547.79	6,356.40	31,010.01	-1,017.26	175,874.41
3. Operating profit	7,118.81	40,761.62	-7,559.56	38,618.58	-9,531.29	1,356.04	-9,557.47	-41,412.64	1,133.14	20,927.24
4. Total Asset	2,012,511.09	2,320,286.81	3,485.76	905,890.58	379,694.38	279,758.75	118,916.06	1,842,651.98	-2,693,027.02	5,170,168.38
5. Total liabilities	1,993,306.62	2,329,844.87	3,485.76	915,694.29	67,421.44	233,490.49	72,420.19	834,114.87	-2,694,660.12	3,755,118.41
6. Supplementary information										
(1) Depreciation and amortization	7,698.41	1,993.28	822.00	50.61	449.09	675.60	842.99	6,238.17	-117.51	18,652.65
(2) Capital expenditure	6,019.59	784.96	106.66	593.15	379.39	398.44	48.63	6,608.53		14,939.34

The accounting policies of each operating segment of the Company are the same as those described in "Significant accounting policies and estimates".

² The data in the table needs to be rounded when calculating, and there may be mantissa deviations. Other similar disclosures in this report are identical.

Notes to the Financial Statements

for the Year of 2023

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

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

(1) Public beneficial donations

Item	FY 2023	FY 2022
Charitable donations	101,500.00	110,110.00
Total	101,500.00	110,110.00

(2) Margin business

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

Item	31 December 2023	31 December 2022
Margin accounts receivable	7,681,062,672.38	7,090,382,849.97
Margin bonds receivable	3,676,678.87	17,674,884.65
— Financial assets at fair value through profit or loss	2,661,822.87	15,997,699.65
— Securities received through refinancing	1,014,856.00	1,677,185.00
Total	7,684,739,351.25	7,108,057,734.62

(3) Securities lending

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

Item	Fair value on 31 December 2023	Fair value on 31 December 2022
National bonds	1,061,286,950.00	164,449,700.00
Policy-based financial bonds	2,165,541,790.00	3,154,100,970.00
Local government bonds		
Total	3,226,828,740.00	3,318,550,670.00

Notes to the Financial Statements

for the Year of 2023

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

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

(4) Security of customer funds

As of 31 December 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.

(5) Assets and liabilities measured at fair value

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	31 December 2023
1. Financial assets at fair value through profit or loss (without derivative financial asset)	21,614,103,009.80	-37,780,111.04			24,271,207,692.01
2. Derivative financial instrument	-791,553.74	-60,112,944.37			9,876,368.78
3. Financial assets measured at fair value through other comprehensive income	2,288,258,640.42		56,410,424.20	167,469.41	410,921,462.71
4. Equity instruments at fair value through other comprehensive income					
5. Financial liabilities at fair value through profit or loss	1,525,542,658.61	1,236,527.27			1,389,611,181.03

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

Notes to the Financial Statements

for the Year of 2023

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

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

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

Item	31 Dec 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
				According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss	
Cash and bank balances	9,977,189,628.79				
Clearing settlement funds	3,449,978,421.75				
Margin accounts receivable	7,604,853,831.45				
Derivative financial instruments				27,910,148.17	
Refundable deposits	1,086,792,208.93				
Accounts receivable	421,115,609.11				
Financial assets held under resale agreements	1,010,201,346.03				
Financial assets at fair value through profit or loss				24,271,207,692.01	
Financial assets measured at amortized cost	120,370,451.85				
Financial assets at fair value through other comprehensive income		410,921,462.71			
Other assets					
Total	23,670,501,497.91	410,921,462.71		24,299,117,840.18	

Notes to the Financial Statements

for the Year of 2023

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

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

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

Continued:

