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**中州证券**

**Central China Securities Co., Ltd.**

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

**(Stock Code: 01375)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021. This annual results announcement, containing the full text of the 2021 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results and has been reviewed by the audit committee under the Board.

The printed version of the Company's 2021 annual report will be dispatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk), the website of the Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the website of the Company at [www.ccnew.com](http://www.ccnew.com) on or before 30 April 2022.

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

Henan, the PRC  
25 March 2022

*As at the date of this announcement, the Board comprises executive Director Mr. JIAN Mingjun, non-executive Directors Mr. LI Xingjia, Ms. ZHANG Qiuyun, Mr. TIAN Shengchun, Mr. TANG Jin, Mr. ZHANG Xiaoqi and Mr. LU Benson Cheng, and independent non-executive Directors Ms. ZHANG Dongming, Mr. CHEN Zhiyong, Mr. TSANG Sung and Mr. HE Jun.*

## IMPORTANT NOTICE

The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of contents of this 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 2021 prepared by the Company in accordance with the China Accounting Standard for Business Enterprises have been audited by Da Hua Certified Public Accountants (Special General Partnership), with standard unqualified audit report issued to the Company.

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

The Company's profit distribution plan for the second half of 2021 as considered and approved at the sixth meeting of the Seventh Session of the Board is to distribute a cash dividend of RMB0.21 (tax inclusive) for every 10 shares. Calculated based on the total share capital of the Company of 4,642,884,700 shares as of 31 December 2021, the total cash dividend amounts to RMB97,500,578.70 (tax inclusive). After adding the cash dividend of RMB78,929,039.90 (tax inclusive) paid for the first half of 2021, the accumulative cash dividend for the year amounts to RMB176,429,618.60 (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 languages. In the event of any discrepancies between the English version and the Chinese version of this report, the Chinese version shall prevail.

## MATERIAL RISK ALERT

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

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

The Company has established and continuously improved its internal control system, compliance and comprehensive risk management system by establishing a scientific mechanism for risk identification, assessment, response, monitoring and reporting, and implementing risk management throughout the entire process of business decision-making to ensure that the Company's operations are conducted within the limits of measurable, controllable and tolerable risks. For the relevant risks faced by the Company in its operation, please refer to the relevant contents in "VII. COMPANY'S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY — (IV) Potential risks and (V) Impact of the COVID-19 on the Company under Section 3 REPORT OF THE BOARD OF DIRECTORS" of this report.

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### DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

Annual report disclosed in other securities markets.

Other relevant materials.

# SECTION 1 DEFINITIONS

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

## DEFINITIONS OF COMMON TERMS

Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
Group	the Company and its subsidiaries
Board	the board of the Directors of the Company
Director(s)	Director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	Supervisor(s) of the Company
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
this report	this annual report
SSE	Shanghai Stock Exchange
SSE Composite Index	composite stock price index of the SSE
SZSE	Shenzhen Stock Exchange
SZSE Component Index	component stock price index of the SZSE
Beijing Stock Exchange	Beijing Stock Exchange
Wind Info	Wind Info Co., Ltd. (上海萬得資訊技術股份有限公司)
IPO	the initial public offering

## SECTION 1 DEFINITIONS

A shares	domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the SSE
H shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Hong Kong Stock Exchange
Reporting Period/the Period	the period from 1 January 2021 to 31 December 2021
end of the Reporting Period/end of the Period	31 December 2021
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	State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
STAR Market	science and technology innovation board of the SSE
New Third Board	National Equities Exchange and Quotations
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. (中國平煤神馬能源化工集團有限責任公司)
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)

## SECTION 1 DEFINITIONS

Shenhua Group	Henan Shenhua 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)
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)
ZZKY	Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd. (河南中證開元私募基金管理有限公司)
Central China Blue Ocean or CCBO	Central China Blue Ocean Investment Management Company Limited (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 PRC (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	the lawful currency of China Renminbi, with the basic unit of “yuan”
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
%	per cent.

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. INFORMATION ABOUT THE COMPANY

Chinese name of the Company	中原证券股份有限公司
Chinese abbreviation of the Company	中原证券
English name of the Company	CENTRAL CHINA SECURITIES CO., LTD.
English abbreviation of the Company	CCSC
Legal representative of the Company	Jian Mingjun
President of the Company	Zhu Jianmin (temporarily performing the duties of the President)

### 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	9,100,531,842.63	10,141,843,317.23

### Qualifications for each individual business of the Company

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



## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

## II. CONTACT PERSONS AND CONTACT METHODS

	<b>Secretary to the Board</b>	<b>Representative of securities affairs</b>
Name	Zhu Qiben	Yang Feng
Address	19F, Hailian Building, 20 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (Postcode: 450018)	19F, Hailian Building, 20 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (Postcode: 450018)
Tel	0371-69177590	0371-69177590
Fax	0371-86505911	0371-86505911
Email address	zhuqb@ccnew.com	yangfeng@ccnew.com

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### III. BASIC PROFILE

Registered address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China
Postcode of the registered address of the Company	450018
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	<a href="http://www.ccnew.com">http://www.ccnew.com</a>
Email address	<a href="mailto:investor@ccnew.com">investor@ccnew.com</a>
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: <a href="https://www.cs.com.cn/">https://www.cs.com.cn/</a> Shanghai Securities News: <a href="https://www.cnstock.com/">https://www.cnstock.com/</a> Securities Times: <a href="http://www.stcn.com/">http://www.stcn.com/</a> Securities Daily: <a href="http://www.zqrb.cn/">http://www.zqrb.cn/</a>
Website designated by CSRC for publishing this report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publishing this report	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place for inspection of the Company's annual report	19F, 20 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China

### V. SHARES OF THE COMPANY

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

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VI. OTHER INFORMATION OF THE COMPANY

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

On 25 October 2002, according to CSRC's Reply Concerning Approval of Opening of Central China Securities Co., Ltd. (Zheng Jian Ji Gou Zi [2002] No.326) (《關於同意中原證券股份有限公司開業的批覆》(證監機構字[2002]326號)), Henan Finance Securities Company Limited and the Securities branch of Anyang Trust & Investment Company Limited merged and reorganised into one, which later joined other qualified companies to form Central China Securities Co., Ltd. after increase in capital and share. The Company was registered with Henan Administration for Industry & Commerce on 8 November 2002 with a registered capital of RMB1,033,790,000. After incorporation, the Company, according to CSRC's reply concerning approval of opening, acquired the securities branch and securities services department (which were originally under Henan Securities) and other securities-related assets.

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

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

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

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

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

The non-public issuance of 592,119,000 H Shares was completed by the Company on 3 August 2015 with a nominal value of RMB1 each at an issue price of HK\$4.28 per H share. On 14 August 2015, the Company completed the registration of change of the registered capital with the Henan Administration for Industry & Commerce, with the registered capital increased to RMB3,223,734,700.

On 18 November 2016, the Company was approved to issue no more than 700,000,000 RMB denominated ordinary shares, with a par value of RMB1 each. 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 SASAC of Henan Province, 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, A shares of the Company were listed on the SSE.

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 registration of changes with the administrative department for industry and commerce and obtained the business licence reissued by the Henan Administration for Industry and Commerce, with the Company's registered capital changed to RMB3,869,070,700.

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

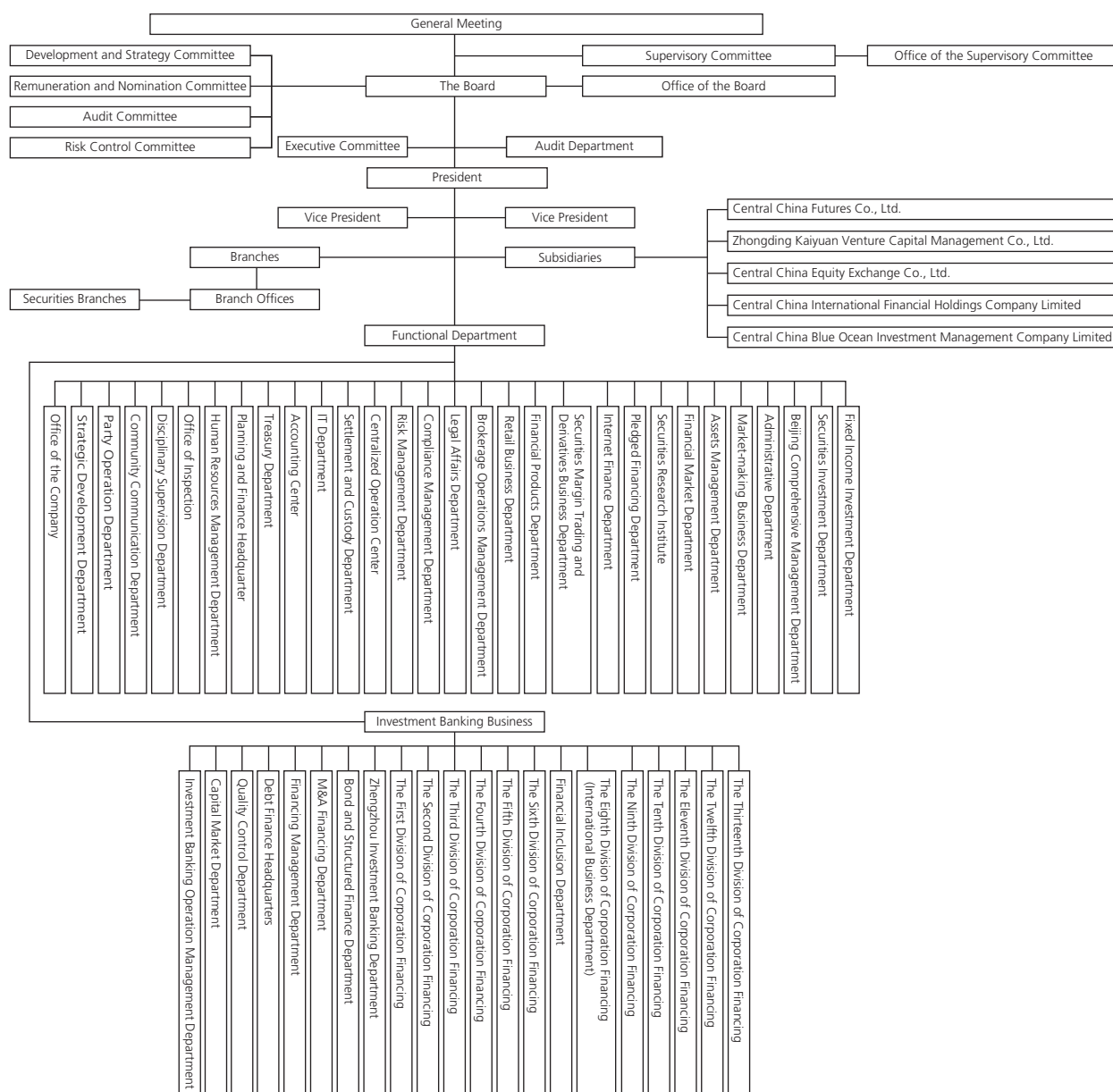
### (II) Status of the Company's organizational structure

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

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### 1. Organizational structure diagram of the Company

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



## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### 2. Major subsidiaries of the Company

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

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

As of the end of the Reporting Period, the Company had 83 securities branches in 12 provinces, autonomous regions and municipalities directly under the central government, including 2 in Beijing, 2 in Shanghai, 1 in Zhejiang Province, 1 in Guangdong Province, 1 in Hubei Province, 1 in Hunan Province, 2 in Jiangsu Province, 1 in Shandong Province, 1 in Hebei Province, 1 in Tianjin, 1 in Shanxi Province and 69 in Henan Province. See the following table for details:

No.	Securities branch	Address	Person in charge
1	Central China Securities Co., Ltd. Zhengzhou Huanghe Road Securities Branch	2F, West Wing Building, No.11 Huanghe Road, Jinshui District, Zhengzhou City, Henan Province	Chen Mingwei
2	Central China Securities Co., Ltd. Zhengzhou Tongbai Road Securities Branch	No.43 Tongbai Road, Zhongyuan District, Zhengzhou City, Henan Province	Xin Zhihong
3	Central China Securities Co., Ltd. Zhengzhou Free Trade Zone Securities Branch	Room 202, Floor 5A, 138 Jingbei First Road, Zhengzhou Area (Economic Development Area), Pilot Free Trade Zone, Henan Province	Zhang Yingju
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	Li Kaihui
6	Central China Securities Co., Ltd. Zhengzhou Weier Road Securities Branch	3F, Business Building, Jingwei Apartment, No.30 Weier Road, Jinshui District, Zhengzhou City, Henan Province	Song Yitao
7	Central China Securities Co., Ltd. Zhengzhou Business Inner Ring Road Securities Branch	2F, No.11 Business Inner Ring Road, Zhengzhou Section (Zhengdong), Henan Pilot Free Trade Zone	Guo Zhijun
8	Central China Securities Co., Ltd. Xinzheng Xinhua Road Securities Branch	No.4-5, 1F, Building 1, Xinhua Community, Xinhua Road, Xinzheng City, Henan Province	Feng Yongjun

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
9	Central China Securities Co., Ltd. Xinmi East Avenue Securities Branch	No.17 East Avenue, Xinmi City, Zhengzhou City, Henan Province	Zhang Yonghong
10	Central China Securities Co., Ltd. Gongyi Songshan Road Securities Branch	No.119-8 Songshan Road, Gongyi City, Zhengzhou City, Henan Province	Niu Zhihong
11	Central China Securities Co., Ltd. Zhong Mou Guang Hui Street Securities Branch	Shop on 1F (facing the street), Southeast of the intersection of Guang Hui Street and Wansheng Road, Zhong Mou County, Zhengzhou City, Henan Province	Chen Zhong
12	Central China Securities Co., Ltd. Dengfeng Shaolin Avenue Securities Branch	Shaolin Avenue, Dengfeng City, Henan Province (West Hall on 1F of Shaolin International Hotel)	Qu Bo
13	Central China Securities Co., Ltd. Dengzhou Xinhua Road Securities Branch	No.17 East Xinhua Road, Dengzhou City, Henan Province	Zhang Hui
14	Central China Securities Co., Ltd. Nanyang East Fanli Road Securities Branch	Building 2, Rulin Yuzhu Garden, East Fanli Road, Nanyang City, Henan Province	Zhao Xiaoyu
15	Central China Securities Co., Ltd. Nanyang Wuyi Road Securities Branch	East Wuyi Road, Guanzhuang Working Area, Nanyang City, Henan Province	Wang Qingfeng
16	Central China Securities Co., Ltd. Xixia Renmin Road Securities Branch	Intersection of Baiyu Road and Renmin Road, Xixia County, Nanyang City, Henan Province	Zhang Wandong
17	Central China Securities Co., Ltd. Pingdingshan Lingyun Road Securities Branch	Shop 207, 2F, Building 20, Jiujiu Lvshuyuan, West to Middle Lingyun Road, Xinhua District, Pingdingshan City, Henan Province	Li Jiangong
18	Central China Securities Co., Ltd. Pingdingshan Jianshe Road Securities Branch	37 Middle Jianshe Road (Renmin Plaza), Weidong District, Pingdingshan City, Henan Province	Zheng Wenchao
19	Central China Securities Co., Ltd. Ruzhou Chengyuan Road Securities Branch	1-2F, West side of the Chengyuan Road, Ruzhou City, Henan Province	Shi Lin
20	Central China Securities Co., Ltd. Baofeng Zhongxing Road Securities Branch	Shop 111, Dongcheng International Residential Community, Zhongxing Road, Chengguan Town, Baofeng County, Pingdingshan City, Henan Province	Jiao Dezhi

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
21	Central China Securities Co., Ltd. Luohe Changjiang Road Securities Branch	No.29 Changjiang Road, Yuanhui District, Luohe City, Henan Province	Wu Jun
22	Central China Securities Co., Ltd. Linying Yinghe Road Securities Branch	A6-8, Longting Shoufu Community, Middle Yinghe Road, Linying County, Luohe City, 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	Wu Zhigao
24	Central China Securities Co., Ltd. Puyang Zhongyuan Road Securities Branch	No.18, Zhongyuan Road, Puyang City, Henan Province	Zhang Yunpeng
25	Central China Securities Co., Ltd. Qingfeng Chaoyang Road Securities Branch	No.240 Chaoyang Road, Qingfeng County, Puyang City, Henan Province	Wang Xiangxin
26	Central China Securities Co., Ltd. Puyang County Yumin Road Securities Branch	East to the Middle Yumin Road, Puyang County, Puyang City, 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	Pei Haixia
28	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	West Wenfeng Avenue, Yindu District, Anyang City, Henan Province	Fu Hongbin
29	Central China Securities Co., Ltd. Linzhou Xinglin Street Securities Branch	Northwest Angle, Intersection of Zhenlin Road and Xinglin Street, Kaiyuan District, Linzhou City, Henan Province	Jiang Hua
30	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	No.2, Building B28, Huatong Century City, Wenming Road, Hua County, Anyang City, Henan Province	Chen Limin
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	Wu Xinsheng
32	Central China Securities Xinxiang East Renmin Road Securities Branch	Shop 1201, Building 1, Tianan Mingdi, No. 166, Muye Avenue (Middle), Hongmen Town, Hongqi District, Xinxiang City, Henan Province	Qiu Fei



## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
33	Central China Securities Co., Ltd. Changyuan Shanhai Avenue Securities Branch	Shop 116, Building 11, Weihua Shijicheng, Shanhai Avenue, Changyuan City, Xinxiang City, Henan Province	Shen Changjun
34	Central China Securities Co., Ltd. Hui County Gongcheng Avenue Securities Branch	North to the East Gongcheng Avenue, Hui County, Xinxiang City, Henan Province	Zhang Xiaodong
35	Central China Securities Co., Ltd. Weihui Bigan Avenue Securities Branch	No.152 Bigan Avenue, Weihui City, Xinxiang City, Henan Province	Wei Dong
36	Central China Securities Co., Ltd. Yuanyang Huanghe Avenue Securities Branch	East to Shengshi Elegant Garden 2-2-1, South to Huanghe Avenue, Yuanyang County, 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, Hebi City, Henan Province	Jie Jiwu
38	Central China Securities Co., Ltd. Qi County Qihe Road Securities Branch	No.306 Qihe Road, Qi County, Hebi City, 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, Xuchang City, Henan Province	Zhang Weilin
43	Central China Securities Co., Ltd. Xiangcheng Zhongxin Road Securities Branch	East Zhongxin Road, Xiangcheng County (opposite to Bureau of Finance), Xuchang City, Henan Province	Qiao Guangjun

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
44	Central China Securities Co., Ltd. Gushi Hongsu Road Securities Branch	3F, Century Mansion, Chen Yuanguang Plaza, Intersection of North Chengliao Road and Hongsu Road, Gushi County, Xinyang City, Henan Province	Li Xiaohong
45	Central China Securities Co., Ltd. Guangshan Guanghui Avenue Securities Branch	Fortune Plaza at the Intersection of Guanghui Avenue and Guangming Avenue, Zishui Office, Guangshan County, Xinyang City, Henan Province	Li Mingbao
46	Central China Securities Co., Ltd. Mengzhou West Hanyu Street Securities Branch	No.292, West Hanyu Street, Mengzhou City, Henan Province	Zhen Rongxing
47	Central China Securities Co., Ltd. Qinyang North Jianshe Road Securities Branch	North Jianshe Road, Qinyang City, Henan Province	Ma Jie
48	Central China Securities Co., Ltd. Wuzhi Xinghua Road Securities Branch	3F, Northwest Angle, Intersection of Heping Road and Xinghua Road, Wuzhi County, Jiaozuo City, Henan Province	Yan Lei
49	Central China Securities Co., Ltd. Jiyuan City Jiyuan Avenue Securities Branch	The 14th Shop of the Street Shops from West to East, Commercial and Residential Building 1, Area A, Jishui Garden Community, South side of the Xueyuan Road, Jiyuan City, Henan Province	Zhang Weihua
50	Central China Securities Co., Ltd. Lankao Yulu Avenue Securities Branch	East to North Yulu Avenue, Lankao County, Kaifeng City, Henan Province	Li Ming
51	Central China Securities Co., Ltd. Lingbao Hangu Road Securities Branch	Intersection of Hangu Road and Jingshan Road, Lingbao City, Henan Province	Li Jinfeng
52	Central China Securities Co., Ltd. Mianchi County Huanghe Road Securities Branch	Shop 06, Building 1, Xinhua International Community, Middle Huanghe Road, Mianchi County, Sanmenxia City, Henan Province	Zhang Xueyun
53	Central China Securities Co., Ltd. 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
54	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	Zhang Zhongmin