Item	1 Jan 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	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 instruments				2,246.26	
Refundable deposits	939,945,921.04				
Accounts receivable	87,679,998.85				
Financial assets held under resale agreements	1,141,428,012.55				
Financial assets at fair value through profit or loss			21,614,103,009.80		
Financial assets measured at amortized cost	195,991,199.27				
Financial assets at fair value through other comprehensive income		2,288,258,640.42			
Other assets					
Total	22,708,665,175.51	2,288,258,640.42	21,614,105,256.06		

Notes to the Financial Statements

for the Year of 2023

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

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

(7) Basic classification table for the measurement of financial liabilities

Item	31 Dec 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				
Derivative financial liabilities		18,033,779.39		
Short-term financing instruments payable	4,075,723,383.58			
Due to banks and other financial institutions	3,297,906,994.48			
Financial liabilities at fair value through profit or loss		1,389,611,181.03		
Financial assets sold under repurchase agreements	10,602,387,479.57			
Accounts payable to brokerage clients	11,538,050,603.00			
Accounts payable	873,013,344.30			
Bonds payable	4,721,201,165.26			
Long-term borrowings				
Other liabilities	40,717,216.65			
Total	35,149,000,186.84	1,407,644,960.42		

Notes to the Financial Statements

for the Year of 2023

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

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

(7) Basic classification table for the measurement of financial liabilities (continued)

Continued:

Item	1 Jan 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	66,075,016.67			
Derivative financial liabilities		793,800.00		
Short-term financing instruments payable	4,132,771,764.91			
Due to banks and other financial institutions	1,502,279,361.14			
Financial liabilities at fair value through profit or loss		1,525,542,658.61		
Financial assets sold under repurchase agreements	9,887,887,932.32			
Accounts payable to brokerage clients	11,849,666,807.82			
Accounts payable	237,527,662.62			
Bonds payable	5,364,791,008.73			
Long-term borrowings				
Other liabilities	38,373,094.57			
Total	33,079,372,648.78	1,526,336,458.61		

Notes to the Financial Statements

for the Year of 2023

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

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

(8) Foreign currency financial assets

Item	1 January 2023	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	31 December 2023
Financial assets					
Financial assets at fair value through profit or loss	1,280,555,401.55	8,230,536.69			685,348,312.92
Account receivables	14,439,258.08				1,251,555.52
Financial assets measured at amortized cost					
Subtotal	1,294,994,659.63	8,230,536.69			686,599,868.44

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Long-term equity investments

(1) Classification of long-term equity investments

Item	31 December 2023			31 December 2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	5,039,655,803.95	213,448,720.01	4,826,207,083.94	5,514,103,953.95	213,448,720.01	5,300,655,233.94
Total	5,039,655,803.95	213,448,720.01	4,826,207,083.94	5,514,103,953.95	213,448,720.01	5,300,655,233.94

(2) Investment in subsidiaries

Investee	31 December 2022	Increase	Decrease	31 December 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		400,000,000.00	300,530,961.87		
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		300,000,000.00	2,676,000,000.00		
Central China Equity Exchange Co., Ltd.	126,875,000.00			126,875,000.00		
Total	5,514,103,953.95	225,551,850.00	700,000,000.00	5,039,655,803.95		213,448,720.01

Notes to the Financial Statements

for the Year of 2023

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Net interest income

Item	FY 2023	FY 2022
Interest income	768,683,856.14	822,628,821.39
Including: interest income from cash and bank balances and clearing settlement funds	211,916,352.77	221,954,328.70
Interest income from margin trading business	466,536,150.03	486,686,950.49
Interest income from financial assets held under resale agreements	52,569,878.94	79,537,423.65
Including: interest income from agreed repurchase	389,700.52	621,221.55
Interest income from stock pledge repurchase	48,118,590.80	76,369,233.23
Interest income from financial assets at fair value through other comprehensive income	31,205,106.44	31,344,772.62
Others	6,456,367.96	3,105,345.93
Interest expenses	643,922,499.52	690,670,205.35
Including: interest expenses of income securities issued certificate	49,105,952.65	70,320,887.42
Interest expenses of due to banks and other financial institutions	19,327,829.88	12,314,160.72
Including: refinancing interest expenses	10,507,524.89	5,644,777.42
Interest expenses on financial assets sold under repurchase agreements	265,880,648.15	230,421,957.40
Interest expenses of accounts payable to brokerage clients	25,374,502.21	41,661,038.43
Interest expenses of bonds payable	257,141,916.44	314,104,004.87
Including: interest expenses of subordinated bonds	94,073,880.56	157,254,212.94
Interest expenses of bond lending	13,719,191.95	8,498,252.03
Others	13,372,458.24	13,349,904.48
Net interest income	124,761,356.62	131,958,616.04

Notes to the Financial Statements

for the Year of 2023

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Net fee and commission income

(1) Details

Item	FY 2023	FY 2022
Securities brokerage services net income	431,840,468.77	517,770,804.94
— Securities brokerage services income	577,863,784.46	696,137,394.40
— Funds received as agent of stock exchange	562,202,422.38	672,958,694.43
Leasing of trading unit seats	44,205.69	167,918.24
Sales agent of financial products	14,815,215.48	22,255,585.99
— Securities brokerage services expenses	146,023,315.69	178,366,589.46
— Funds received as agent of stock exchange	145,971,083.55	178,309,002.98
Sales agent of financial products	232.82	17,943.10
— Investment bank business net income	88,516,671.00	264,629,336.50
— Investment bank business income	92,646,980.52	267,329,053.47
— Securities underwriting business	46,603,917.95	218,593,371.33
Sponsor business of securities	13,963,773.58	12,273,599.99
Financial advisory business	32,079,288.99	36,462,082.15
— Investment bank business expenses	4,130,309.52	2,699,716.97
— Securities underwriting business	1,358,490.56	811,320.75
Sponsor business of securities		
Financial advisory business	2,771,818.96	1,888,396.22
Asset management business net income	27,995,480.00	21,888,689.14
— Asset management business income	27,995,480.00	21,963,811.98
— Asset management business expenses		75,122.84
Investment consulting business net income	43,276,167.10	54,108,288.84
— Investment consulting business income	43,276,167.10	54,108,288.84
— Investment consulting business expenses		
Other fee and commission net income	15,628,712.24	21,032,811.80
— Other fee and commission income	15,628,712.24	21,032,811.80
— Other fee and commission expenses		
Total	607,257,499.11	879,429,931.22
Including: Total fee and commission income	757,411,124.32	1,060,571,360.49
Total fees and commission expenses	150,153,625.21	181,141,429.27

Notes to the Financial Statements

for the Year of 2023

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Investment income

(1) Classification details

Item	FY 2023	FY 2022
Long-term equity investments income calculated by cost method		4,900,000.00
Financial instruments investment income	807,766,561.18	854,353,743.75
Including: Income generated during holding period	596,263,881.87	645,225,013.77
Including: Financial assets at fair value through profit or loss	637,583,476.60	667,275,577.93
Financial liabilities at fair value through profit or loss	-41,319,594.73	-22,050,564.16
Disposal income of financial instruments	211,502,679.31	209,128,729.98
Including: Financial assets at fair value through profit or loss	106,805,795.82	95,294,644.41
Financial assets at fair value through other comprehensive income	63,690,575.55	4,205,615.46
Derivative financial instruments	69,242,493.90	73,249,556.36
Financial liabilities at fair value through profit or loss	-28,236,185.96	36,378,913.75
Total	807,766,561.18	859,253,743.75

(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		FY 2023
Financial assets classified as financial assets measured at fair value through profit or loss	Income during holding period	637,583,476.60
	Income from disposal	106,805,795.82
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	-41,319,594.73
	Income from disposal	-28,236,185.96
Financial liabilities designated to be measured at fair value through profit or loss	Income during holding period	