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
55	Central China Securities Co., Ltd. Yongcheng Zhongyuan Road Securities Branch	Intersection of Zhongyuan Road and Guangming Road, Yongcheng City, Shangqiu City, Henan Province	Zhong Yahui
56	Central China Securities Co., Ltd. Minquan Boai Road Securities Branch	Shop 6, Building 11, Middot, at the intersection of Qiushui Road and Boai Road, Minquan County, Shangqiu City, Henan Province	Wang Peng
57	Central China Securities Co., Ltd. Xiayi Kongzu Avenue Securities Branch	Shop of No.595 Kongzu Avenue, Xiayi County, Shangqiu City, Henan Province	Chen Haibin
58	Central China Securities Co., Ltd. Yucheng Songshan Road Securities Branch	1-2F, Shop 109-110, Building 5, Royal Pearl River, North to Songshan Road, Chengguan Town, Yucheng County, Shangqiu City, Henan Province	Ma Zhongliang
59	Central China Securities Co., Ltd. Zhecheng Weilai Avenue Securities Branch	Shop 116, West Garden, Jinsha Mansion, Weilai Avenue, Zhecheng County, Shangqiu City, Henan Province	Shi Di
60	Central China Securities Co., Ltd. Luyi Zhenyuan Avenue Securities Branch	No. 428 Zhenyuan Avenue, Luyi County, Zhoukou City, Henan Province	Li Yong
61	Central China Securities Co., Ltd. Xihua Fengmu Road Securities Branch	Middle Fengmu Road, Xihua County, Zhoukou City, Henan Province	Zhang Yang
62	Central China Securities Co., Ltd. Shenqiu Jixiang Road Securities Branch	South of East Jixiang Road, Huaidian Town, Shenqiu County, Zhoukou City, Henan Province	Ma Guang
63	Central China Securities Co., Ltd. Luoyang Kaiyuan Avenue Securities Branch	Building 1, No.260 Kaiyuan Avenue, Luoyang City, Henan Province	Zhang Ruiping
64	Central China Securities Co., Ltd. Luoyang West Zhongzhou Road Securities Branch	No.26 West Zhongzhou Road, Jianxi District, Luoyang City, Henan Province	Zhu Yu
65	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

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
66	Central China Securities Co., Ltd. Xin'an Cihe Road Securities Branch	North Jianhe Road, Xincheng West District, Xin'an County, Luoyang City, Henan Province	Wang Haiyun
67	Central China Securities Co., Ltd. Yanshi Yingbin Road Securities Branch	Room 301, Building 1, Yuehai International, No.41 Huaxia Road, Yiluo Subdistrict Office, Yanshi City, Henan Province	Huang Erbin
68	Central China Securities Co., Ltd. Xiping Xiping Avenue Securities Branch	No.158 Xiping Avenue, Xiping County, Zhumadian City, Henan Province	Li Guangxi
69	Central China Securities Co., Ltd. Shangcai Caidu Avenue Securities Branch	No.21, West Section of Caidu Avenue, Chongyang Office, Shangcai County, Zhumadian City, Henan Province	Li Dawei
70	Central China Securities Co., Ltd. Shanghai Mudanjiang Road Securities Branch	Unit C404, No.318 Mudanjiang Road, Baoshan District, Shanghai	Zhou Dawei
71	Central China Securities Co., Ltd. Shanghai Hunan Road Securities Branch	1-2F, No.2589 Hunan Road, Pudong New Area, Shanghai	Zhang Zhenming
72	Central China Securities Co., Ltd. Shenzhen Longcheng Avenue Securities Branch	Unit 907, Genzon Times Square Tower, 89 Longcheng Avenue, Center City, Longcheng Street, Longgang District, Shenzhen, Guangdong Province	Zeng Hao
73	Central China Securities Co., Ltd. Jinan Yuhuan Road Securities Branch	2F, South Tower, Building 1, No. 89, Yuhuan Road, Shizhong District, Jinan City, Shandong Province	Yang Chen
74	Central China Securities Co., Ltd. Beijing North Yuetan Street Securities Branch	Room 1601 and 1602, 16F, Main Building, North Block, Yuetan Building, No.2 Yuetan North Street, Xicheng District, Beijing	Luo Nan
75	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	Room 909, 9F, Building 53, No.14 Jiuxianqiao Road, Chaoyang District, Beijing	Xia Qun

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
76	Central China Securities Co., Ltd. Yiwu North Chouzhou Road Securities Branch	Room 201 and 202, No.955 North Chouzhou Road, Yiwu City, Zhejiang Province	Li Hongqiang
77	Central China Securities Co., Ltd. Tianjin Zhangzizhong Road Securities Branch	Room 702, No.2 Zhangzizhong Road, Haihe Huading Mansion, Hongqiao District, Tianjin	Guo Jia
78	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	Chang Hongxin
79	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
80	Central China Securities Co., Ltd. Zhangjiagang Jiannong Road Securities Branch	No.18 Jiannong Road, Yangshe Town, Zhangjiagang City, Jiangsu Province	Zhu Sheng
81	Central China Securities Co., Ltd. Wuhan Luoshi Road Securities Branch	Rooms 12, 13 and 14, 7F, Starlight, South Lake, Intersection of South Luoshi Road and Wenhui Road, Hongshan District, Wuhan City, Hubei Province	Duan Ruixing
82	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
83	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

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (IV) Number and network of other branches

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

No.	Branch office	Address	Date of incorporation	Person in charge	Telephone
1	Central China Securities Co., Ltd. Zhengzhou Branch Office	11F, Building 1, Guanghui Guomao, No.15 Jingsan Road, Jinshui District, Zhengzhou City, Henan Province	10 March 2011	Li Huafeng	0371-61916172
2	Central China Securities Co., Ltd. Nanyang Branch Office	No.170 Renmin Road, Nanyang City, Henan Province	20 May 2003	Dong Baojun	0377-63595666
3	Central China Securities Co., Ltd. Pingdingshan Branch Office	28th Floor, Building 1, Shop 101, Building 2, Jiatian Xintiandi, No. 26, Middle Jianshe Road, Xinhua District, Pingdingshan City, Henan Province	30 June 2015	Wen Yiyao	0375-4851999
4	Central China Securities Co., Ltd. Luohe Branch Office	No. 101, Building 7, Jinse Huafu Junyuan, Huanghe Road, Yancheng District, Luohe City, Henan Province	9 June 2003	Luo Donghai	0395-3152525
5	Central China Securities Co., Ltd. Puyang Branch Office	No.203, Middle Jianshe Road, Puyang City, Henan Province	21 April 2014	Yu Chunyan	0393-8152849
6	Central China Securities Co., Ltd. Anyang Branch Office	Financial Securities Building, North Hongqi Road, Beiguan District, Anyang City, Henan Province	8 May 2003	Tian Liqi	0372-5914195
7	Central China Securities Co., Ltd. Xinxiang Branch Office	No.250, Renmin Road, Xinxiang City, Henan Province	29 April 2003	Wang Tianpeng	0373-2033009
8	Central China Securities Co., Ltd. Hebi Branch Office	Southeast Corner, Intersection of Qibin Avenue and Xinghe Street, Qibin District, Hebi City, Henan Province	26 May 2004	Wang Nan	0392-3321781
9	Central China Securities Co., Ltd. Xuchang Branch Office	No.669, Yingchang Avenue, Weidu District, Xuchang City, Henan Province	12 June 2014	Chen Lei	0374-2334988
10	Central China Securities Co., Ltd. Xinyang Branch Office	Hongyunxin Square Office Building, No.136 Zhongshan Road, Shihe District, Xinyang City, Henan Province	26 July 2006	Xu Hongjian	0376-6210668

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch office	Address	Date of incorporation	Person in charge	Telephone
11	Central China Securities Co., Ltd. Jiaozuo Branch Office	No.1838 Middle Jiefang Road, Jiaozuo City, Henan Province	2 June 2003	Su Wenfeng	0391-3911111
12	Central China Securities Co., Ltd. Kaifeng Branch Office	Yindi Business Plaza, Intersection of Daliang Road and Xihuan Road, Kaifeng City, Henan Province	11 August 2006	Li Hui	0371-23156528
13	Central China Securities Co., Ltd. Yellow River Golden Triangle Demonstration Area Branch Office	2F, Building 4-6, Jinxiuhuating, Daling Road, Sanmenxia City, Henan Province	20 November 2013	Wang Lin	0398-2829463
14	Central China Securities Co., Ltd. Shangqiu Branch Office	Office Building of Labour Union, No.96, Shenhua Avenue, Shangqiu City, Henan Province	24 April 2014	Ding Qingming	0370-2580009
15	Central China Securities Co., Ltd. Zhoukou Branch Office	3F (facing the street), Office Building of Henan Netcom Zhoukou Branch, No.81, Middle Section of Qiyi Road, Zhoukou City, Henan Province	26 April 2006	Song Fei	0394-8288681
16	Central China Securities Co., Ltd. Luoyang Branch Office	No.30, West Kaixuan Road, Xigong District, Luoyang City, Henan Province	28 November 2013	Gao Jingxian	0379-63121666
17	Central China Securities Co., Ltd. Zhumadian Branch Office	No.196 Jiefang Road, Zhumadian City, Henan Province	23 April 2003	Cheng Xiwen	0396-2989875
18	Central China Securities Co., Ltd. Shanghai 1st Branch Office	Rooms 301-318, No. 261, West Dalian Road, Hongkou District, Shanghai	29 August 2003	Shen Ruowei	021-65074677
19	Central China Securities Co., Ltd. Shenzhen Branch Office	Units 04 & 05, 31F, China Life Insurance Building, No.123 Fu Hua One Road, Fuan Community, Futian Street, Futian District, Shenzhen, Guangdong Province	14 May 2015	Jiang Huijun	0755-83821553
20	Central China Securities Co., Ltd. Beijing Branch Office	Room 1611, 16F, Main Building, North Block, Yuetan Mansion, No.2 Yuetan North Street, Xicheng District, Beijing	16 September 2011	Zhou Weidong	010-83065880

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch office	Address	Date of incorporation	Person in charge	Telephone
21	Central China Securities Co., Ltd. Sichuan Branch Office	No.4, 2F, Block 13, No.1000 Jincheng Avenue, Gaoxin District, Chengdu City, Sichuan Province	3 February 2017	Ren Li	028-86051588
22	Central China Securities Co., Ltd. Jiangsu Branch Office	Rooms 1205–1206, No.168 Lushan Road, Jianye District, Nanjing City, Jiangsu Province	5 September 2017	Zhang Hanmin	025-86793336
23	Central China Securities Co., Ltd. Hainan Branch Office	Room 2007, 20F, Hainan Building, No.5 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	12 September 2017	Meng Zongyi	0898-66515051
24	Central China Securities Co., Ltd. Shandong Branch Office	Room 1001, 10F, First Avenue, No.15982 Jingshi Road, Lixia District, Jinan City, Shandong Province	25 February 2011	Kong Qingli	0531-55513888
25	Central China Securities Co., Ltd. Shandong 1st Branch Office	District B, Jinlingshang Street, 16 Xianxialing Road, Laoshan District, Qingdao City, Shandong Province	4 February 2004	Zhao Shengchang	0532-83898830
26	Central China Securities Co., Ltd. Hunan Branch Office	Rooms 2554, 2555, 2556 & 2557, Building 2, Dongying Commercial Plaza, No.730 Yuanda 1st Road, Furong District, Changsha City, Hunan Province	11 January 2011	Zhu Guojun	0731-84598688
27	Central China Securities Co., Ltd. Shaanxi Branch Office	3F, Block A, Fanmei Building, No.1 Nanguanzheng Street, Beilin District, Xi'an, Shaanxi Province	19 April 2011	Ji Lijuan	029-86351806
28	Central China Securities Co., Ltd. Zhejiang Branch Office	Room 301, 3F, Building 2, Xincheng Shidai Plaza, No.111 Xintang Road, Jianggan District, Hangzhou City, Zhejiang Province	10 August 2004	Cao Jianbo	0571-28916100
29	Central China Securities Co., Ltd. Guangzhou Branch Office	Room 2401, No. 395, Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province (Location: Self-edited 02) (office only)	27 November 2014	Xiong Peili	020-87308225
30	Central China Securities Co., Ltd. Shanghai Branch Office	22-23, Building T1, No. 1788 and 1800 Century Avenue, Free Trade Zone, China (Shanghai)	2 July 2009	Liu Hao	021-50588666



## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VII. OTHER RELEVANT MATERIALS

Accounting firm engaged by the Company	Name	Da Hua Certified Public Accountants (Special General Partnership)
	Office address	1101, Building 7, 16 Xi Si Huan Zhong Road, Haidian District, Beijing, China
	Names of signing accountants	Aodu Jiya, Li Tiantian
Sponsor performing the duty of continuous supervision during the Reporting Period	Name	Huatai United Securities Co., Ltd.
	Office address	6F, Block A, Fengming International Building, No.22 Fengsheng Hutong, Xicheng District, Beijing, China
	Names of signing representatives of sponsor	Sun Zexia and Sun Xuan
	Term of continuous supervision	11 October 2019 — 31 December 2021
Legal advisors as to PRC Law	Beijing Junzhi Law Firm	
Legal advisors as to Hong Kong (PRC) Law	Jingtian & Gongcheng LLP	
A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch	
H Share Registrar	Computershare Hong Kong Investor Services Limited	
Unified social credit code	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 China's Accounting Standards for Business Enterprises.

#### (I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	2021	2020	Increase/ Decrease as compared with the corresponding period of last year (%)	2019
Operating income	4,420,848,497.96	3,103,301,696.87	42.46	2,372,526,991.25
Net profit attributable to the shareholders of the parent company	513,210,337.25	104,302,038.78	392.04	58,222,745.44
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	490,355,011.21	95,722,370.32	412.27	19,157,977.42
Net cash flows from operating activities	-956,413,909.29	1,370,803,122.31	-169.77	3,488,339,970.68
Other comprehensive income	-13,421,475.85	-23,994,465.35	N/A	12,417,598.13

Unit: Yuan Currency: RMB

	As at the end of 2021	As at the end of 2020	Increase/ Decrease as at the end of the period as compared to the end of the same period of last year (%)	As at the end of 2019
Total assets	53,748,323,524.71	52,376,875,557.00	2.62	43,569,902,415.77
Total liabilities	39,604,243,601.31	38,190,399,466.49	3.70	33,072,115,962.00
Accounts payable to brokerage clients	12,571,797,812.48	10,555,230,551.25	19.10	8,895,066,941.34
Equity attributable to shareholders of parent company	13,681,883,165.28	13,368,714,617.90	2.34	9,671,208,012.75
Total equity	14,144,079,923.40	14,186,476,090.51	-0.30	10,497,786,453.77
Share capital	4,642,884,700.00	4,642,884,700.00	0.00	3,869,070,700.00
Net assets per share attributable to shareholders of parent company (RMB/share)	2.95	2.88	2.43	2.50

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (II) Principal financial indicators

Principal financial indicators	2021	2020	Increase/ Decrease as compared with the corresponding period of last year (%)	2019
Basic earnings per share (RMB/share)	0.11	0.02	450	0.02
Diluted earnings per share (RMB/share)	0.11	0.02	450	0.02
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.11	0.02	450	0.005
Weighted average return on net assets (%)	3.78	0.93	with an increase of 2.85 percentage points	0.59
Weighted average return on net assets after deducting non-recurring profit and loss (%)	3.61	0.85	with an increase of 2.76 percentage points	0.19

Principal financial indicators	As at the end of 2021	As at the end of 2020	Increase/Decrease as at the end of the period as compared to the end of the same period of last year (%)	2019
Asset-liability ratio (%)	65.65	66.08	Decrease by 0.43 percentage point	69.73

Explanation on the major 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 shall be calculated according to the Rules for Information Disclosure and Reporting of Public Issuing Securities Companies No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share.
2. Asset-liability ratio = (total liabilities – acting trading securities – acting underwriting securities)/(total assets – acting trading securities – acting underwriting securities)

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Unit: Yuan    Currency: RMB

Item	As at the end of the Reporting Period	As at the end of Last Year
Net capital	9,100,531,842.63	10,141,843,317.23
Net assets	14,055,597,217.02	13,743,917,923.23
Sum of various risk capital provisions	3,613,024,828.10	3,402,946,504.41
Total on-and-off balance sheet assets	41,382,722,652.76	40,511,316,360.05
Risk coverage rate (%)	251.88	298.03
Capital leverage ratio (%)	18.48	21.39
Liquidity coverage ratio (%)	170.42	169.52
Net stable funding ratio (%)	140.92	169.30
Net capital/net assets (%)	64.75	73.79
Net capital/liabilities (%)	36.00	39.93
Net assets/liabilities (%)	55.60	54.12
Proprietary equity securities and its derivatives/net capital (%)	6.77	3.82
Proprietary non-equity securities and its derivatives/net capital (%)	253.05	226.07
Amount of financing (including securities lending)/ net capital (%)	99.39	85.84

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	2021	2020	2019	2018	2017
Operating income	4,420,848,497.96	3,103,301,696.87	2,372,526,991.25	1,649,661,561.68	2,147,620,089.37
Operating expenses	3,710,316,417.23	2,954,485,813.12	2,258,791,739.77	1,568,809,460.52	1,474,298,646.72
Total profit	718,215,361.99	144,030,392.15	116,117,612.82	101,117,281.08	7,526,502,731.84
Net profit attributable to shareholders of the parent company	513,210,337.25	104,302,038.78	58,222,745.44	65,787,558.62	441,982,592.67

#### Assets

Unit: Yuan Currency: RMB

Item	2021	2020	2019	2018	2017
Total assets	53,748,323,524.71	52,376,875,557.00	43,569,902,415.77	42,155,282,945.56	40,661,467,680.37
Total liabilities	39,604,243,601.31	38,190,399,466.49	33,072,115,962.00	30,880,243,228.10	29,209,348,494.91
Accounts payable to brokerage clients	12,571,797,812.48	10,555,230,551.25	8,895,066,941.34	6,561,059,986.14	7,526,502,731.84
Equity attributable to shareholders of the parent company	13,681,883,165.28	13,368,714,617.90	9,671,208,012.75	9,950,898,718.99	10,169,851,687.03
Share capital	4,642,884,700.00	4,642,884,700.00	3,869,070,700.00	3,869,070,700.00	3,923,734,700.00

#### Key financial indicators

Item	2021	2020	2019	2018	2017
Basic earnings per share (RMB/share)	0.11	0.02	0.02	0.02	0.11
Diluted earnings per share (RMB/share)	0.11	0.02	0.02	0.02	0.11
Weighted average return on net assets (%)	3.78	0.93	0.59	0.66	4.24
Gearing ratio (%)	65.65	66.08	69.73	68.32	64.98
Net asset value per share attributable to the shareholders of the parent company (RMB/share)	2.95	2.88	2.50	2.57	2.59

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### X. KEY FINANCIAL DATA FOR 2021 (BY QUARTER)

Unit: Yuan Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating income	1,076,191,096.51	1,259,850,052.24	1,137,702,274.62	947,105,074.59
Net profit attributable to the shareholders of the listed company	120,959,031.78	108,002,668.70	267,791,961.79	16,456,674.98
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	118,075,383.25	103,056,332.40	271,739,634.69	-2,516,339.13
Net cash flows from operating activities	87,066,272.40	-1,369,810,240.99	467,790,690.80	-141,460,631.50