Notes to the Financial Statements

for the Year of 2023

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

5. Business and administrative expenses

Item	FY 2023	FY 2022
Employee benefits	798,312,985.85	939,583,164.12
Depreciation of right-of-use assets	61,272,433.00	58,023,043.84
Amortization of intangible assets	58,026,111.56	46,672,664.62
Electronic equipment operating fees	52,040,427.35	44,224,876.21
Depreciation of fixed assets	30,773,128.51	28,927,511.59
Advertising and publicity expenses	26,921,517.60	31,222,951.90
Amortization of long-term deferred expenses	16,353,648.16	13,516,996.61
Communication fees	15,275,751.66	14,985,043.23
Membership fees	14,514,048.49	15,854,664.81
Consulting fees	12,116,396.68	17,542,315.23
Traveling expenses	11,688,368.90	6,810,060.93
Securities Investor Protection Fund	11,677,884.61	10,737,016.77
Business entertainment expenses	9,889,993.96	9,471,990.50
Information fees	9,714,997.50	7,769,745.88
Property management fees	9,002,689.60	8,850,196.50
Water and electricity fees	8,379,891.81	8,702,216.42
Lawyer fees	5,101,869.59	4,191,690.62
Exchange facility usage fees	4,263,333.33	4,257,440.80
Security precautionary fees	3,190,392.58	3,330,387.37
Others	31,171,494.34	30,741,645.20
Total	1,189,687,365.08	1,305,415,623.15

Notes to the Financial Statements

for the Year of 2023

XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

6. Supplementary information of cash flow statement of parent company

Item	FY 2023	FY 2022
1. Adjusting net profit to cash flow from operating activities:		
Net profit	400,260,862.21	226,655,583.55
Add: expected credit losses	19,643,966.02	93,885,781.83
Provision for impairment of other assets		
Accumulated depreciation of investment properties and fixed assets	31,898,883.89	29,954,401.45
Depreciation of right-of-use assets	61,272,433.00	58,023,043.84
Amortization of intangible assets	58,026,111.56	46,672,664.62
Amortization of long-term deferred expenses	16,353,648.16	13,516,996.61
Loss on disposal of fixed assets, intangible assets and other long-term assets (income is represented with "-")	1,170,150.95	1,237,480.49
Profit or loss from changes in fair value (income expressed with "-")	-87,437,291.09	255,995,147.76
Interest expenses	312,710,783.06	392,668,050.84
Exchange losses (or gains expressed with "-")	-63,128.47	-720,082.14
Investment losses (or gains expressed with "-")	-94,895,681.99	-40,450,388.08
Decrease in deferred income tax assets (or increase expressed with "-")	16,684,566.06	-83,964,134.10
Increase in deferred income tax liabilities (or decrease expressed with "-")	-1,314,736.16	1,753,022.22
Decrease of operating receivables (or increase expressed with "-")	-1,673,105,871.56	1,727,050,066.48
Increase of operating payable (or decrease expressed with "-")	-693,046,331.06	-220,614,237.80
Net cash flow from operating activities	-1,631,841,635.42	2,501,663,397.57
2. Major investment and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	11,203,798,588.51	11,487,978,273.17
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	-284,179,684.66	-1,553,423,204.56

Notes to the Financial Statements

for the Year of 2023

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	-1,610,620.77	
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)	20,830,183.98	
Other non-operating income and expenses other than the above items	1,991,815.30	
Other profit and loss items conforming to the definition of non-recurring profit and loss		
Less: income tax impact	5,302,844.63	
Influence amount of minority shareholders' equity (after tax)	181,275.55	
Total	15,727,258.33	

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	1.53	0.05	0.05
Net profit attributable to common shareholders of the Company after deducting non-recurring profits or losses	1.42	0.04	0.04

Central China Securities Co., Ltd.
28 March, 2024

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	Closed securities branches	Name change of institutions
5	6	2	1