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

Unit: Yuan Currency: RMB

Non-recurring profit and loss items	The amount of 2021	Note (if applicable)	The amount of 2020	The amount of 2019
Profits and losses on disposal of non-current assets	20,420,575.16	mainly due to the disposal of subsidiaries	-1,434,940.82	23,826,434.25
Government subsidies that are included in the current profit and loss, except for those which are closely related to the normal business of the Company and are continuously enjoyed in accordance with the provisions of national policies and in accordance with certain standard quota or quantitative amount	12,833,519.07	mainly due to the government subsidies	15,188,914.7	17,715,676.78
Reversal of provision for impairment of receivables and contract assets that have been separately tested for impairment			5,000,000.00	
Other non-operating income and expenses other than the above items	5,556,296.97		-7,817,648.40	-5,966,282.11
Less: Amount of impact of income tax	11,092,326.41		2,527,734.55	8,893,957.23
Amount of impact of minority shareholders' equity (after tax)	4,862,738.75		-171,077.53	-12,382,896.33
Total	22,855,326.04		8,579,668.46	39,064,768.02

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### XII. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Change during the Period	Amount of impact on the current profit
Financial assets at fair value through profit or loss	22,592,572,498.77	24,507,919,178.87	1,915,346,680.10	1,530,326,997.17
Financial assets at fair value through other comprehensive income	2,088,805,149.07	970,426,547.78	-1,118,378,601.29	80,258,999.69
Derivative financial assets		54,610.00	54,610.00	
Derivative financial liabilities	57,980.91	465,376.83	407,395.92	-81,608,550.20
Financial liabilities at fair value through profit or loss	1,356,226,583.04	971,171,013.72	-385,055,569.32	-463,067,392.11
Total	26,037,662,211.79	26,450,036,727.20	412,374,515.41	1,065,910,054.55

### XIII. OTHERS

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

Unit: Yuan Currency: RMB

Item	31 December 2021	31 December 2020	Change (%)
Monetary capital	12,332,030,422.75	10,951,131,021.90	12.61
Loans to margin clients	8,148,017,143.05	7,400,757,113.38	10.10
Derivative financial assets	54,610.00		N/A
Receivables	98,055,900.27	169,323,523.34	-42.09
Financial assets held under resale agreements	972,870,075.44	2,055,964,889.83	-52.68
Financial assets at fair value through profit or loss	24,507,919,178.87	22,592,572,498.77	8.48
Debt investments	263,452,484.68	456,168,931.89	-42.25
Financial assets at fair value through other comprehensive income	970,426,547.78	2,088,805,149.07	-53.54
Long-term equity investment	1,659,879,203.08	1,067,276,173.44	55.52
Other assets	283,225,421.38	1,387,323,474.69	-79.58
Short-term financing payable	7,032,271,969.93	4,154,657,809.90	69.26
Placements from banks and other financial institutions	2,900,742,263.92	3,694,418,222.23	-21.48
Derivative financial liabilities	465,376.83	57,980.91	702.64
Financial assets sold under repurchase agreements	10,548,472,328.09	12,200,308,194.73	-13.54
Accounts payable to brokerage clients	12,571,797,812.48	10,555,230,551.25	19.10
Payroll payable	768,133,013.64	561,932,538.17	36.69
Payables	143,594,220.52	65,874,572.60	117.98
Contract liabilities	6,872,133.68	26,495,681.41	-74.06
Long-term loan		1,001,741.67	-100.00
Bonds payable	3,685,225,541.41	4,610,250,342.02	-20.06
Deferred income tax liabilities	38,563,107.66	14,241,536.99	170.78
Share capital	4,642,884,700.00	4,642,884,700.00	0.00
Capital reserves	6,301,860,583.46	6,330,622,817.68	-0.45
Other comprehensive income	-872,349.97	12,549,125.88	-106.95
Undistributed profits	295,251,945.46	102,780,913.15	187.26
Minority shareholders	462,196,758.12	817,761,472.61	-43.48

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Unit: Yuan    Currency: RMB

Item	2021	2020	Change (%)
Net interest income	138,347,509.79	101,097,703.29	36.85
Net fee and commission income	1,636,808,462.51	1,172,198,286.83	39.64
Income from change of fair value (loss is indicated with "-")	489,485,981.10	-48,524,176.45	N/A
Exchange gain (loss is indicated with "-")	1,578,376.60	-3,348,221.20	N/A
Gains from asset disposal (loss is indicated with "-")	69,744.36	-20,777.16	N/A
Business and administrative expenses	1,803,962,502.07	1,334,084,832.77	35.22
Other assets impairment losses	2,752,382.99	31,841,326.55	-91.36
Non-operating income	18,736,381.72	5,860,453.04	219.71
Income tax expenses	167,195,492.71	41,911,301.78	298.93
Other comprehensive income after tax	-13,421,475.85	-23,994,465.35	N/A



## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Unit: Yuan Currency: RMB

Item	31 December 2021	31 December 2020	Change (%)
Monetary capital	10,787,186,204.27	9,353,694,098.48	15.33
Loans to margin clients	8,081,803,812.77	7,248,897,079.39	11.49
Derivative financial assets	54,610.00		N/A
Receivables	29,485,887.66	85,450,845.08	-65.49
Financial assets held under resale agreements	972,870,075.44	2,055,165,080.52	-52.66
Financial assets at fair value through profit or loss	20,891,935,865.83	19,933,278,797.76	4.81
Financial assets at fair value through other comprehensive income	970,426,547.78	2,088,805,149.07	-53.54
Long-term equity investment	5,296,280,233.94	4,126,432,553.95	28.35
Other assets	232,547,711.06	523,400,315.46	-55.57
Short-term financing payable	7,032,271,969.93	3,425,939,961.92	105.27
Placements from banks and other financial institutions	2,900,742,263.92	3,694,418,222.23	-21.48
Trading financial liabilities	0.00	778,986,314.11	-100.00
Derivative financial liabilities	465,376.83	57,980.91	702.64
Financial assets sold under repurchase agreements	10,448,272,328.09	12,002,208,194.73	-12.95
Accounts payable to brokerage clients	11,400,036,597.27	9,666,752,032.28	17.93
Payroll payable	719,713,530.83	517,314,154.75	39.13
Payables	116,166,224.28	60,063,783.40	93.40
Contract liabilities	5,113,846.11	10,997,000.07	-53.50
Bonds payable	3,685,225,541.41	4,610,250,342.02	-20.06
Other liabilities	122,760,647.36	47,982,898.50	155.84
Share capital (shares)	4,642,884,700.00	4,642,884,700.00	0.00
Capital reserves	6,606,160,370.84	6,606,160,370.84	0.00
Other comprehensive income	454,814.24	-1,388,009.67	N/A
Undistributed profits	426,335,070.44	286,790,057.51	48.66

Item	2021	2020	Change (%)
Net interest income	89,238,835.37	46,243,250.79	92.98
Net fee and commission income	1,472,777,921.89	1,038,150,743.24	41.87
Investment income (loss is indicated with "-")	932,957,257.98	631,253,436.58	47.79
Income from change of fair value (loss is indicated with "-")	76,803,683.45	-88,807,494.18	N/A
Exchange gain (loss is indicated with "-")	-189,029.17	-646,160.05	N/A
Other business income	12,637,023.36	18,079,232.10	-30.10
Gains from asset disposal (loss is indicated with "-")	61,132.30	-20,667.36	N/A
Business and administrative expenses	1,576,873,987.71	1,149,447,203.93	37.19
Credit impairment losses	168,069,536.77	263,120,359.08	-36.12
Other assets impairment loss	213,448,720.01		N/A
Non-operating income	3,658,099.45	2,410,755.63	51.74
Non-operating expenses	9,320,144.10	7,004,959.37	33.05
Income tax expenses	142,219,610.57	16,466,013.88	763.72
Other comprehensive income after tax	1,842,823.91	-6,823,772.15	N/A

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### I. BUSINESS REVIEW

#### (I) Business review

During the Reporting Period, the Group achieved operating income of RMB4.421 billion, representing a year-on-year increase of 42.46%, among which, the proprietary trading business achieved income of RMB578 million, representing an increase of RMB454 million, mainly due to the increase in income from secondary market investment business during the Period; the investment banking business achieved income of RMB619 million, representing an increase of RMB440 million, mainly due to the increase in income from securities underwriting business during the Period; the futures business achieved income of RMB1,621 million, representing an increase of RMB267 million, mainly due to the increase in income from the sale of commodities by Yuxin Investment, a subsidiary of the Company, during the Period; the credit business achieved income of RMB466 million, representing an increase of RMB167 million, mainly due to the increase in interest income from margin accounts during the Period; the investment management business achieved income of RMB217 million, representing an increase of RMB132 million, mainly due to the increase in income from fund investment of certain subsidiaries during the Period; the securities brokerage business achieved income of RMB917 million, representing an increase of RMB24 million, mainly due to the increase in income from securities brokerage business and agency sales of financial products during the Period; and the overseas business achieved income of RMB-176 million, representing a decrease of RMB147 million, mainly due to the decrease in gains from changes in fair value of financial products held by Central China International during the Period.

During the reporting period, the Group's operating expenses amounted to RMB3.710 billion, representing a year-on-year increase of 25.58%, among which, the business and administrative expenses amounted to RMB1,804 million, representing an increase of RMB470 million, mainly due to an increase in staff costs during the Period; other operating costs amounted to RMB1,508 million, representing an increase of RMB283 million, mainly due to an increase in the cost of sales of bulk commodities of Yuxin Investment, a subsidiary of the Company, during the Period; the credit impairment losses amounted to RMB374 million, representing an increase of RMB29 million, mainly due to the Company's assessment of the credit risk of each business in accordance with the principles of prudence and adequate provisioning and the provisioning of impairment allowances through the expected credit loss model. The Company will continue to monitor changes in the market value of collateral and the credit worthiness of financiers, and carefully assess the risks associated with its stock-pledged repo business. In the event of adverse factors such as a decline in the market value of collateral, the Company will make full provision for impairment for the current period in strict accordance with the China Accounting Standards for Business Enterprises and the Company's accounting policies.

During the Reporting Period, the Group realized the net profit attributable to the shareholders of the parent company of RMB513 million, representing a year-on-year increase of 392.04%, mainly due to the significant growth in operating results as the Company actively seized market opportunities and continuously enhanced its core competitiveness.

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

#### (II) Major risks and uncertainties

Major risks faced by the Company include: credit risk, market risk, liquidity 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.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### (III) Material subsequent events

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

### (IV) Future development and forward-looking

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

### (V) Environmental policies and performance

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

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

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

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

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

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

### (VII) Material relationship with employees, customers and suppliers

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

Due to the nature of the business, the Company does not have a major supplier. No employee has a material relationship with the Company.

## II. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### (I) General operation performance

In 2021, facing the complicated and volatile environments, the Company managed to grasp the major opportunities such as the all-round implementation of registration reform in the capital market, to be among the first brokers in the "white list" and cooperation with top institutions. We lifted the main business line of the Company to a new level and further optimized the special layout. This all ensured that such main business as wealth management, fixed income investment, investment banking and equity investment stayed on track for a new phase for rapid development.

The Company adhered to the main theme of seeking progress while maintaining stability in wealth management, strengthened technology empowerment and accelerated digital transformation, and continued to improve professional service level and service support capabilities, with the results of the reform being further demonstrated. The balance of margin financing and securities lending, the sales of publicly-offered funds and the number of new customers have increased greatly as compared with the same period last year. The investment banking business of the Company developed in all aspects, ranking 18th in terms of total revenue of equity underwriting and sponsorship, 15th in terms of the number of IPO lead underwritings, 19th in terms of the amount of IPO lead underwriting, and 16th in terms of the revenue of IPO lead underwriting, further improving the market influence of the Company. The Company's proprietary trading business continued to perform strongly, and investment in both bonds and stocks had good return; Central China Blue Ocean, a subsidiary of the Company, went along with "giants", continuously promoted the layout of high-quality projects, optimized the investment mix and enriched the investment portfolio, as a result, the investment capability and investment return have been enhanced significantly. Equity Exchange Co., which is controlled by the Company, continued to improve the way it served and accelerated the transformation from the focus on scale expansion to that on improvement in quality, undertook the operation of the Henan Base of New Third Board to tap into the new model of the cooperation between the New Third Board with Central China Equity Exchange. That would promote the interconnectivity between the fourth board and third board markets and help the excellent enterprises in Henan grow faster by the multi-layered capital market. [Source: Wind Info]

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### (II) Analysis of principal businesses

#### 1. Securities brokerage business

##### Market environment

As a number of basic systems including the registration system were gradually reformed in 2021, the trading activity was significantly increased. The SSE Composite Index closed at 3,639.78 points, up 4.80% from the end of last year, the SZSE Component Index 14,857.35 points, up 2.67% over the end of last year, and the ChiNext Index 3,322.67 points, up 12.02% over the end of last year. The transaction volume of the two markets increased, with the stock-based trading hitting RMB276.23 trillion in the year, representing a year-on-year increase of 25.36%. As the commission rate of the industry channel continued to decline, the increase in activity and scale of market transactions had gradually weakened the contribution to the income of brokerage business, and the proportions of investment advisory income and agency sale of financial products income have continued to increase. The outbreak of the COVID-19 epidemic has further promoted customer demand for off-site transactions and services. The “online customer acquisition” method has been further strengthened, and the securities brokerage business is developing in the direction of “centralized, online, and intelligent”. [Source: Wind Info]

##### Business measures and performance

In 2021, in terms of the securities brokerage business, the Company, empowered by digitalization and driven by management, came a long way in the “Three Access” drive (i.e. Access to data, process and business), built a precise digital marketing network and launched the smart robots services which accelerated the upgrading of the Company’s intelligent wealth management and improved the customer service quality, stickiness and competitive strengths. The Company ranked 24th overall among brokers in terms of online operation indicators such as daily active users and monthly active users of the “Caishengbao (財升寶)” App, and its official WeChat account ranked 11th in terms of average monthly influence. During the Reporting Period, the Company was listed among the index stocks of Internet finance concept board rated by Eastmoney. The Company, improving its product research capacity, had in place a scientific product sorting and rating system. Meanwhile, the Company, committed to the “selected funds” strategy, continued to improve the professional capacity in product evaluating and asset allocation. This ensured the good performance of key selected products and built investment portfolio. The Company completed the deployment and testing of the asset allocation system and fund investment advisory operation platform, laying a good foundation for the fund investment advisory business. The Company improved the investment advisory team structure, strengthened professional training and optimized the performance rating system. This left the number of registered investment advisors ranking 26th of 129 brokers and the capacity of the marketing service team improved substantially. The Company strengthened the operation by Internet promotional events and had in place the whole-process coordination mechanism. Specifically, the Company arranged such activities as “618 Wealth Map (618財富地圖)”, “818 Wealth Management Event (818理財節)”, and “Firm Offer Competition-Summer PK Event (實盤大賽 — 夏季PK賽)” to seek digital and refined operation. [Source: Qianfan.analysis.cn, www.gsdata.cn]

During the Reporting Period, the Company’s transaction volume of stock and fund totaled RMB2.04 trillion, up 7.74% year on year. As of the end of the Reporting Period, the sales of products available on the financial service platform amounted to RMB7.830 billion, up 80.83% from the last year; the sales of financial products totaled RMB12.227 billion, up 50.96% from the last year; the Company’s average daily holdings of non-monetary public funds reached RMB5.149 billion, up 103.00% from the last year; the time-point holdings of non-monetary public funds reached RMB4.864 billion, up 15.00% year on year. The accumulative sales of public funds reached RMB4.541 billion, up 2.80% from the last year. The accumulative sales of beneficiary certificates reached RMB7.642 billion for the whole year, up 96% year on year; the number of the clients in the securities brokerage business reached 2.1198 million, up 19.78% year on year.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### Outlook for 2022

In 2022, aiming at strengthening the foundation, and adhering to reform and innovation and compliance risk control, and relying on its overall professional ability and digital support, the Company will actively promote the construction of refinement, standardization and specialization of service and management for the securities brokerage business. At the same time, we will accelerate coordinated offline and online development, continue to promote the application of artificial intelligence and big data business online, strengthen the precision and digitization of marketing and services, and provide customers with tailor-made wealth management planning and all-weather asset allocation services. For the offline business, we will continue to focus on Henan, make full use of the geographical and channel advantages to acquire new customers and assets, improve the professional ability and service level of investment advisors, and become the financial experts dedicated to investors. We will enhance the high-quality sales agent strategy, expand the scale of distribution of public fund products, promote the sales agent business of private funds, increase the proportion of income from sales agent of financial products, and explore the road of wealth management transformation suitable for our own development.

### 2. Credit business

#### Market environment

In 2021, the margin lending and securities lending business benefited from the stock market, with active trading by market participants and a continuous growth in margin lending and securities lending. As of the end of the Reporting Period, the balance of margin lending and securities lending in Shanghai and Shenzhen stock markets was approximately RMB1.83 trillion, up 13.17% as compared to the end of last year. Brokers paid more attention to the risk prevention and control of stock-pledged repurchase business, carry out new business cautiously, the overall scale of stock-pledged repurchase business maintained a downward trend, and market risks have been alleviated.

#### Business measures and performance

In 2021, in terms of margin lending and securities lending business, we continued to advance the inventory and the activation and development of the customer to be developed. By conducting "strengthening foundation" and other thematic marketing service activities, the tour teaching of excellent lectures across branches, we continued to broaden the channels for margin lending and securities lending and meet the demands of the customers for securities lending by purchasing and refinancing the source of securities borrowing with our self-owned funds, with the margin lending and securities lending business increasing significantly. In terms of stock-pledged repurchase business, we adhered to the general positioning of "service synergy". Specifically, we leveraged the strengths of the Company in investment banking, information and other business lines to identify high-quality customers and increase the interest-bearing assets of RMB290 million. We further improved the credit operation process and risk control system with our own characteristics, continuously resolved the defaulted projects, and released potential risks. We collected the principal and interest of the defaulted projects and liquidated damages totaling RMB293 million, and returned the high-risk projects totaling RMB120 million, further optimizing the business mix.

During the reporting period, the Company's margin financing and securities lending accounts increased by 3,526, and the margin lending balance was RMB8.025 billion, up 11.60% year on year. The outstanding balance of stock-pledged repurchase was RMB2.060 billion, down 13.60% from the end of last year. Among others, the on-balance sheet principal of the margin accounts to be repurchased in the stock-pledged repurchase business was RMB1.381 billion, down 19.01% year on year, with an average maintenance guarantee ratio of 213.47%; that for off-balance sheet was RMB679 million, flat as the same period of last year.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### Outlook for 2022

In 2022, the Company will continue to strengthen the development of margin financing and securities lending customers, further focus on the development of high net worth customers, improve the utilization rate of margin financing and securities lending customers, and steadily increase the scale of the Company's margin financing and securities lending business. The stock-pledged repurchase business will continue to make steady progress. On the basis of further resolving the risk of default projects, it will steadily expand new projects, serve the Company's important institutional customers with the help of the information advantage of business collaboration, manage the stock, and carry out new businesses with high quality.

### 3. Futures business

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

#### Market environment

In 2021, China's futures market steadily promoted variety innovation and system innovation, and the market capacity, depth, breadth and diversification continued to improve. The commodity and financial markets became more volatile and real enterprises and financial institutions increased risk aversion and investment demand, which jointly increased their participation in the futures market significantly. During the Reporting Period, the accumulated transaction volume in China's futures market was 7.514 billion lots, up 22.13% year on year. The accumulated transaction amount was RMB581.20 trillion, up 32.84% year on year. [Source: China Futures Association]

#### Business measures and performance

In 2021, centering on the four dominant industrial chains of coal chemical industry, agricultural products, black and non-ferrous metals, Central China Futures improved the capacity and level of the regional industrial chain by improving the level of original research, carrying out strategic cooperation with leading enterprises and organizing the industrial high-end closed-door forum and industrial base forum of "Zhongyuanhui (中原匯)".