1. Administrative licensing for 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, Ltd. Zhengzhou Branch Office	Central China Securities, Ltd. Zhengzhou Branch Office	3F, Business Building, Jingwei Apartment, No. 30 Weier Road, Jinshui District, Zhengzhou City	10 January 2023
2	Central China Securities, Ltd. Nanyang Branch Office	Central China Securities, Ltd. Nanyang Branch Office	Room 101, 1/F and Room 301, 3/F, Unit 1, Tower 15, Building 15, Yulongyuan, No. 366, North Section of Dushan Avenue, Nanyang City	12 April 2023
3	Central China Securities, Ltd. Xinyang Branch Office	Central China Securities, Ltd. Xinyang Branch Office	Room 101, 1/F and Room 201-204, 2/F, Annex Building, Building 3, Chenyu International Harbor, Xinliu Avenue, Yangshan New District, Xinyang City, Henan Province	13 February 2023
4	Central China Securities, Ltd. Zhejiang Branch Office	Central China Securities, Ltd. Zhejiang Branch Office	Room 1702, 17/F, No. 37, Sanxin Road, Sijiqing Subdistrict, Shangcheng District, Hangzhou City, Zhejiang Province	19 May 2023
5	Central China Securities, Ltd. Jiangsu Branch Office	Central China Securities, Ltd. Jiangsu Branch Office	Unit 08, Zone A, 5/F, Phase II, Xindi Center, Room 1, 168 Lushan Road, Jianye District, Nanjing City	11 July 2023

SECTION 9 INFORMATION DISCLOSURE OF SECURITIES COMPANY

2. Administrative licensing for the relocation of securities branches during the Reporting Period

No.	Name of securities branch before relocation	Name of securities branch after relocation	New address	License obtained on
1	Central China Securities Co., Ltd. Nanyang East Fanli Road Securities Branch	Central China Securities Co., Ltd. Nanyang Renmin Road Securities Branch	No. 170 Renmin Road, Nanyang City, Henan Province	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	Room 710 & 711, 7/F, 399 Yinhai Road, Futian Subdistrict, Yiwu City, Jinhua City, China (Zhejiang) Free Trade Pilot Zone	19 May 2023
3	Central China Securities Co., Ltd. Linzhou Xinglin Street Securities Branch	Central China Securities Co., Ltd. Linzhou Hongqiqu Avenue Securities Branch	Shops 102 and 103, Building 1, Ziyunyueting, southeast corner of the intersection of Zhenlin Road and Hongqiqu Avenue, Kaiyuan Street, linzhou City, Anyang City, Henan Province	28 December 2023
4	Central China Securities Co., Ltd. Gushi Chongwen Road Securities Branch	Central China Securities Co., Ltd. Gushi Chongwen Road Securities Branch	Room 204 & 205, 2/F, Unit 1 and Room 101 & 102, 1/F, Unit 1, Tower (018)1-18, Building 18, District II, Richu Dongfang, Gushi County, Xinyang City, Henan Province	31 October 2023
5	Central China Securities Co., Ltd. Xin'an Cihe Road Securities Branch	Central China Securities Co., Ltd. Xin'an Jianhe Avenue Securities Branch	No. 897, Jianhe Avenue, Xincheng District, Xin'an County, Luoyang City, Henan Province	28 December 2023
6	Central China Securities Co., Ltd. Xinxiang Pingyuan Demonstration Area Securities Branch	Central China Securities Co., Ltd. Xinxiang Pingyuan Demonstration Area Securities Branch	Shop 53, Commercial Street, Binhu Phase II, Longyuan Subdistrict, Pingyuan Demonstration Area, Xinxiang City, Henan Province	31 October 2023

3. Administrative licensing for the cessation of securities branches during the Reporting Period

No.	Name of the ceased securities branch	Cessation date
1	Central China Securities Co., Ltd. Minquan Boai Road Securities Branch	November 2023
2	CCSC Shenzhen Longcheng Avenue Securities Branch	January 2024

4. Administrative licensing for the name change of branch offices during the Reporting Period

No.	Original name	Current name
1	Central China Securities Co., Ltd. Wuhan Luoshi Road Securities Branch	Central China Securities Co., Ltd. Hubei Branch Office