During the Reporting Period, the scale of customer equity interests of futures brokerage business achieved a rapid growth, with 3,646 new customers and a total of 32,100 customers served, among which institutional customers increased 129% year on year. The total number of transactions was 26,798,700, with a year-on-year increase of 10.58%; The transaction amount was RMB2,367.281 billion, with a year-on-year increase of 54.17%. It won the annual "Agricultural Industry Service Award" of Zhengzhou Commodity Exchange and the annual "Growth Breakthrough Award" of China Financial Futures Exchange. Futures asset management business took the development of "fixed income + equity + derivatives" as the transformation breakthrough, and initially formed the layout of asset allocation products covering bonds, stocks and futures in multiple markets and strategies. There were 26 surviving capital management plans, and the net value of the managed scale at the end of the period was RMB3.094 billion. The risk management subsidiary comprehensively used futures, options, swaps and other futures derivatives to fulfill the functions of risk undertaking, transfer and hedging, helping small and medium-sized enterprises cope with the risk of large fluctuations in raw material prices. The "insurance + futures" projects of pigs, peanuts, eggs, corn and soybean meal carried out by the risk management subsidiary have effectively helped enterprises and farmers resist market risks. Risk management subsidiary's total purchases of goods amounted to RMB1.33 billion, down 5.63% year on year; its total revenue from sales of goods was RMB1.543 billion, up 23.97% year on year.



## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### Outlook for 2022

In 2022, Central China Futures will continue to enhance its comprehensive competitive strength and further enhance its ability to serve the real economy with the goal of preventing risks, stabilizing operations and creating profits. Futures brokerage business will focus on building a competitive industry chain futures derivatives service brand to increase the market share of industrial customers. The futures asset management business will improve the diversified product supply system. On the basis of maintaining the layout of fixed income, equity, comprehensive, CTA, FOF and other product types, the product line of futures derivatives and quantitative product design is enriched, the investment scope is broadened, and the product management scale and income are steadily increased. The risk management business will focus on market-making business and risk prevention and control, and further participate in the “insurance + futures” project of the futures exchange to accumulate experience in OTC derivatives management and help enterprises resist risks.

### 4. Investment banking business

#### Market environment

In 2021, the further promotion of the registration system, the establishment of the Beijing Stock Exchange and the continuous reform of the capital market provided extensive opportunities for investment banking business. In 2021, 483 enterprises completed their initial offering either in the SSE or the SZSE, raising a total of RMB535.146 billion, up 13.87% year on year. The refinancing fund raised by listed companies was RMB1,246.364 billion, up 8.22% year on year. Since the founding of the Beijing Stock Exchange, a total of 11 companies have completed their initial public offerings, raising RMB7.522 billion. The fund raised from the New Third Board market totaled RMB25.968 billion, up 11.82% year on year. The total amount of bonds issued by various institutions was RMB61.75 trillion, up 8.56% year on year. [Source: Wind Info, the official website of the Beijing Stock Exchange]

#### Business measures and performance

In 2021, the Company continued to focus on Henan natives, gave full play to the regional advantage of “full coverage” in the province, and provided enterprises in the province with the comprehensive financial services in such aspects as cultivation, financing, listed in the province through the “trinity” chain service model. The Company continued to improve the system by revising the “Measures of Central China Securities Co., Ltd. on the Management of Sponsor Representative Practice ”(《中原证券股份有限公司保荐代表人执业管理办法》) and other systems. It optimized the organizational structure, set up the debt financing headquarters to plan and coordinate the corporate bond business, obtained the underwriting qualification of inter-bank non-financial enterprise debt financing instruments, and opened space for the development of bond business. The Company continued to optimize and upgrade the information system, upgrade a number of important system modules, and connect with the industry’s cutting-edge technology enterprises for the development of intelligent investment banking related systems, so as to improve the operation efficiency using technology empowerment. The Company actively promoted the implementation of key projects, completed a total of 13 IPO lead underwriting projects (including 2 co-lead underwriting projects), 6 refinancing lead underwriting projects of listed companies, and 3 IPO lead underwriting projects approved by the Issuance Examination Committee Meeting of the CSRC to be issued. The total amount of equity lead underwriting in Shanghai and Shenzhen stock markets was RMB11.083 billion, up 24.95% year on year. The Company completed 1 enterprise bond project, 10 corporate bond projects and 1 financial bond project. The total amount of principal underwriting of bonds was RMB7.513 billion, down 46.52% year on year. In addition, the Company completed 1 independent financial advisory project for M&A and restructuring of listed companies, and 3 targeted placement projects on NEEQ, raising RMB53 million in total.



## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

As of the end of the Reporting Period, the Company ranked 16th in terms of the revenue of IPO lead underwriting, 15th in terms of the number of IPO lead underwritings, 18th in terms of the total revenue of underwriting and sponsorship, and 19th in terms of the amount of IPO lead underwriting, shared 21st place in the industry in terms of the number of IPO projects with a sponsor role that have been approved by the Issuance Examination Committee Meeting of the CSRC, and 26th in terms of equity underwriting amount. The Company was rated B in both the "evaluation on the practicing ability of securities companies' corporate bond business" in 2021 and the "evaluation on the practicing ability as the financial adviser of securities companies engaged in mergers, acquisitions and restructuring of listed companies" in 2021. The Company was conferred the "Fast-growing A Share IPO Underwriting Award (A股IPO承銷快速進步獎)" in the "2021 Best Investment Banking (2021年度最佳投行)" event arranged by Wind Info. [Source: Wind Info]

### Outlook for 2022

In 2022, in terms of the investment banking business, the Company will continue to focus on the market of Henan province, improve the market share in the province, approach the business needs of large State-owned enterprises, listed companies and excellent private enterprises in Henan province, provide targeted services of "one enterprise, one policy", and better serve the development of the real economy. Centering on major national strategies, we will explore markets in developed regions such as Beijing, Shanghai, Guangzhou and Shenzhen, and replenish project reserves. The Company will strengthen interaction with investment business and drive the development of its other business using the investment banking business as a "locomotive (火車頭)".

## 5. Investment management business

### (1) Asset management

#### *Market environment*

2021 was the last year of the transition period of the new rules on asset management. The net worth transformation of the asset management industry has entered the final stage, and the industry has started a new journey of standardized development. Product innovation continued to generate new vitality, and new models and patterns were derived. The head effect is becoming more and more obvious. Securities companies set up asset management subsidiaries, applied for public fund business management qualifications, and accelerated the transformation of large collection products into public funds to speed up the hierarchical layout of asset management business. In the future, asset management of securities companies will continue to adhere to active management as the core, actively integrate resource endowment, explore the core competitiveness of characteristics and differentiation, and be committed to providing customers with multi-level and high-quality product systems. As of the end of the Reporting Period, the scale of private equity management business of securities and futures institutions totaled RMB15.98 trillion (excluding social security funds and enterprise annuity). In terms of product types, single asset management plan was the main type of current asset management products, accounting for 54.23%. In terms of product management methods (excluding private equity funds of private equity subsidiaries of securities companies), the scale of channel products continued to decline, while actively-managed products steadily increased. The scale of channel products was RMB1.72 trillion, a year-on-year decrease of RMB3.88 trillion; actively-managed products totaled RMB13.71 trillion, an increase of RMB3.58 trillion year on year. [Source: Asset Management Association of China]

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### *Business measures and performance*

In 2021, in terms of the asset management business, the Company strictly implemented the requirements of the new regulations on asset management, smoothly completed the rectification of the existing private equity asset management products, and orderly promoted the transformation of large collection products for public offering. We strengthened risk control by formulating risk mitigation plans to follow up and defuse historical risks in an orderly manner. We followed the development trend of the industry, take the market as the guide, focused on the construction of core capabilities of investment and research, actively explored the development direction of specialized and differentiated business, set up new standardized asset management products, and gradually enriched the basic product system.

As of the end of the Reporting Period, the total asset under management of the Company amounted to RMB3.737 billion, including 7 collective asset management schemes in the amount of RMB3.244 billion, 1 single asset management scheme in the amount of RMB53 million and 2 specific asset management schemes in the amount of RMB439 million.

### *Outlook for 2022*

In 2022, the Company continued to build the integrated investment and research platform for the asset management business, improved the core active management ability, vigorously maintained the business service level, and actively deployed the fixed income business and FOF products, in order to explore the differentiated development, cultivate and build its own asset management business characteristics. In addition, we refined the cultivation of professional teams, enhanced the compliance and risk control ability and culture construction, in order to promote the compliant and long-term development of the asset management business.

## **(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 2021, the overall performance of China's equity investment market was active, with the total amount of raised investment topping historical records. The raised amount was RMB2.21 trillion, up 84.5% year on year, and the investment amount was RMB1.42 trillion, up 60.4% year on year. Investment activities have been unprecedentedly active since the normalization of epidemic prevention and control, and the industry distribution is marked by distinctive characteristics of the times, ushering in an investment boom for information technology, medical and health care, semiconductor, machinery manufacturing and Internet industries. The continuous promotion of the registration system reform and the establishment of the Beijing Stock Exchange further expanded the exit channels of the equity investment market, and the number of exit cases increased significantly. The number of exit cases in the year was 4,532, up 18.0% year on year. [Source: Zero2IPO Data]

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### *Business measures and performance*

In 2021, ZDKY Venture Capital extensively approached intended partners and promoted the establishment of funds along the two main lines of government industrial fund and listed company M&A fund. ZDKY Venture Capital sought cooperation with head institutions and linkage with the Company's investment banking to fully explore investment opportunities in Henan Province and developed regional markets. Meanwhile, it focused on sectors such as science and technology industry, new energy, new materials and modern service industry with an investment of RMB126.19 million to further give play to the leading role of government guiding funds and support the development of "specialized, advanced, special and new (專精特新)" enterprises. ZDKY Venture Capital paid close attention to post-investment management, enabled high-quality enterprises to develop, and realized the listing on the investment project FocusLight on the STAR Market; it accelerated the progress of getting out of trouble and withdrawing risky projects by means of equity repurchase and seeking third-party concessions, and gradually solved risks.

During the Reporting Period, ZDKY Venture Capital and its subordinate institutions managed and filed 14 private funds, with a scale of RMB4.9995 billion, with an investment scale of RMB1.234 billion.

### *Outlook for 2022*

In 2022, ZDKY Venture Capital will give full play to the advantages as the only legal person of Central China Securities Co., Ltd. in the province, improve the ability to raise capital, further cooperate with municipal platforms and head institutions, expand the "circle of friends (朋友圈)", strive for more government guide funds, expand the fund scale, excavate high-quality project resources, and form a stable and multi-level customer ladder. At the same time, ZDKY Venture Capital will improve its investment capacity, seize the opportunity of the establishment of the Beijing Stock Exchange, and expand the proportion of investment in "specialized, advanced, special, new (專精特新)" small and medium-sized enterprises. Furthermore, it, by virtue of the advantages of the platform of Central China Securities Co., Ltd., will provide the "trinity (三位一體)" quality services featuring investment, investment banking, investment and loan linkage to achieve a high-level cycle of "technology — industry — finance".

### **(3) Alternative investment**

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

### *Market environment*

In 2021, impacted by the COVID-19 and the global crisis, the international market showed signs of inflation, and the macroeconomic downturn continued, worsened by the uncertainties in the international political and economic environment. The polarization of capital in the domestic market was increasing. As a result, the market investment environment was complex, some industries stayed depressed, and some industries showed "overheating", fueled by the global overissue. For that, China stressed the development of the capital market, and the reform of the registration system progressed. The opening of the Beijing Stock Exchange in November 2021 has provided a more convenient financing channel for small and medium-sized enterprises and a new channel for the exit of investment in the primary market. At the industrial level, a new round of technological and industrial transformation is accelerating the restructuring of the global innovation landscape. China's new energy, new materials, life sciences, semiconductors, carbon neutrality and other sectors are embracing a good period of investment.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### *Business measures and performance*

In 2021, Central China Blue Ocean actively promoted business transformation and development and grabbed the implementation of the favorable policy of registration system to increase the investment in early quality projects. It implemented the strategy of “working with giants for faster development” by cooperating in depth with a number of top domestic investment institutions, and had a wide layout in high-tech, carbon neutral and emerging industries. It cooperated with the Company’s investment banking to give full play to the advantages of “investment banking + investment + investment and loan linkage” and empower high-quality entity enterprises in Henan province, promoting the development of the real economy in the province. Meanwhile, it made great efforts to tap the full potential of existing low-performance investment funds and optimized the asset mix.

During the Reporting Period, Central China Blue Ocean make another 20 investments, amounting to RMB1.312 billion, including 10 equity investments, with a scale of RMB171 million and 16 financial product investments, with a scale of RMB1.141 billion. Central China Blue Ocean exited from 14 investment projects of various types and recovered an investment amount of RMB263 million. As of the end of the Reporting Period, Central China Blue Ocean invested in 53 projects with a total scale of RMB2.986 billion.

### *Outlook for 2022*

In 2022, on the basis of strict risk control, Central China Blue Ocean will grasp the development opportunities of the capital market by practicing ESG standards, continuing to strengthen the cooperation with well-known investment institutions in the industry, and gradually improving the independent investment capacity. In addition, it will adopt a variety of ways such as participating in funds, co-investment and mixed investment to improve the investment scale and profitability. It will maintain close linkage with investment banking, invest limited self-owned funds in projects with lower risks and shorter cycles to accelerate the capital turnover and improve investment returns. Also, it will strengthen post-investment management, conduct project-by-project inspections, and implement policies one by one, forming a virtuous circle of investment — value-added exit — reinvestment and improve profitability, harvesting in economic and social benefits.

## 6. Proprietary trading

### **Market environment**

Suffering from the lingering COVID-19 in 2021, the global macroeconomy was upset by the risk in the supply chain, energy and inflation. As a result, commodity prices went up, with the recovery of international major economies differing, slowing down the recovery of domestic economic fundamentals. Overall, financial market volatility was larger, with the SSE Composite Index rising 4.80%, SZSE Component Index 2.67%, and ChiNext 12.02%. In the stock market, the market structure was more differentiated, and performance remained the most basic driver of stock prices, with new energy and cyclical growth sectors in the front. In the bond market, 10-year treasury yields rose sharply early in the year due to concerns over inflation expectations. In the second half of the year, the macroeconomy began to show a weakening trend, and the yield of interest rate bonds fluctuated and fell under the influence of factors such as slowing macroeconomic recovery, lingering epidemic, “double restrictions and double controls” and increased real estate policies. The differentiation of credit debt continued to increase. Specifically, the yield of high-grade credit debt began to decline, while that of low-grade credit debt continued to rise. The CSI Aggregate Bond Index rose by 2.28%. [Source: Wind Info].

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### Business measures and performance

In 2021, the Company optimized and adjusted the investment strategies for the equity investment, focusing on three aspects: private placement, proprietary investment in equity and entrusted investment. In particular, for the private placement investment, we enhanced the research capabilities, made in-depth stock and industry research, and realized investment research interaction, so as to select best investment products and achieve good investment return. In addition, we realized the two-wheel driving operation mode of proprietary investment and entrusted investment by optimizing the investment strategies, and continued to cooperate with outstanding institutions to increase the equity investment return.

In terms of fixed income, we enhanced the derivatives investment hedging transaction for interest rate bond investment, gradually expanded the trading volume of treasury bonds, futures and interest rate swap, and increased the investment income of existing interest rate bonds. For the bonds sales business, we enhanced the market trading ability, seized the market rise opportunity and the sales opportunity of tier 1 local government bonds to increase the number of local bonds in the portfolio, and achieved significant growth in bonds sales income. For the convertible bonds, we improved the business investment system, and selected investment targets according to the market changes, increasing the convertible bond investment income significantly from last year.

During the Reporting Period, the operating income of the proprietary business reached RMB578.3821 million.

### Outlook for 2022

In 2022, the Company's equity proprietary trading business will continue to improve its investment research capability, actively grasp the market rhythm, operate prudently, and steadily expand neutral proprietary business such as private placements and subscription in initial public offerings to achieve diversified income. The fixed-income investment business will continue to improve the investment strategy in light of market changes, study the bond market, and deepen the research on the credit bond investment to diversify the bond investment varieties. Meanwhile, it will carry out the portfolio arbitrage by using cash securities, interest rate swaps, treasury bond futures and other instruments to increase the investment by self-owned funds in an integrated manner, gradually reduce the leverage level and improve investment yields. On the basis of the existing proprietary business, the Company will increase the investment contents such as quantitative trading, allocate the large categories of assets, and actively explore the opportunities of OTC derivatives business so as to increase the depth and breadth of proprietary business, and improve investment 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 2021, the Hong Kong capital market remained active. A total of HK\$328.8 billion was raised in the financial market, ranking 4th globally, with 98 IPOs completed and 508 new bonds listed, hitting a record high, and the listed bonds raised HK\$1.55 trillion in total. Due to the combined impact of the epidemic and economic expectations, the Hang Seng Index fell by approximately 14.1% and the Hang Seng Technology Index fell by approximately 32.7%, showing a lower performance in major global markets in 2021. [Source: Wind Info, HKEx]

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### Business measures and performance

In 2021, Central China International attached great importance to the development of investment banking, increased business expansion in Henan Province, and steadily developed licensed business and prudently carried out investment business. Meanwhile, it reserved project resources, cultivated core competitiveness in the fields of equity financing and debt financing to build an overseas market service platform for the Company.

As of the end of the Reporting Period, the number of clients of Central China International's securities brokerage business reached 8,532, the market value of clients' securities amounted to HK\$1.391 billion and the cumulative transaction volume of the securities of brokerage business in the Hong Kong stock market was HK\$3.251 billion, ranking 300th among 613 participants of the Hong Kong Exchanges and Clearing Limited in terms of the transaction volume in 2021. The balance of the margin financing business was approximately HK\$81 million, down 54.84% from the end of last year. The number of customers of futures business was 263, the cumulative futures transactions were 2.3942 million lots, and the transaction volume of gold futures business and LME mini metal products in the Hong Kong Stock Exchange were among the top of stock exchanges. And the future company won the 2021 model Chinese trader award. The investment banking actively carried out sponsorship business, submitted 1 new IPO on the main board, completed several financial consulting projects, and participated in 4 overseas US dollar bond business. Central China International carried out proprietary investment business prudently and cooperated with leading institutions in the industry to cultivate its investment capacity.

### Outlook for 2022

In 2022, Central China International will take investment banking business as the guide, give full play to the Company's resource advantages in cooperation with first-class institutions, strengthen the synergy between domestic and overseas, enhance the financing service capability in overseas markets, and drive investment and institutional business; improve the compliance and risk control system and implement the classification policy for risk projects to solve more risk for less losses; promote the transformation and development of brokerage business through Internet financial diversion, prudently carry out proprietary business, timely develop the structured business to provide customers with customized services and financial products.

## 8. Others

### Regional equity market business

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

### Market environment

In 2021, the CSRC formally issued the Guiding Opinions on Perfecting the Listing Termination Mechanism for National Equities Exchange and Quotations (《關於完善全國中小企業股份轉讓系統終止掛牌制度的指導意見》). It is another favorable policy following the Opinions on the Regulation of the Equity Registration and Custody for the Non-listed Stock Companies in Henan Province (《關於規範開展全省非上市股份有限公司股權登記託管工作的意見》) (YJF [2020] No.63) issued in 2020. It is of vital importance for the Equity Exchange Co. to conduct the registration and custody of enterprises delisted from the New Third Board and would conduce to the top-bottom linkage of the multi-level capital market. Meanwhile, a number of policies issued within Henan Province further clarify the duties of Equity Exchange Co. and specify the development directions for Equity Exchange Co. for the next three to four years, creating a favorable policy environment for the development of regional equity markets in Henan Province. As of the end of Reporting Period, there were 0.0381 million listed companies (including 0.0234 million joint-stock companies), 0.1384 million display companies, 0.0577 million custodian companies and 0.1249 million qualified investors in the regional equity markets of China, with the financing of various types totaled RMB1,666.463 billion. [Source: Regional equity trading market of China's New Fourth Board]

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### *Business measures and performance*

In 2021, Equity Exchange Co. shifted the development focus from scale to quality and gave priority to key areas and top companies by better allocating resources and precise services. It leveraged the strengths of the platform and resource pooling effect to keep improving private placement and cultivation and incubation, helping listed companies to enter the capital market at a higher level. During the Reporting Period, Equity Exchange Co. was formally launched and undertook the operation of the Henan base of National Equities Exchange and Quotations (New Third Board); set up the service board specific to fund investment enterprises, and hosted four events, including the monthly event in April of 2021 “Zhengchuanghui (鄭創匯)” international innovation and entrepreneurship competition and roadshows of strategic emerging excellent enterprises arranged by the Henan Provincial Development and Reform Commission, which increased the reserves of excellent corporate projects and office more convenient access to financing approach between listed enterprises and financial institutions; intensified market expansion and completed the equity registration custody of consumer finance companies in Henan. This made the registration custody business of Equity Exchange Co. accessible to more types of enterprises; integrating the online and offline, Equity Exchange Co. arranged 2 business training sessions dedicated to membership institutions, 3 equity business training sessions, and 5 supporting activities for regular roadshows, which covered over 300 enterprises, providing listed, displayed and hosted enterprises and membership units with financing services constantly; implemented the push “shareholding reform of enterprises” and signed 3 orders for enterprise restructuring and trading board listing business, provided good guidance for restructuring of 2 companies, with multiple financing projects approached and implemented; promoted the listed company to develop fast, with 15 enterprises enjoying faster development achieving the internal upgrading and board transfer, and 5 entering the STAR Market, mainboard and New Third Board and other higher-level boards.

As of the end of the Reporting Period, the total number of listed enterprises exceeded 9,500; the total financing reached RMB17.847 billion, up 52.07% from the end of last year; there were 470 custodian enterprises with 66.311 billion shares under custody, up 5.62% and 7.42% respectively from the end of last year.

### *Outlook for 2022*

In 2022, Equity Exchange Co. will give full play to the role of the capital market of the Shanghai Stock Exchange in serving the Henan Base of National Equities Exchange and Quotations (New Third Board) and continuously improve the incubation to promote the implementation of the provincial strategy of “small for large, large for stock, and stock for listing” (i.e. to expand a small company into a large one, turn a large one into a stock company, and change the stock one into a listed company). Meanwhile, it will further improve the financing service function, expand the scale of private financing; enrich the plate setting, study the addition of “specialized, advanced, special and new board”, better approach the New Third Board and the Beijing Stock Exchange. It will expand equity custody of commercial banks and non-listed companies, standardize equity management of enterprises, explore the value of equity utilization, and promote the reasonable flow of equity. In addition, it will actively explore state-owned enterprises equity transfer business, discover equity value and reduce transaction costs through the market function.



## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

In 2021, the remarkable “14th Five-Year Plan” (2021–2025) was officially released, in which important statements concerning the capital market and the securities industry pointed out the direction for comprehensively deepening the reform of the capital market in the next five years. We fully implemented the registration system for stock issuance, deepen the reform of the New Third Board, and establish the Beijing Stock Exchange. During the “14th Five-year Plan” period, the dividends of various reform policies were expected to continue to be released, and the reform of the capital market would be further deepened. The securities industry rooted in the capital market was bound to continue to benefit, with the launch of the “white list” system of securities companies, the space for high-quality development of the industry had been further opened.

According to the statistics of the Securities Association of China, as of the end of 2021, there were 140 securities companies in China, with total assets, net assets and net capital of RMB10.59 trillion, RMB2.57 trillion and RMB2.00 trillion, respectively, increased by 18.99%, 11.26% and 9.89% as compared with the end of 2020, respectively, with total operating income and net profit of RMB502.410 billion and RMB191.119 billion, respectively, increased by 12.03% and 21.32% on a year-on-year basis, respectively, indicating improving operating performance as a whole, but at a decreasing rate. At present, the securities industry is still unable to obviously weaken its cyclical characteristic, but keeps a “spiral” rising trend on the whole.

Currently, the Company is the only securities company that was registered in Henan Province as a legal person. After over 10 years of development, the Company has developed itself into a comprehensive securities company with distinctive advantages in the region.

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

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

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

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

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



## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

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

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

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

### V. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

#### (I) Advantage of the synergy throughout the whole industrial chain, which are led by the investment banking business

Focusing on the business strategy of "strengthening investment banking business and making excellent investments", the Company continued to deepen the reform of investment banking, with professional capabilities and core indicator ranking such as the amount of equity underwriting, the transaction amount of merger, acquisition and restructuring financial advisory and the scale of underwriting directional additional financing significantly improved, entering the top of the industry. Besides, the number of sponsoring projects for IPO approved by the Issuance Examination Committee Meeting of the CSRC and reserve projects of investment banks have significantly increased. The leading role of driving the investment, credit business and wealth management business has become increasingly prominent.

#### (II) Advantage of A+H listing platforms

The Company is a securities company with A+H dual capital access, which has a certain brand and social influence and abundant and convenient financing channels to rapidly improve its capital strength and replenish its working capital.

#### (III) Comprehensive financial operation advantage

Currently, the Company establishes over 110 branches in provincial and core cities like Beijing, Shanghai, Hong Kong, Guangzhou and Shenzhen, as well as provincial cities and developed counties in Henan Province, and subsidiaries such as Equity Exchange Co., Central China Futures, Central China Blue Ocean, ZDKY Venture Capital, and Central China International. Based on securities business, the Company has initially developed the comprehensive operation pattern covering regional equity market, futures, alternative investment, private fund management business, and other financial forms, and tapped into the "three-in-one (三位一體)" service model of the listing of investment banking sponsor enterprises, investment follow-up and interaction of investment and loan, providing all-round and all life-cycle service for customers.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### (IV) Advantage of “base area”

As the only securities company as a legal person in Henan Province and the mainstay of capital market development in Henan, the Company is endowed with the “base area” of the largest economic province in China’s central and western areas. The Company has deeply explored the Henan market for a long time and established deep cooperation with the local government, enterprises and individual customers, with a stable customer base and several businesses ranking at the top in terms of regional market share.

## VI. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

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

### (I) Analysis on principal businesses

#### 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	4,420,848,497.96	3,103,301,696.87	42.46
Operating costs	3,710,316,417.23	2,954,485,813.12	25.58
Net cash flows from operating activities	-956,413,909.29	1,370,803,122.31	-169.77
Net cash flows from investment activities	1,396,672,398.03	-1,335,439,661.91	N/A
Net cash flow from financing activities	1,115,907,979.30	1,474,831,325.48	-24.34

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### 2. Income and cost analysis

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

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period last year	Change ratio (%)	Explanation
Net interest income	138,347,509.79	101,097,703.29	36.85	Mainly due to the increase in interest income from margin accounts in the Period
Net fee and commission income	1,636,808,462.51	1,172,198,286.83	39.64	Mainly due to the increase of net income from investment banking business in the Period
Income from change of fair value (loss is indicated with "-")	489,485,981.10	-48,524,176.45	N/A	Mainly due to the change of the fair value of the trading financial assets in the Period
Exchange gain (loss is indicated with "-")	1,578,376.60	-3,348,221.20	N/A	Mainly due to the change of exchange rate in the Period
Gains from asset disposal (loss is indicated with "-")	69,744.36	-20,777.16	N/A	Mainly due to the increase of income from disposal of fixed assets in the Period
Business and administrative expenses	1,803,962,502.07	1,334,084,832.77	35.22	Mainly due to the increase of staff expenses in the Period
Other asset impairment loss	2,752,382.99	31,841,326.55	-91.36	Mainly due to the decrease of provision for inventory impairment in the Period
Non-operating income	18,736,381.72	5,860,453.04	219.71	Mainly due to the increase of income from liquidated damages in the Period
Income tax expenses	167,195,492.71	41,911,301.78	298.93	Mainly due to the increase of deferred income tax expenses in the Period
Other comprehensive income, net after tax	-13,421,475.85	-23,994,465.35	N/A	Mainly due to the change in value of other debt investments in the 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 as compared with last year (%)	Increase/Decrease in operating cost as compared with last year (%)	Increase/Decrease in gross margin as compared with last year (%)
Securities brokerage business	91,665.02	63,731.61	30.47	2.66	9.33	Decreased by 4.24 percentage points
Proprietary business	57,838.21	14,674.90	74.63	365.61	-16.73	Increased by 116.49 percentage points
Investment banking business	61,868.98	49,475.06	20.03	245.90	154.86	Increased by 28.56 percentage points
Credit business	46,632.32	20,469.45	56.1	55.80	-0.95	Increased by 25.15 percentage points
Investment management business	21,709.16	20,834.21	4.03	154.70	514.45	Decreased by 56.19 percentage points
Futures business	162,063.44	161,047.31	0.63	19.69	21.04	Decreased by 1.11 percentage points
Offshore business	-17,642.25	7,600.86	N/A	N/A	13.39	N/A
Headquarters and others	21,130.29	53,258.19	-152.05	4.06	39.25	Decreased by 63.71 percentage points

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### Principal business by region

Region	Operating income	Operating cost	Gross margin (%)	Increase/Decrease in operating income as compared with last year (%)	Increase/Decrease in operating cost as compared with last year (%)	Increase/Decrease in gross margin as compared with last year (%)
Branches in province	83,148.34	52,687.10	36.63	2.43	7.95	Decreased by 3.25 percentage points
Branches outside the province	66,354.89	25,719.41	61.24	223.15	-5.13	Increased by 93.27 percentage points
Domestic Subsidiaries	205,166.90	185,738.53	9.47	31.40	25.83	Increased by 4.01 percentage points
Overseas Subsidiaries	-17,642.25	7,600.86	N/A	N/A	13.39	N/A
Headquarters business	108,237.29	119,345.69	-10.26	93.56	77.72	Increased by 9.84 percentage points

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

During the Reporting Period, the Group achieved operating income of RMB4.421 billion, representing a year-on-year increase of 42.46%, among which, the proprietary trading business achieved income of RMB578 million, representing an increase of RMB454 million, mainly due to the increase in income from secondary market investment business during the Period; the investment banking business achieved income of RMB619 million, representing an increase of RMB440 million, mainly due to the increase in income from securities underwriting business during the Period; the futures business achieved income of RMB1,621 million, representing an increase of RMB267 million, mainly due to the increase in income from the sale of commodities by Yuxin Investment, a subsidiary of the Company during the Period; the credit business achieved income of RMB466 million, representing an increase of RMB167 million, mainly due to the increase in interest income from margin accounts during the Period; the investment management business achieved income of RMB217 million, representing an increase of RMB132 million, mainly due to the increase in income from fund investment of certain subsidiaries during the Period; the securities brokerage business achieved income of RMB917 million, representing an increase of RMB24 million, mainly due to the increase in income from securities brokerage business and agency sales of financial products during the Period; and the overseas business achieved income of RMB-176 million, representing a decrease of RMB147 million, mainly due to the decrease in gains from changes in fair value of financial products held by Central China International during the Period.

During the reporting period, the Group's operating expenses amounted to RMB3.710 billion representing a year-on-year increase of 25.58%, among which, the business and administrative expenses amounted to RMB1,804 million, representing an increase of RMB470 million, mainly due to an increase in staff costs during the Period; other operating costs amounted to RMB1,508 million, representing an increase of RMB283 million, mainly due to an increase in the cost of sales of bulk commodities of Yuxin Investment, a subsidiary of the Company, during the Period; the credit impairment losses amounted to RMB374 million, representing an increase of RMB29 million, mainly due to the Company's assessment of the credit risk of each business in accordance with the principles of prudence and adequate provisioning and the provisioning of impairment allowances through the expected credit loss model. The Company will continue to monitor changes in the market value of collateral and the creditworthiness of financiers, and carefully assess the risks associated with its stock-pledged repo business. In the event of adverse factors such as a decline in the market value of collateral, the Company will make full provision for impairment for the current period in strict accordance with the China Accounting Standards for Business Enterprises and the Company's accounting policies.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Group realized the net profit attributable to the shareholders of the parent company of RMB513 million, representing a year-on-year increase of 392.04%, mainly due to the significant growth in operating results as the Company actively seized market opportunities and continuously enhanced its core competitiveness.

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

### **(2) Equity change of major subsidiaries during the Reporting Period caused the change of the consolidation scope.**

During the Reporting Period, the disposal of the 15% equity of Central China Micro-lending was completed. The Company lost its control over Central China Micro-lending because the shareholding of the Company in Central China Micro-lending was reduced from 65% to 50%. Therefore, Central China Micro-lending was no longer included in the consolidation scope. Please refer to XIII. "EVENTS AFTER THE BALANCE SHEET DATE" under Section 8 "FINANCIAL REPORT" of this report for progress of the disposal of the 11% equity interests in Central China Micro-lending.

### **3. Expenses**

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

### **4. Cash flow**

In 2021, the net increase in cash and cash equivalents of the Company was RMB1.558 billion.

#### **(1) Net cash flow from operating activities**

During the Reporting Period, the net cash flow from operating activities was RMB-956 million, with a year-on-year decrease of RMB2.327 billion, mainly because the sales and repurchase business generated net outflow in this year while net inflow in the same period last year, resulting in decrease of cash inflow.

The cash inflow from operating activities was RMB7.926 billion, accounting for 36.87% of the total cash inflow, mainly including: cash received from interests, fees and commissions of RMB2.984 billion, accounting for 37.65%; net decrease in funds for resale business of RMB908 million, accounting for 11.46%; net cash received from agency trading of securities of RMB2.017 billion, accounting for 25.44%; and cash received relating to other operating activities of RMB2.017 billion, accounting for 25.44%. The cash outflow from operating activities was RMB8.882 billion, accounting for 44.55% of the total cash outflow. mainly including: net increase in trading financial instruments of RMB1.336 billion, accounting for 15.04%; net decrease in placements from banks and other financial institutions of RMB790 million, accounting for 8.89%; net decrease in funds for repurchase business of RMB1.652 billion, accounting for 18.60%; net increase-in loans to margin clients of RMB738 million, accounting for 8.31%; cash paid for interest, fee and commission of RMB769 million, accounting for 8.65%; cash paid to and on behalf of employees of RMB1.139 billion, accounting for 12.83%; payments of taxes of RMB472 million, accounting for 5.31%; and other cash payments relating to operating activities of RMB1.986 billion, accounting for 22.36%.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

The explanation of reasons for any significant variations between the net cash flow from operating activities and net profit during the Reporting Period:

The net cash flow from operating activities of the Company was RMB-956 million, and the net profit of the Company was RMB551 million. The main reasons are: the net cash flow from operating activities of the Company includes the purchasing cost and the net cash flow from sales of trading financial instruments, placements from banks and other financial institutions, repurchase and resale, net cash flow of loans to margin clients, and net cash flow of funds received as agent of stock exchange, while income statement reflected the income or expenses conditions such as investment income, interest expenses, commission income, which was formed by the aforementioned operations cash transferring and impact of non-cash flow to profit or loss, such as assets depreciation, amortization and impairment losses.

### (2) Net cash flows from investment activities

During the Reporting Period, the net cash flow from investment activities was RMB1.397 billion, with a year-on-year decrease of RMB2.732 billion, mainly due to the increase of recovered cash capital.

The cash inflow from investment activities was RMB1.617 billion, accounting for 7.52% of the total cash inflow, mainly including: Cash received from redemption of investments of RMB1.326 billion, accounting for 82.00%; Cash received from return on investments of RMB128 million, accounting for 7.89%; Net cash received from disposal of fixed assets, intangible assets and other long-term assets of RMB1 million, accounting for 0.08%;

Net cash received from disposal of subsidiaries and other business units of RMB162 million, accounting for 10.03%. The cash outflow from investment activities was RMB221 million, accounting for 1.11% of the total cash outflow, mainly including: cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB221 million, accounting for 100%.

### (3) Net cash flows from financing activities

During the Reporting Period, the net cash flow from the financing activities was RMB1.116 billion, with a year-on-year decrease of RMB359 million, mainly due to the decrease of cash received from absorbing investment.

The cash inflow from the financing activities was RMB11.951 billion, accounting for 55.60% of the total cash inflow, Mainly including: Cash received from issuance of debentures of RMB11.941 billion, accounting for 99.92%; Cash received from borrowings of RMB10 million, accounting for 0.08%. The cash outflow from the financing activities was RMB10.835 billion, accounting for 54.34% of the total cash outflow, Mainly including: Cash payments for settlement of debts of RMB9.983 billion, accounting for 92.14%; Cash payments for distribution of dividends or profit and repayment of interests of RMB678 million, accounting for 6.26%; Other cash payments relating to financing activities of RMB174 million, accounting for 1.60%.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### (II) Analysis on assets and liabilities

#### 1. Assets and liabilities

Unit: Yuan Currency: RMB

Item name	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
Monetary capital	12,332,030,422.75	22.94	10,951,131,021.90	20.91	12.61	Mainly due to the increase of customer fund deposit under the influence of market situation at the end of the Period
Loans to margin clients	8,148,017,143.05	15.16	7,400,757,113.38	14.13	10.10	Mainly due to the increase of scale of loans to margin clients at the end of the Period
Derivative financial assets	54,610.00	0.00		0.00	N/A	Mainly due to the impact from the change of stocks and futures at the end of the Period
Receivables	98,055,900.27	0.18	169,323,523.34	0.32	-42.09	Mainly due to the decrease of interest payments on bonds receivable at the end of the Period
Financial assets held under resale agreements	972,870,075.44	1.81	2,055,964,889.83	3.93	-52.68	Mainly due to decrease of pledge repurchase business scale at the end of the Period
Financial assets at fair value through profit or loss	24,507,919,178.87	45.60	22,592,572,498.77	43.13	8.48	Mainly due to the increase of fund investment scale at the end of the Period
Debt Investments	263,452,484.68	0.49	456,168,931.89	0.87	-42.25	Mainly due to the increase of provision of debt investment impairment at the end of the Period
Financial assets at fair value through other comprehensive income	970,426,547.78	1.81	2,088,805,149.07	3.99	-53.54	Mainly due to the decrease of debt investment scale at the end of the Period
Long-term equity investment	1,659,879,203.08	3.09	1,067,276,173.44	2.04	55.52	Mainly due to the change of consolidation scope and increase of number of associates at the end of the Period
Other assets	283,225,421.38	0.53	1,387,323,474.69	2.65	-79.58	Mainly due to the change of consolidation scope and decrease of loans at the end of the Period



## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

Item name	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
Payable short-term financing	7,032,271,969.93	13.08	4,154,657,809.90	7.93	69.26	Mainly because some bonds had a remaining maturity of less than one year, and they were transferred to short-term financing payable at the end of the Period
Placements from banks and other financial institutions	2,900,742,263.92	5.40	3,694,418,222.23	7.05	-21.48	Mainly due to the decrease of capital from refinancing at the end of the Period
Derivative financial liabilities	465,376.83	0.00	57,980.91	0.00	702.64	Mainly due to the impact from the change of stocks and futures at the end of the Period
Financial assets sold under repurchase agreements	10,548,472,328.09	19.63	12,200,308,194.73	23.29	-13.54	Mainly due to decrease in business scale of pledge-style repo at the end of the Period
Accounts payable to brokerage clients	12,571,797,812.48	23.39	10,555,230,551.25	20.15	19.10	Mainly due to the increase of customer fund deposit under the influence of market situation at the end of the Period
Payroll payable	768,133,013.64	1.43	561,932,538.17	1.07	36.69	Mainly due to the increase of salary payable at the end of the Period
Payables	143,594,220.52	0.27	65,874,572.60	0.13	117.98	Mainly due to the increase of settlement payable at the end of the Period
Contract liabilities	6,872,133.68	0.01	26,495,681.41	0.05	-74.06	Mainly due to the decrease of pre-trade receivable at the end of the Period
Long-term borrowings	0.00	0.00	1,001,741.67	0.00	-100.00	Mainly due to the decrease of credit borrowing at the end of the Period
Bonds payable	3,685,225,541.41	6.86	4,610,250,342.02	8.80	-20.06	Mainly because some bonds had a remaining maturity of less than one year, and they were transferred to short-term financing payable at the end of the Period
Deferred income tax liabilities	38,563,107.66	0.07	14,241,536.99	0.03	170.78	Mainly due to the impact from the value change of financial assets at the end of the Period

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### Other explanations

#### (1) Assets

As of the end of 2021, the total assets of the Group reached RMB53.748 billion, increasing by RMB1.371 billion or 2.62% from RMB52.377 billion at the beginning of the year. Among which, the monetary capital, settlement reserves and guarantee deposits paid accounted for 29.20% of the total assets; financial assets accounted for 47.89% of the total assets; loans to margin clients accounted for 15.16% of the total assets; investment property, fixed assets, construction in progress and right-of-use assets accounted for 0.79% of the total assets; long-term equity investment accounted for 3.09% of the total assets; financial assets held under resale agreements accounted for 1.81% of the total assets; deferred income tax, intangible assets and other assets accounted for 2.06% of the total assets. The Company has good asset quality and liquidity and sound asset structure.

#### (2) Liabilities

As of the end of 2021, the total liabilities of the Group reached RMB39.604 billion, increasing by RMB1.414 billion or 3.70% from RMB38.190 billion at the beginning of the year. Among which, the customer brokerage deposits (including customer brokerage deposits in credit transactions) accounted for 31.74% of the total liabilities; bonds payable and short-term financing payable accounted for 27.06% of the total liabilities; financial assets sold under repurchase agreements accounted for 26.63% of the total liabilities; bank loans accounted for 0.65% of the total liabilities; placements from banks and other financial institutions accounted for 7.32% of the total liabilities; trading financial liabilities and derivative financial liabilities accounted for 2.45% of the total liabilities; payroll payable, taxes and other liabilities accounted for 4.15% of the total liabilities.

As of 31 December 2021, the Asset-Liability Ratio of the Group after deducting the customer brokerage deposits (including customer brokerage deposits in credit transactions) and securities underwriting brokerage deposits was 65.65%, with a year-on-year decrease of 0.43 percentage point.

#### 2. Overseas assets

Of which: overseas assets amounted to RMB1.123 billion, accounting for 2.09% of the total assets.

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

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

#### 4. Commitments and contingent liabilities

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

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### (III) Access to and ability of financing

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

The Company continued to strengthen the management of financing channels and maintained a good financing capability. As of 31 December 2021, the Company has obtained a comprehensive credit of RMB31.8 billion from a number of banks, which can effectively guarantee the Company's business development funding needs.

### (IV) Industry operation analysis

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

### (V) Analysis of investments

#### Overall analysis on external equity investments

As of the end of the Reporting Period, the Group's long-term equity investment was RMB1.660 billion, representing an increase of RMB593 million or 55.52% compared with the end of the previous year, mainly due to the conversion of Central China Micro-lending into an associate after the disposal of the partial equity interest of Central China Micro-lending.

#### (1) Significant equity investments

Please refer to VI. "11. Long-term equity investments in the NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "FINANCIAL REPORT" in this report.

#### (2) Financial assets measured at fair value

Please refer to XII. "ITEMS MEASURED AT FAIR VALUE" in Section 2 "COMPANY PROFILE AND KEY FINANCIAL INDICATORS" of this report.

### (VI) Material disposal of assets and equity interests

The Proposal on the Transfer of the Partial Equity Interest of Central China Micro-lending Held by CCBO was considered and approved at the 21st meeting of the Sixth Session of the Board on 13 August 2020, pursuant to which the Board agreed that CCBO would transfer its 15% equity interests in Central China Micro-lending. In September 2020, the Company completed the filing of state-owned assets appraisal project with Henan Provincial Finance Department. In January 2021, CCBO and Luohe Financial Holding Co., Ltd. (漯河市金融控股有限公司) ("Luohe Financial Holding") entered into the State-owned Property Rights Transaction Contract (《國有產權交易合同》), pursuant to which CCBO agreed to transfer its 15% equity interests in Central China Micro-lending to Luohe Financial Holding Co., Ltd. In December 2021, Central China Micro-lending received the Reply of Henan Local Financial Supervision and Administration Bureau on the Change Matters of Henan Central China Micro-lending Company Limited (《河南省地方金融監督管理局關於河南省中原小額貸款有限公司變更事項的批覆》) (YJJ[2021] No.137), which agreed to the matters related to the change of shareholding structure about the transfer of 15% equity interests. According to the Reply, Central China Micro-lending changed the industrial and commercial registration in December 2021.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

For details of the above, please refer to the relevant announcements disclosed by the Company on the website of the Shanghai Stock Exchange dated 14 August 2020, 9 October 2020, 23 January 2021, 16 October 2021, 21 December 2021 and 16 March 2022. (Announcement No.: 2020-062, 2020-066, 2021-005, 2021-059, 2021-068, 2022-009)

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

#### **Central China Futures Co., Ltd.**

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

Date of incorporation: 18 April 1993

Registered capital: RMB330 million

Shareholding proportion: 51.357%

Legal representative: Xie Xuezhu

Contact No.: 0371-68599199

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

Financial position: As of 31 December 2021, the total assets and net assets amounted to RMB1.998 billion and RMB435 million respectively. In 2021, Central China Futures recorded operating income of RMB1.621 billion and net profit of RMB19.8948 million.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### **Zhongding Kaiyuan Venture Capital Management Co., Ltd.**

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

Date of incorporation: 8 February 2012

Registered capital: RMB680 million

Shareholding proportion: 100%

Legal representative: Zhou Jie

Contact No.: 0371-69177108

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

Financial position: As of 31 December 2021, the total assets and net assets amounted to RMB1.317 billion and RMB802 million respectively. In 2021, Zhongding Kaiyuan recorded operating income of RMB115 million, and net profit of RMB47.9090 million.

Reasons for large fluctuations: In 2021, Zhongding Kaiyuan Venture Capital Management Co., Ltd.'s operating income increased by 114.31% year on year, the total profit increased by 127.32% year on year, and the net profit increased by 128.14%. The main reasons are the market value of the enterprises in which Zhongzheng Kaiyuan invested, a subsidiary of Zhongding Kaiyuan Venture Capital Management, hit a record high repeatedly, contributing more investment revenue to Zhongding Kaiyuan.

### **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, futures brokerage, provide advice for securities, margin financing, futures brokerage, provide advice for futures contracts, sponsorship underwriting, financial advisor, self-run investment

Financial position: As of 31 December 2021, the total assets and net assets of Central China International amounted to HK\$1.374 billion and HK\$804 million respectively. In 2021, Central China International recorded operating income and other revenue of HK\$-139 million and net profit of HK\$-304 million.

Reason for the loss: Due to the continuing epidemic and the volatility of the Hong Kong stock market, the businesses of the licensed companies serving customers in Mainland China were significantly affected and their business revenues declined. In addition, the fair value downward adjustment and provision for impairment of historical risk projects had a periodical impact on the business results.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### **Central China Blue Ocean Investment Management Company Limited**

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

Date of incorporation: 25 March 2015

Registered capital: RMB3.5 billion

Shareholding proportion: 100%

Legal representative: Xu Haijun

Contact No.: 0371-86503971

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

Financial position: As of 31 December 2021, the total assets and net assets amounted to RMB3.27 billion and RMB3.117 billion respectively. In 2021, Central China Blue Ocean recorded operating income of RMB255 million and net profit of RMB39 million.

### **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: 35%

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 2021, the total assets and net assets amounted to RMB511 million and RMB445 million respectively. In 2021, Central China Equity Exchange recorded operating income of RMB166 million and net profit of RMB113 million.

## **(VIII) Structured entities controlled by the Company**

As of 31 December 2021, the Group merged 5 structured entities, including asset management plans and partnerships. 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 control of the Company into the scope of consolidated statements after comprehensively considering the investment decision rights of the Company, the variable return exposure and the use of investment decision power to influence variable return. Please refer to VII. "CHANGES IN THE SCOPE OF CONSOLIDATION" under Section 8 "FINANCIAL REPORT" of this report for scope of consolidation of structured entities.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

#### (I) Industry landscape and development trend

In the first half of 2021, the "14th Five-Year Plan" was officially released, and the comprehensive registration system was written into the "14th Five-year Plan", which lifted the capital market to a new high. Yi Huiman, chairman of the China Securities Regulatory Commission, in the article titled "More Proportion of Direct Financing" (《提高直接融资比重》), said the six major tasks for the drive to increase the proportion of direct financing during the "14th Five-Year Plan" period are as follows: implementation of the registration system for stock issue across the board to widen direct financing access; improve the multi-level capital market system with the Chinese characteristics to make the direct financing more inclusive; help the listed companies to improve quality to lay a solid foundation for the development of direct financing; promote the innovative development of the securities market to diversify financing instruments; accelerate the development of private placement funds to make innovation capital strategy more prominent; promote the long-term capital to access the market to better fund the direct financing. Increasing the proportion of direct financing will help improve the functions of financial markets and enrich financial service and product offerings to make the financial system more adaptable.

The establishment of the Beijing Stock Exchange and the deepening reform of the New Third Board are of great significance to improve the multi-level capital market, accelerate the improvement of the financial support system for small and medium-sized enterprises, and promote innovation-driven development and economic transformation and upgrade. It is an important measure to comprehensively deepen the reform of the capital market under the new situation.

The reform of the capital market system is in full swing, residents' demand for wealth management is growing steadily, and the proportion of equity assets will continue to increase, injecting inexhaustible impetus to the development of the securities industry. Industry brokerage, investment banking, private equity funds, alternative investment and other business will usher in new business increments.

Meanwhile, with the fast-growing capital market, the securities industry is facing the pressure from internal and external policies, which fuels the industry completion; the lifting of the limitation on the proportion of foreign shares and loosening licensing of securities business for securities companies, and foreign-funded investment banks and the other domestic financial institutions represented by commercial banks are entering the securities market, reshaping the current competition landscape of the security industry; the securities industry is becoming more head-concentrated, which means that the entire share of the market is fast concentrating on the head brokers; based on the building of Internet ecosystem, the Internet brokers holding extensive user resources and increasing users' stickiness and the third-party selling institution never cease to impact the traditional operational model of securities companies. This renders the competition in the securities industry more complicated and heated, leaving contracting space for the survival of small and medium-sized brokers. In the future, securities companies will develop in the direction of differentiation, specialization, professionalization and internationalization. The head broker can continue to grow through mergers and acquisitions, and small and medium-sized brokers should seek specialized and characteristic development.

Looking forward to 2022, the average daily transaction volume of the domestic capital market is expected to remain at a high level. It, however, is uncertain whether the domestic capital market can achieve a further growth due to the declining commission rate and the increasing proportion of northbound capital transactions. Broker proprietary business is not likely to have large growth space, with the high probability of entering the consolidation period; the comprehensive registration system is expected to be formally implemented, and the broker investment banking business will continue to operate at a high level. Broker asset management business is expected to rise steadily; broker credit business interest net income is expected to maintain a small growth. It is expected that the overall operating performance of the securities industry in 2022 will fluctuate slightly at the current level and maintain prosperity.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### (II) Development strategy of the Company

Guided by the Xi Jinping Thought with Chinese Characteristics for a New Era, focusing on the implementation of the innovation-driven strategy of the province and under the leadership from the CPC Henan Committee and Henan Provincial People's Government as well as the care and support from all sides, the Company is committed to building the Party and good conduct and political integrity. To that end, we, leveraging such major opportunities as the registration system for A shares across the board, cooperation with international top-notch institutions and the inclusion in the "white list" as the first brokers, accelerate the compliance and risk control drive to upgrade the main business line and optimize the special layout for the Company's development. Meanwhile, we accelerate the digital transformation and promote the stock right and creditor's rights financing for another "Central China Securities" to create more value for shareholders.

### (III) Business plan

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we shall fully implement the guiding principles of the 19th National Congress of the CPC, all plenary sessions of the 19th National Congress of the CPC and the Central Economic Work Conference, conscientiously implement the work plans of provincial party committees and governments; forge ahead with clear targets and vigorously enhance our professional capabilities following the guidance of high-quality party construction and adhering to the general principle of seeking progress while maintaining stability; and focus on business upgrade and risk prevention and mitigation, in order to complete the missions in the key year of "rebuilding a Central China Securities".

We shall promote the overall planning of the important operation issues at the company level. We shall ensure the high level financing, build a strong and reliable low-cost capital guarantee; carry out large-scale learning, training, exercising and promotion activities to comprehensively improve professional abilities in various fields; focus on building a long-term mechanism of "investment banking + investment + investment and lending linkage", optimize and enhance the "trinity" financial service model; further accelerate the pace of digital transformation and enhance the support level of fintech for company development; speed up the development of other businesses through multiple measures, optimize and improve the Company's business structure.

We shall promote the quality improvement, efficiency enhancement and upgrade the business lines. We shall, relying on the overall strength of the Company and the empowerment of fintech, make persistent efforts to upgrade the customers, channels, products, tools, team and management of the wealth management business line; continue to maintain the momentum of rapid growth of investment banking business to improve its size, quality and position and accelerate the development of other businesses; enhance the existing business and prudently carry out OTC derivatives business for the proprietary investment business to ensure stable growth; ensure comprehensive business development and expand the active management scale for the asset management business; enhance the efforts to develop the pledge financing business and steadily improve the high-quality asset scale; optimize the asset structure and further improve the return on assets for the market making business; focus on the steady development of main business and constantly strengthens the comprehensive competitive strength for Central China Futures; effectively address the fundraising problem, improve investment ability, and accelerate the transformation into first class private equity subsidiary of securities firm for Zhongding Kaiyuan; cultivate the core ability of independent investment, actively empower outstanding enterprises, and promote the entry into the first echelon of alternative investment subsidiaries of securities firm for CCBO; give full play to the advantages of the platform and the pooling effect of resources to accelerate business transformation and upgrading and high-quality development for Central China Equity Exchange; develop business opportunities and improve compliance risk control system to ensure stable development for CCIFHC.



## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

We shall further enhance the efforts to mitigate risks. We shall continue to attach great importance to risk prevention and mitigation, earnestly summarize previous successful experience in risk mitigation, and further intensify efforts to achieve major breakthroughs in the risk mitigation of key projects.

### (IV) Potential risks

The major risks faced by the Company include credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risk. 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: (1) default or ratings downgrade of investment targets; (2) a counterparty's default; (3) 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 (4) receivables due to settlement of brokerage business becoming bad debts. Currently the Company's credit risk mainly comes from the bond investment, margin trading and securities lending, and securities-backed lending, as well as financing business, investment business and over-the-counter derivatives business carried out by its subsidiaries.

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

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

During the Reporting Period, the Company promoted the application of internal rating results in the corporate bond business; conducted business risk audit and classification control in strict accordance with the due diligence and duration management system of stock pledge business; managed securities pools of margin trading and short selling business by pools to determine risk pool standards and control business risks; promoted the Company's credit risk public opinion monitoring system to work in the risk monitoring of each business and each subsidiary; refine the measures for the vertical management of subsidiaries. No significant credit risk items were added to the Company's business.

At the end of the Reporting Period, the average maintenance guarantee ratio of our customers in the margin financing and securities lending business was 281%, and the average performance guarantee ratio of our customers in the securities repurchase transaction business was 364%, the average performance guarantee ratio of the customers of the on-balance sheet stock-pledged repurchase business was 213%.

### 2. Market risk and policies

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

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

During the Reporting Period, the Company continued to improve the control of market risk. Firstly, the DV01 amount of the basis point value management index was broken down and detailed to departments and securities varieties such as credit bonds and interest rate bonds for control. Secondly, the Company continued to strengthen the management of securities pools in its equity securities investment business, improved the classification and admission criteria of securities pools, standardised the management of entry and exit of pools, and continuously improved the science of stock selection. Thirdly, the Company actively studied hedging investment strategies and used financial derivatives such as treasury bond futures and interest rate swaps to carry out risk-neutral investment and trading business to hedge part of its market risk exposure. Fourthly, the Company unified its market risk management and improved the market risk business of the Company and its subsidiaries in accordance with the same risk control management principles, including improving the risk control plans for various products in the asset management business according to product categories and improving the risk control indicators such as the scale, limits, concentration of a single product and stop-loss limits of the investment business of Central China Futures.

As of the end of the Reporting Period, the Company's market risk was controlled within the scale and limits authorised by the Board of Directors.

### **3. Liquidity risk and policies**

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

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

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

As at the end of the Reporting Period, the liquidity coverage ratio and net stable funding ratio of the Company were 170.42% and 140.92%, respectively, which were in compliance with the regulatory requirements. No material liquidity risk events occurred during the Reporting Period.

### 4. Operational risk and policies

Operational risk refers to the risk of direct or indirect loss caused by imperfect or faulty internal procedures, personnel, information systems, and external events. Those involved in operational risk include various businesses and subsidiaries of the Company.

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

During the Reporting Period, the Company completed the operational risk process combing and evaluation, key risk control indicators and operational risk loss event collection. Through three management and control tools, the Company optimized some operational procedures such as margin financing and securities lending, brokerage business, bond management entrustment and information technology, and promoted the Company's effective identification and control of the risk accumulation of "high frequency and low loss" operational risk events, the probability of occurrence of "low frequency and high loss" operational risk events, and the timeliness of early warning.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### 5. Compliance risk and policies

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

The Company's Compliance Management Department keeps track of laws, regulations and guidelines in a timely manner, and continuously develops and improves the Company's compliance management system based on the actual situation of the Company; supervises each Company unit to formulate/revise internal management systems and improve business processes in accordance with changes in laws, regulations and regulatory rules; strengthens the training of compliance administrators of relevant units, and creates a team of compliance administrators with strong compliance awareness and professional capabilities; provides compliance advice and consultation for the Company's management and various units, and supervises the compliance of their management activities; conducts pre-compliance reviews of the Company's internal management systems, major decisions, new products, new business plans, etc.; strictly implements compliance assessment and accountability mechanisms to provide strong guarantees for compliance management; performs regular and temporary report obligations to regulatory authorities; organizes money laundering risk prevention and control work in accordance with the Company's anti-money laundering system; timely identifies, evaluates and manages the relevant compliance risks in the Company's operation and management through compliance consultation, compliance review, compliance inspection, compliance monitoring and other channels, and integrates compliance management into decision-making, execution, supervision, feedback and other links, and into the whole process of company operation and management; the Company actively carries out the construction of a compliance culture, improves the self-discipline mechanism, and ensures compliance operations and standardized development. In 2021, according to the parent company's approach, the Company's total investment in compliance risk control was RMB106.9937 million.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### 6. Information technology risk and policies

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

During the Reporting Period, the Company prioritized the prevention of technical risks. Specifically, the Company continued to invest and optimize in basic resource investment, IT operation and maintenance management, information security protection, disaster recovery capacity building, emergency response capacity building and other aspects to ensure the safe operation of the information system. In 2021, according to the parent company's approach, the Company's total investment in information technology was RMB184.5044 million. Specific measures are as follows:

- (1) By increasing investments in information security, the cloud computing application, and addition and updating of infrastructure, the Company has laid a solid foundation for IT system operation & maintenance, further improving the robustness of the IT system.
- (2) By optimizing network structure, the Company strengthened threat warning and virus prevention, regularly carried out security penetration tests, and utilized full-flow alarm and big data platforms to improve the level of information security protection.
- (3) The Company actively promoted the normalization, standardization, and streamlining and refinement development, proactively conducted self-inspection rectification and continuously improves and optimizes the IT operation and maintenance systems so as to ensure the safe operation of information systems.
- (4) The Company regularly revised its information and network security incident emergency disposal plan, optimized the judgment and decision-making process of emergency disposal scenarios; emergency drills of technical systems were carried out on a regular basis and in a modular manner to improve the emergency proficiency of technical personnel.

### (V) Impact of the COVID-19 on the Company

Based on a comprehensive valuation, the COVID-19 pandemic had no material and adverse impact on the Company's finance or operation during the Reporting Period. In terms of credit risks, the pandemic containment in mainland China mitigates its impact on enterprises quickly, which recovered enterprises' development. The Company's major customers were domestic customers and Chinese enterprises, and the pandemic had no material and adverse impact on the Company's finance or operation. The credit risk was under control as a whole and it is expected to have little impact on the Company in the future. In terms of market risks, due to the reoccurrence of the pandemic, weak global economy and escalating geopolitics conflicts and other factors, which worsened the market fluctuations, the Company promptly adjusted its strategy and caused no major impact on its production or operations. In terms of operational risks, the Company adopted a combination of onsite office work and home telecommuting for employees on the basis of pandemic prevention and control with the focus on the online transactions and services, securing scheduled and orderly operation of the Company and putting the operational risk under control on the whole. In terms of liquidity risks, as the pandemic mitigates, central banks and governments of major global economies launched a series of favorable policies to support the stability of liquidity in the financial market. As a result, the market environment tends to be stable and the pandemic is expected to have little impact on the Company's liquidity risk.

## SECTION 3 REPORT OF THE BOARD OF DIRECTORS

### VIII. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PROPOSAL

Please refer to “X. PROPOSAL OF PROFIT DISTRIBUTION OR CAPITALISATION ISSUE under Section 4 CORPORATE GOVERNANCE REPORT” of this report.

### IX. DIRECTORS

Please refer to “VI. 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.

### 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 2021, 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 2021, 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 2021, pursuant to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executive of the Company) have the following interests or short positions in shares or underlying shares required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name	Class of shares	Nature of interest	Number of shares held (shares)	Percentage of the Company's total issued shares (%)	Percentage of the Company's total issued A shares/ H shares (%)	Long position/ short position/ lending pool
Henan Investment Group	A Share	Beneficial owner	822,983,847	17.726	23.872	Long position
	H Share	Beneficial owner/ Interest of corporation controlled by the substantial shareholder	151,710,000 <sup>Note</sup>	3.268	12.692	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	132,677,000	2.858	11.099	Long position

Note: As known to the Directors, as at 31 December 2021, Henan Investment Group (through Stock Connect's Southbound trading) directly held a long position in 104,977,000 H shares of the Company, and through its indirect wholly-owned subsidiary, Dahe Paper (Hong Kong) Co., Limited, indirectly held a long position in 46,733,000 H shares of the Company.

Save as disclosed above, as of 31 December 2021, 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 36 in the “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “FINANCIAL REPORT” as set out in this report.

#### (II) Pre-emptive rights arrangement

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

#### (III) Sufficiency of public float

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

#### (IV) Management contract

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

#### (V) Director and Supervisor service contract

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

#### (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) Donations**

During the Reporting Period, the Group's charitable and other donations amounted to approximately RMB8 million.

### **(IX) Employees**

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

### **(X) Pension scheme**

The Company and its domestic subsidiaries pay basic pension insurance for the employees (the "Pension Insurance Plan") in accordance with the relevant regulations of the local government. The subsidiaries of the Company in Hong Kong, including Central China International Financial Holdings Company Limited, make contributions to the Mandatory Provident Fund (the "MPF Plan") in accordance with the "Mandatory Provident Fund Schemes Ordinance" of Hong Kong. The Company and its domestic subsidiaries have established the enterprise annuity plan (the "Enterprise Annuity Plan") in accordance with the relevant policies of the domestic enterprise annuity system.

As of the years ended 31 December 2020 and 2021, the Group had no forfeited contributions under the Pension Insurance Plan or the MPF Plan. Under the Enterprise Annuity Plan, the forfeited contributions of the Group are retained in the public account for enterprise annuity in accordance with the domestic enterprise annuity policy and the Group's enterprise annuity management system. The forfeited contributions shall be enjoyed by the employees who are still in the Enterprise Annuity Plan and shall not be available to reduce future contributions or reduce levels of existing and future contributions.

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

### **(XI) Property, plants, equipment and investment properties**

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

### **(XII) Reserves**

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

## 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 acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares), the full amount of dividends shall be counted as taxable income at an effective tax rate of 20%; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis at an effective tax rate of 10%; and where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax. For dividends distributed by the listed company, where the period of individual shareholding is within one year (inclusive), the listed company shall not withhold the individual income tax temporarily. When an individual transfers his/her shares, the securities depository and clearing company calculates the actual taxable income according to his/her period for holding shares, and the company withholds tax otherwise through the securities depository and clearing company for the part in excess of the withheld tax. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the Cai Shui [2012] No. 85 requirements. For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable on their own.

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

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

## 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 (Macau). In general, the tax rate for dividends is 10% in accordance with relevant tax conventions and provisions on tax arrangements. To simplify tax collection and management, when a domestic non-foreign funded enterprise that has issued shares in Hong Kong distributes dividends and bonuses, personal income tax will be generally withheld and remitted as per the tax rate of 10% and application is not necessary. Situations in which the tax rate for dividends is not 10% will be handled in accordance with the following provisions: (1) according to the Administration Measures on Preferential Treatment Entitled by Non-residential Taxpayers under Tax Treaties (Announcement issued by State Administration of Taxation 2019 No. 35) 《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號), as for residents of a conventional country whose tax rate is less than 10%, such H share individual holders shall submit an application to the Company for regulated treatment and reserve related information if those holders are residents in countries with tax agreement at the rate of less than 10%. If the applied information is complete, the tax will be paid by the Company according to taxation laws and regulations in China and the provisions in treaties; (2) as for residents of a conventional country whose tax rate is between 10% and 20%, withholding and remitting obligor shall withhold and remit personal income tax as per actual conventional tax rate when distributing dividends and bonus and it need not handle application and approval issues; (3) as for residents without tax convention and other situations, withholding and remitting obligor shall withhold and remit personal income tax at the tax rate of 20% when distributing dividends and bonus.

According to the Notice on the Withholding Corporate Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外 H 股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H share non-resident enterprise shareholders, they shall pay the withholding enterprise income tax at the rate of 10.0%.

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.

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

A handwritten signature in black ink, appearing to be 'Jian Mingjun', is displayed on a light gray background.

By order of the Board  
*Chairman*  
**Jian Mingjun**

25 March 2022

## 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. During the Reporting Period, the Company completed the election of the new session of the Board and the Supervisory Committee and attracted fresh members to the original experienced management team. By drawing on the advanced experience in the industry, the Company promoted the innovation of internal governance mechanism and formulated and fully implemented the executive committee system, to enhance the efficiency of decision-making on major operation and management matters. The Company further clarified the responsibility boundaries of the leadership of the Party Committee, decision-making by the Board, execution by the management, and supervision by the Supervisory Committee, and formed a corporate governance mechanism that each department performs its own duties, responsibilities, operates coordinately, and maintains effective checks and balances, so as to ensure the regulated operation of the Company. During the Reporting Period, 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;
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;

## SECTION 4 CORPORATE GOVERNANCE REPORT

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;
16. to consider and approve shareholding schemes of Directors, Supervisors, senior management, or employees of the Company;
17. to consider proposals proposed by shareholders holding no less than 3% (inclusive) in aggregate of the Company's shares;
18. to consider other matters which, in accordance with laws, administrative regulations, regulatory requirements regarding securities of the place(s) where the Company's shares are listed, and 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

The Board of the Company is the decision-making body of the Company and is responsible to the general meeting. The Company strictly follows the Articles of Association and related laws and regulations to formulate the Rules of Procedure for Board Meetings. The calling, convening, transacting, and voting procedures for Board meetings are strictly in compliance with the Rules of Procedure for Board Meetings, ensuring the standard operation of the Board.

#### 1. Composition of the Board

Four specialized committees, namely the Development and Strategy Committee, Risk Control Committee, Remuneration and Nomination Committee, and Audit Committee have been established under the Board of the Company. The Company appoints and changes directors in strict accordance with the provisions of the Articles of Association. The number of Directors and the composition of the Board are in compliance with the provisions of laws and regulations. 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. As at the date of this report, the Company's Board comprises 11 Directors, including one executive Director (Mr. Jian Mingjun), six non-executive Directors (Mr. Li Xingjia, Ms. Zhang Qiuyun, Mr. Tian Shengchun, Mr. Tang Jin, Mr. Zhang Xiaoqi, and Mr. Lu Benson Cheng), and four independent non-executive Directors (Ms. Zhang Dongming, Mr. Chen Zhiyong, Mr. Tsang Sung, and Mr. He Jun). Mr. Jian Mingjun is the chairman of the Company. 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. All Directors are qualified to serve as directors of securities companies and listed companies.

## SECTION 4 CORPORATE GOVERNANCE REPORT

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.

Since the listing of the Company, the Board has always complied with the requirement of the Hong Kong Listing Rules in terms of appointment of at least three independent non-executive Directors, who shall jointly account for at least one third in the number of members of the Board. Four independent non-executive Directors of the Company are fully qualified as specified in the requirements of the Hong Kong Listing Rules. Besides, the Company has received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Hong Kong Listing Rules.

### 2. Responsibilities of the Board

- (1) to convene general meetings and report to general meetings;
- (2) to report at the annual general meetings and disclose in the annual reports the performance of Directors, including, among other things, 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 business plans and investment plans;
- (5) to prepare the annual financial budgets and financial statements of the Company;
- (6) to prepare the profit distribution plan and loss recovery plan of the Company;
- (7) to prepare plans for the increase or reduction of the registered capital and the issuance of corporate bonds of the Company;
- (8) to formulate plans for material acquisitions, purchase of shares of the Company, or merger, division, dissolution, and change of the nature of incorporation 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 president, chief compliance officer, secretary to the Board, and chief auditing officer as nominated by the chairman and determine their remunerations; to decide to appoint or dismiss the Company's vice president, chief financial officer, and other senior management as nominated by the president 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;



## SECTION 4 CORPORATE GOVERNANCE REPORT

- (14) to decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, related party transactions, etc. of the Company within the authority granted by the general meeting;
- (15) to listen to the work report of the president of the Company and examine the president'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;
- (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 determine the objectives of Company's culture construction and shall be liable to the effectiveness of the Company's culture construction;
- (21) 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. Chairman and President

The respective duties and authorities of the Chairman of the Board and the President of the Company are clearly divided and specified in the Articles of Association. The Chairman of the Board is also the legal representative of the Company. The Chairman of the Board leads the Board in determining the Company's development strategy to guarantee the effective operation and duty fulfillment of the Board, and fully discuss the issues within the scope of the Board's duties, so as to ensure that the Directors can acquire true, accurate, and complete information for making decisions in time, the Company can comply with well-established corporate governance procedures, and the decisions of the Board are in the best interest of the Company and its shareholders as a whole. The President manages the business operations of the Company, organizes execution of the Board's resolutions, and reports relevant work to the Board.

In 2021, Mr. Jian Mingjun served as the Chairman of the Board, After the resignation of Mr. Chang Junsheng, the original President of the Company, the Board considered and approved the Proposal on Performing the Duties of the President by the Executive Vice President at the 31st meeting of the Sixth Session of the Board of the Company on 9 June 2021, pursuant to which, Mr. Zhu Jianmin, the Executive Vice President of the Company, is designated to perform the duties of the President. The Company will complete the appointment of the new President as soon as practicable with legal procedures in accordance with the relevant provisions of the Company Law and the Articles of Association.

## SECTION 4 CORPORATE GOVERNANCE REPORT

### 4. The Board and the management

The powers and duties of the Board and the management are clearly set out in the Articles of Association, which provides for an adequate check and balance mechanism to ensure good corporate governance and internal control. The duties of the Board include convening general meetings, executing the resolutions passed at general meetings, determining the business and investment plans of the Company, formulating plans for profit distribution and making up losses of the Company, formulating proposals for increase or reduction of the registered capital and issue of corporate bonds of the Company, formulating plans for material acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change of the nature of incorporation of the Company, deciding on the establishment of internal management organizations or branches of the Company, appointing or dismissing the president, secretary to the Board, chief compliance officer, chief auditing officer of the Company pursuant to the nominations of the Chairman and deciding on their remunerations, appointing or dismissing the senior management, such as the vice president and chief financial officer, of the Company pursuant to the nominations of the president and deciding on their remunerations, and formulating basic management system of the Company. 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

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, Presidents, 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 meetings are strictly in compliance with the Rules of Procedure for Supervisory Committee Meetings, ensuring the standard operation of the Supervisory Committee.

#### 1. Composition of the Supervisory Committee

The Company's Supervisory Committee has two specialized committees, namely the Financial Supervision Committee and the Performance Supervision and Evaluation Committee. The Company appoints and changes Supervisors in strict accordance with the provisions of the Articles of Association. The number and composition of Supervisors are in compliance with the provisions of laws and regulations. Pursuant to the provisions of the Articles of Association, the Company's Supervisory Committee comprises nine Supervisors. The term of office of each session of the Supervisory Committee shall be three years, and the Supervisors may seek re-election upon expiry of the term of office. As at the date of this report, the Company's Supervisory Committee comprises nine Supervisors, including the Chairman of the Supervisory Committee (Mr. Lu Zhili), three shareholder representative Supervisors (Mr. Wei Zhihao, Mr. Zhang Xiansheng, and Mr. Zhang Bo), two independent Supervisors (Ms. Xiang Siying and Mr. Xia Xiaoning), and three employee representative Supervisors (Mr. Ba Guanhua, Ms. Xu Changyu, and Ms. Xiao Yichen). All Supervisors are qualified to serve as supervisors of securities companies and listed companies.

## SECTION 4 CORPORATE GOVERNANCE REPORT

### 2. Responsibilities of the Supervisory Committee

- (1) to examine financial operations of the Company;
- (2) to supervise the work performance of the Directors and senior management, and propose dismissal of Directors and senior management who have violated laws, 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 at the expenses of the Company;
- (6) 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;
- (7) to propose proposals to the general meeting;
- (8) to coordinate with Directors on behalf of the Company or initiate legal proceedings against Directors and senior management in accordance with the laws;
- (9) to formulate remuneration plan and distribution plan for Supervisors and submit specific reports on performance evaluation and remuneration of Supervisors to the general meeting;
- (10) to exercise other functions and powers specified in the laws and regulations, departmental rules, regulatory documents, or the Articles of Association.

## 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 made and entered into a non-competition agreement (the "Non-Competition Agreement") with Henan Investment Group on 10 March 2014. Pursuant to the Non-Competition Agreement, 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	Convention date	Designated website for publication of the poll results	Date of publication of the poll results
2020 Annual General Meeting	30 June 2021	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	1 July 2021 30 June 2021
2021 First Extraordinary General Meeting	9 November 2021	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	10 November 2021 9 November 2021

#### Particulars of general meetings

During the Reporting Period, the Company convened two general meetings in total, including one annual general meeting and one extraordinary general meeting, with the information about the meetings and resolutions set out as follows:

1. The Company convened the 2020 Annual General Meeting on 30 June 2021, and considered and approved the Work Report of the Board for the Year of 2020, the Work Report of the Supervisory Committee for the Year of 2020, the Annual Report for the Year of 2020, the Profit Distribution Plan for the Year of 2020, the Financial Statements for the Year of 2020, the Proposal on the Appointment of the Auditing Firm for the Year of 2021, the Evaluations and Remuneration of the Directors for the Year of 2020, the Evaluations and Remuneration of the Supervisors for the Year of 2020, the Proposal on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited, the Proposal on the Determination of the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2021, and the Proposal on the Election of Independent Directors for the Sixth Session of the Board;

## SECTION 4 CORPORATE GOVERNANCE REPORT

2. The Company convened the 2021 First Extraordinary General Meeting on 9 November 2021, and considered and approved the Proposal on the Amendments to Articles of Association, the Profit Distribution Plan for the First Half of the Year of 2021, the Proposal on the Election of Directors for the Seventh Session of the Board, the Proposal on the Election of Independent Directors for the Seventh Session of the Board, and the Proposal on the Election of Supervisors for the Seventh Session of the Supervisory Committee.

### IV. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position (Note)	Gender	Age	Term of office commencing on	Term of office ending on	Number of A shares held at the beginning of the year	Number of A shares held at the end of the year	Changes (increase/decrease) in A shares held during the year	Reason for changes (increase/decrease)	Total remuneration after tax received from the Company during the Reporting Period (RMB'0,000)	Whether received remuneration from related parties of the Company
Jian Mingjun	Chairman, Executive Director Director of the Executive Committee	Male	59	10 September 2015 18 January 2022	9 November 2024 9 November 2024				N/A	97.18	No
Chang Junsheng	Vice Chairman (resigned) Executive Director (resigned) President (resigned)	Male	51	16 October 2018 17 May 2018 25 April 2018	8 June 2021 8 June 2021 8 June 2021				N/A	53.39	No
Li Xingjia	Non-executive Director	Male	57	12 October 2015	9 November 2024				N/A	0	Yes
Zhang Qiuyun	Shareholder Representative Supervisor (resigned) Non-executive Director	Female	50	10 June 2020	9 November 2021 9 November 2024				N/A	0	Yes
Tang Jin	Non-executive Director	Male	56	17 February 2022	9 November 2024				N/A	0	Yes
Wang Lixin	Non-executive Director (resigned)	Male	55	10 September 2015	24 December 2021				N/A	3.07	Yes
Tian Shengchun	Non-executive Director	Male	47	16 October 2018	9 November 2024				N/A	0	No
Zhang Xiaohu	Non-executive Director	Male	36	10 September 2015	9 November 2024				N/A	3.07	No
Lu Benson	Non-executive Director	Male	40	1 November 2018	9 November 2024				N/A	3.51	No
Yuen Chi Wai	Independent Non-executive Director (resigned)	Male	46	10 September 2015	30 June 2021				N/A	11.35	No
Ning Jincheng	Independent Non-executive Director (resigned)	Male	65	10 September 2015	30 June 2021				N/A	10.50	No
Yu Xugang	Independent Non-executive Director (resigned)	Male	53	7 December 2015	17 February 2022				N/A	21	No
Zhang Dongming	Independent Non-executive Director	Female	69	16 October 2018	9 November 2024				N/A	21	No
Chen Zhiyong	Independent Non-executive Director	Male	64	30 June 2021	9 November 2024				N/A	10.50	No
Tsang Sung	Independent Non-executive Director	Male	50	30 June 2021	9 November 2024				N/A	11.35	No
He Jun	Independent Non-executive Director	Male	46	17 February 2022	9 November 2024				N/A	0	No
Lu Zhili	Chairman of the Supervisory Committee	Male	55	10 September 2015	9 November 2024				N/A	105.63	No
Wei Zhihao	Shareholder Representative Supervisor	Male	41	9 November 2021	9 November 2024				N/A	0	Yes
Zhang Xiansheng	Shareholder Representative Supervisor	Male	56	17 May 2018	9 November 2024				N/A	0	Yes

## SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Position (Note)	Gender	Age	Term of office commencing on	Term of office ending on	Number of A shares held at the beginning of the year	Number of A shares held at the end of the year	Changes (increase/decrease) in A shares held during the year	Reason for changes (increase/decrease)	Total remuneration after tax received from the Company during the Reporting Period (RMB'0,000)	Whether received remuneration from related parties of the Company
Xie Junsheng	Shareholder Representative Supervisor (resigned)	Male	55	13 October 2016	9 November 2021				N/A	0	Yes
Zhang Bo	Shareholder Representative Supervisor	Male	44	9 November 2021	9 November 2024				N/A	0	Yes
Xiang Siying	Independent Supervisor	Female	58	10 September 2015	9 November 2024				N/A	10.08	No
Xia Xiaoning	Independent Supervisor	Male	61	9 May 2016	9 November 2024				N/A	11.29	No
Zhang Lu	Employee Representative Supervisor (resigned)	Female	53	16 June 2017	9 November 2021				N/A	87.73	No
Zhang Huamin	Employee Representative Supervisor (resigned)	Male	50	3 June 2019	9 November 2021				N/A	112.11	No
Ba Guanhua	Employee Representative Supervisor	Male	47	9 November 2021	9 November 2024				N/A	3.23	No
Xu Changyu	Employee Representative Supervisor	Female	42	9 November 2021	9 November 2024				N/A	2.87	No
Xiao Yichen	Employee Representative Supervisor	Female	37	12 January 2018	9 November 2024				N/A	54.49	No
Zhu Jianmin	Executive Vice President Deputy Director of the Executive Committee	Male	59	10 September 2015 18 January 2022	9 November 2024 9 November 2024				N/A	104.55	No
Zhu Junhong	Vice President Member of the Executive Committee	Female	52	10 September 2015 18 January 2022	9 November 2024 9 November 2024				N/A	99.50	No
Xu Haijun	Vice President Member of the Executive Committee	Male	51	3 September 2016 18 January 2022	9 November 2024 9 November 2024				N/A	97.56	No
Li Zhaoxin	Chief Accountant, Person in-charge-of Finance Department Member of the Executive Committee	Male	52	29 January 2018 18 January 2022	9 November 2024 9 November 2024				N/A	96.41	No
Hua Jinzhong	Vice President Chief Compliance Officer (resigned) Member of the Executive Committee	Male	49	25 February 2019 12 April 2018 18 January 2022	9 November 2024 16 October 2021 9 November 2024				N/A	99.01	No
Zhu Qiben	Secretary to the Board Member of the Executive Committee	Male	57	18 January 2018 18 January 2022	9 November 2024 9 November 2024				N/A	153.46	No
Liu Hao	Chief Investment Officer Member of the Executive Committee	Male	50	6 May 2020 18 January 2022	9 November 2024 9 November 2024				N/A	326.91	No
Li Feng	Chief Risk Officer Member of the Executive Committee	Male	51	29 October 2019 18 January 2022	9 November 2024 9 November 2024				N/A	96.41	No
Wang Xiaogang	Member of the Executive Committee	Male	51	18 January 2022	9 November 2024				N/A	0	No
Shi Hongxing	Chief Compliance Officer Member of the Executive Committee	Male	47	9 November 2021 18 January 2022	9 November 2024 9 November 2024				N/A	5.68	No
Han Junyang	Chief Information Officer	Male	52	29 October 2019	9 November 2024				N/A	75.43	No
Total	/	/	/	/	/				/	1,788.27	/

## SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Jian Mingjun	<p>Born in March 1963, Mr. Jian Mingjun is a standing committee member of Henan Provincial People's Congress. He holds a doctoral degree in economics. He is a senior accountant, a Model Worker of Henan Province, and an expert enjoying special government allowances from the State Council. He has been an officer in the Comprehensive Plan Office of the Ministry of Finance, the deputy director of the General Office of the Finance Department of Henan Province, the standing vice president of ASIA (Group) Accounting Firm, the director of the General Office of the Finance Department of Henan Province and the chairman of the State-owned Enterprises Supervisory Committee of the Henan Provincial Government. Currently, he also served as a director of the Securities Association of China, the president of the Securities, Futures and Fund Association of Henan Province, and a member of the Investment Bank Professional Committee under the Securities Association of China (中國證券協會投資銀行專業委員會). He served as the President of the Company from October 2008 to August 2012, the Chairman of the Company since August 2012, the secretary to the Party Committee of the Company since November 2014, and the Director of the Executive Committee of the Company since January 2022.</p>
Li Xingjia	<p>Born in July 1964, Mr. Li Xingjia holds a master's degree. He currently serves as a Director of the Company and a director and deputy general manager of Henan Investment Group. He has worked in Henan Planned Economy Committee, Henan Planning Commission and Henan Development and Reform Commission as an officer, a managing officer and the deputy division head. He has served in Henan Construction and Investment Corporation (河南省建設投資總公司) as the chief economist and deputy general manager, while serving as the chairman of the board of Henan Yuneng Holdings Company Limited (河南豫能控股股份有限公司). He has also worked in Henan Investment Group as the temporary officer responsible for asset management department I, the chief technology officer and the deputy general manager.</p>
Zhang Qiuyun	<p>Born in February 1972, Ms. Zhang Qiuyun holds a doctoral degree in economics. She currently serves as a Director of the Company. 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 since June 2019. She has been serving as a Supervisor of the Company from June 2020 to November 2021.</p>
Tang Jin	<p>Born in October 1966, a graduate student of Party School of C.P.C Jiangsu Committee, Mr. Tang Jin is the vice president and a member of the Party committee of Jiangsu SOHO Holdings. He has served as the chief and deputy director of the secretary section of Jianhu County Party Committee Office in Jiangsu Province, the deputy director and director of each of the Research Office and the General Office of the Jiangsu Provincial Government, and the vice president and a member of the Party Committee of Jiangsu SOHO Holdings.</p>

## SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Tian Shengchun	Born in October 1975, Mr. Tian Shengchun is a senior engineer with an on-the-job master's degree of University of Science and Technology Beijing. He is currently the deputy director of the planning and development department of Anyang Iron & Steel Group. He began to work in 1998, and successively served in Anyang Iron & Steel Group Co., Ltd. No. 4 Steel Mill (安陽鋼鐵集團有限責任公司第四軋鋼廠) as an assistant engineer, engineer, officer and the deputy director of the general office, the investment administrator of the investment management division of the planning department, the director of the external investment management office of the strategic investment division, the director of the policy research office of the planning and development department and the chief Level II management expert.
Zhang Xiaoqi	Born in November 1985, Mr. Zhang Xiaoqi holds a bachelor's degree in commerce. He is a director and the deputy general manager of Beijing Maoyuan Capital Investment Management Co., Ltd. (北京懋源資本投資管理有限公司). He served as a staff of the index division of Shenzhen Securities Information Co., Ltd. (深圳證券信息有限公司), a subsidiary of the Shenzhen Stock Exchange, and a project manager of Beijing Maoyuan Investment Co., Ltd. (北京懋源投資有限公司).
Lu Benson Cheng	Born in September 1982, Mr. Lu Benson Cheng holds an EMBA degree from the Tsinghua PBC School of Finance. He is the managing director of Zhuhai Rongze Tongyuan Investment Management Partnership (Limited Partnership) (珠海融澤通遠投資管理合夥企業(有限合夥)). He served as an analyst in the investment banking department of Morgan Stanley Asia, the executive director in the investment department of Goldman Sachs (Asia) Special Situations Group, the managing director of ICBC International Holdings Co., Ltd. (工銀國際控股有限公司), and the managing director of Tianjin ICBC International Investment Advisory Partnership (Limited Partnership) (天津工銀國際投資顧問合夥企業(有限合夥)).
Zhang Dongming	Born in June 1953, Ms. Zhang Dongming holds a doctoral degree in finance. 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 April 1958, a member of CPC, Mr. Chen Zhiyong holds a doctoral degree in economics from Zhongnan University of Economics and Law. He is currently a professor and doctoral supervisor of Zhongnan University of Economics and Law. He graduated from Zhongnan University of Economics with a master's degree in 1987, majoring in finance, and stayed for teaching in the same year. He has served as the head of the Department of Finance and the vice president and the president of the School of Public Finance and Taxation in Zhongnan University of Economics and Law. He is concurrently a head member of the Public Finance Professional Committee under the Higher Financial & Economic Education Branch of Chinese Association of Higher Education, the deputy chairman of the National University Financial Education Research Association, a member of China National Guidance Committee for Master Education of Taxation, a standing director of Hubei Finance Institute, the deputy chairman of Hubei Budget and Accounting Research Institute, the deputy chairman of Hubei Tax Institute and a director of Hubei International Cultural Exchange Center. He is entitled to the special government allowance of the State Council.



## SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Tsang Sung	Born in July 1972, Mr. Tsang Sung holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong and a master's degree in Business Administration (International Banking and Finance) from the University of Birmingham. He is currently the Chairman of Esquel China Holdings Limited and the Managing Director (Group Human Resources) of Esquel Group. He started to work in October 1996 and gained extensive experience in strategic management, business operation and human resources management. He has served as the Assistant to Chairman (Asia Pacific) and the China Country Manager of American Appraisal Limited, the Director of Operation of CampusALL Company Limited, and the Vice President of The 8th Network Corporation. He joined Esquel Group since 2002 and has served in various positions including general manager in respective subsidiaries in China, Chief Human Resources Officer and Managing Director of Global Sales.
He Jun	Born in December 1976, Mr. He Jun holds a doctoral degree in industrial economics from the Graduate School of the Chinese Academy of Social Sciences. He has been included on the list of "National Hundred, Thousand and Ten Thousand Talent Project" and selected as one of the "National Young and Middle-aged Experts with Outstanding Contributions". He is entitled to the special allowances of the State Council. He joined the workforce in 2002 and was an investment strategy analyst in the Research Institute of CSC Financial Co., Ltd. (中信建投證券股份有限公司研究所). He is a researcher, professor and doctoral supervisor at the Institute of Industrial Economics of the Chinese Academy of Social Sciences, the director of the Research Center for Small and Medium-sized Enterprises at the Chinese Academy of Social Sciences, and a member of the National Spectrum Resources Committee (國家頻譜資源委員會).
Lu Zhili	Born in November 1966, Mr. Lu Zhili holds a master's degree in economics and is a senior economist. He served as the manager and assistant to general manager of the securities issuance department, and the chairman of the research department of Henan Securities. He served as the Vice President of the Company from November 2002 to March 2013 and the Standing Vice President of the Company from March 2013 to September 2015. He has served as the Chairman of the Supervisory Committee of the Company since September 2015. At present, he also serves as the deputy president of the second council of the Financial Law Research Association of the Henan Law Society.
Wei Zhihao	Born in May 1980, Mr. Wei Zhihao holds a master's degree in engineering and is a senior auditor. He served as the deputy section chief and the section chief of Information Center of Henan Provincial Audit Department, and the deputy director of Computer Audit Center of Henan Provincial Audit Department. He served as the deputy director of the Audit Department of Henan Investment Group from September 2019 to November 2020. He has served as the director of the Audit Department of Henan Investment Group since November 2020. He has served as a Supervisor of the Company since 9 November 2021.

## SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Zhang Xiansheng	Born in July 1965, Mr. Zhang Xiansheng holds a on-the-job master's degree of the Party School of Henan Provincial Committee of the Communist Party of China (河南省委黨校). He is a senior accountant and certified public accountant. He served as an officer of the financial section of the Coking Plant of Anyang Iron & Steel Group. (安鋼焦化廠), an officer, deputy section chief, section chief, assistant to division head and the deputy division head of the financial division of Anyang Iron & Steel Group, the secretary to the board, person in charge of finance and head of the finance division of Anyang Iron & Steel Co., Ltd. (安陽鋼鐵股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange, stock code: 600569). He served as the head of the audit department of Anyang Iron & Steel Group. from July 2015 to December 2016, and the head of the audit and legal affairs department of Anyang Iron & Steel Group from December 2016 to November 2017. He has served as the head of the financial department of Anyang Iron & Steel Group since November 2017, the chief accountant of Anyang Iron & Steel Co., Ltd. since July 2021, and a Supervisor of the Company since 17 May 2018.
Zhang Bo	Born in April 1977, Mr. Zhang Bo holds a master's degree in philosophy and is a senior accountant. He served as the project manager and certified asset appraiser of Anyang Fangzheng Certified Public Accountants Office Co., Ltd. (安陽方正會計師事務所有限責任公司), and the chief of the National Security Comprehensive Coordination Section of Anyang Municipal Party Committee Office. He has served as a member of the Party Committee and the deputy general manager of Anyang Economic Development Group Co., Ltd. (安陽經濟開發集團有限公司) since July 2020. He has served as a Supervisor of the Company since 9 November 2021.
Xiang Siying	Born in March 1963, Ms. Xiang Siying holds a master's degree in economics and a master's degree in business administration. She served as an officer of the foreign economic office and the general office of the rural management and administration in the Ministry of Agriculture of China, an investment analyst of the Chinese representative division of International Finance Corporation, an investment officer in Washington DC of the East Asia and Pacific Department and Global Manufacturing and Consumer Service Branch of International Finance Corporation, the executive general manager of the investment banking division and direct investment division of China International Capital Corporation Limited, the executive director and investment advisor of CDH Investments Fund Management Company. She has served as an independent director of China Ocean Industry Group Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 00651) since May 2008, an independent director of Huili Resources (Group) Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 01303) since September 2017. She has served as an independent Supervisor of the Company since 10 September 2015.
Xia Xiaoning	Born in April 1960, Mr. Xia Xiaoning holds a bachelor's degree in engineering. Mr. Xia served as an investment officer in Asian Development Bank, a senior partner and managing director in AIF Capital Limited, the chief executive officer of CIP 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, and an independent Supervisor of the Company since 9 May 2016.

## SECTION 4 CORPORATE GOVERNANCE REPORT

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

## SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Zhu Jianmin	<p>Born in February 1963, Mr. Zhu Jianmin holds an executive master's degree in business administration. He is a senior economist. He served as the deputy manager of the issuance department, manager of the operation department of Funiu Road branch, director of Beijing office, manager of the brokerage management department, and manager of the operation department of Shangqiu branch of Henan Securities, and the director of president's office, general manager of the Brokerage Business Headquarters, and assistant to the president of the Company, etc. He was the Vice President of the Company from August 2007 to September 2015. He has been the Executive Vice President of the Company since September 2015, the deputy secretary to the Party Committee of the Company since September 2018, and the Deputy Director of the Executive Committee of the Company since January 2022. Currently, he is the deputy secretary to the Party Committee, the Executive Vice President (temporarily performing the duties of the President) and the deputy director of the Executive Committee of the Company. He is currently a member of the Securities Brokerage and Wealth Management Committee of the Securities Association of China and the vice president of the Henan Securities and Futures Fund Association.</p>
Zhu Junhong	<p>Born in July 1969, Ms. Zhu Junhong holds an executive master's degree in business administration. She is a senior accountant and an academic and technology leader of Henan Province. She served as the chief accounting officer, deputy manager and manager of planning and finance department, and the chief accountant of Henan Finance and Securities Company. She has been the person in-charge-of the finance department, assistant to president and general manager of the planning and finance department of the Company from November 2002 to September 2009; the Chief Accountant, the person-in-charge-of the finance department, and general manager of the planning and finance department of the Company from September 2009 to August 2012; the Chief Accountant and the person-in-charge-of the finance department of the Company from August 2012 to January 2018. She has been the Vice President of the Company since August 2012 and a member of the Executive Committee of the Company since January 2022.</p>
Xu Haijun	<p>Born in August 1970, Mr. Xu Haijun holds a master's degree in computer technology engineering. He 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 the IT Headquarters, the general manager of the Compliance Management Headquarters, the Chief Compliance Officer and the Secretary to the Board. He has been the Vice President of the Company since September 2016, and a member of the Executive Committee of the Company since January 2022. He is concurrently the vice chairman of the Institute of Commercial Law of Henan Law Society, a director of Henan Asset Management Co., Ltd. and the chairman of Central China International.</p>

## SECTION 4 CORPORATE GOVERNANCE REPORT

Name	Major working experience
Li Zhaoxin	<p>Born in August 1969, Mr. Li Zhaoxin holds a master's degree in accounting. He is a senior accountant, a certified public accountant, a certified tax adviser and an economist. He handled financial work at the Bureau of Corrections of Henan Province (河南省勞改局) and Bureau of Prison Management of Henan Province (河南省監獄管理局) from July 1991 to October 2004. He worked at the State-owned Assets Supervision and Administration Commission of Henan Provincial Government from October 2004 to November 2017 and successively served as the deputy division head of the property rights administration division, a researcher at the planning and development division and the division head of the general division (Research Office). He has been a member of the Party Committee of the Company since November 2017. He has been the Chief Accountant and person-in-charge of the finance department of the Company since January 2018. He has been a member of the Executive Committee of the Company since January 2022. He is concurrently a member of the Financial Accounting Professional Committee of the Securities Association of China.</p>
Hua Jinzhong	<p>Born in November 1972, Mr. Hua Jinzhong is a senior accountant, certified public accountant, certified public assets estimator, and certified public tax agent with a master's degree in management. He worked at Henan Laien (Group) Co., Ltd. (河南萊恩(集團)股份有限公司工作) from November 1993 to April 2001, and Zhengzhou Representative Office of China Great Wall Asset Management Company (中國長城資產管理公司) from April 2001 to October 2004. He worked at Henan Branch of the CSRC from October 2004 to March 2018, and successively served as the managing officer, deputy division head and deputy office director of the supervision division of the listed company, the deputy division head of the new business supervision division, division head of the company inspection division, and the director of office (Party affairs office). He was the Chief Compliance Officer of the Company from April 2018 to November 2021. He has been the Vice President of the Company since February 2019 and a member of the Executive Committee of the Company since January 2022. He is concurrently a member of the Investment Banking Committee of the Securities Association of China.</p>
Zhu Qiben	<p>Born in July 1964, Mr. Zhu Qiben holds a master degree in 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 president 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 Equity Exchange Co. and a member of Development and Strategy Committee of the Securities Association of China.</p>
Liu Hao	<p>Born in June 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 Company Limited (光大證券股份有限公司) from January 1998 to October 2006, the general manager of the Bond Business Department of United Securities Co., Ltd. (聯合證券有限責任公司) 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 Co., Ltd. (民生證券股份有限公司) 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.</p>

## SECTION 4 CORPORATE GOVERNANCE REPORT

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

## SECTION 4 CORPORATE GOVERNANCE REPORT

### Name Major working experience

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

### (II) POSITION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT THAT HELD OFFICE OR RESIGNED DURING THE REPORTING PERIOD

#### 1. Positions held in shareholders

Name	Shareholder name	Positions held in shareholders	Term of office commencing on	Term of office ending on
Li Xingjia	Henan Investment Group	Director and the deputy general manager	June 2010	
Tian Shengchun	Anyang Iron & Steel Group	Deputy head	December 2016	
Zhang Qiuyun	Henan Investment Group	Director of the Financial Management Department	June 2019	
Tang Jin	Jiangsu SOHO	Vice President and member of the Party Committee	December 2017	
Wei Zhihao	Henan Investment Group	Director of the Audit Department	November 2020	
Zhang Xiansheng	Anyang Iron & Steel Group	Head of the financial department	November 2017	
Xie Junsheng	Anyang Economic Development	Chairman of the supervisory committee	September 2020	
Zhang Bo	Anyang Economic Development	Deputy general manager and member of the Party Committee	July 2020	
Explanations	N/A			



## SECTION 4 CORPORATE GOVERNANCE REPORT

### 2. Positions held in other entities

Name	Name of other entities	Position held in other entities	Term of office commencing on	Term of office ending on
Jian Mingjun	Henan Securities and Futures Fund Association	President	June 2013	
	Central China International	Director	January 2015	
Li Xingjia	Henan Natural Gas Storage and Transportation Co., Ltd.	Chairman	August 2018	
Zhang	Henan Investment Group Guarantee Co., Ltd.	Executive director	June 2019	
Qiuyun	Zhongfu Payment Service Co., Ltd.	Executive director	June 2019	
	Zhongyuan Yuze Financial Leasing (Shanghai) Co., Ltd.	Chairman	July 2019	
	Zhongyuan Trust	Director	September 2020	
	Zhongyuan Bank Co., Ltd.	Director	January 2021	
	Henan Li'an Zhuoyue Insurance Agent Co., Ltd.	Executive director	August 2020	
	Zhongyuan Capital International Holdings Co., Ltd.	Director	June 2019	
	Henan Investment Group Co., Ltd. Asset Management Company	Chairman	December 2020	
	Henan Asset Management Company Limited	Director	October 2019	
	Henan Huirong Supply Chain Management Co., Ltd.	Chairman	September 2020	
Tang Jin	Jiangsu International Trust Corporation Limited	Director	June 2018	
	Jiangsu Coastal Innovative Capital Management Co., Ltd.	Director	June 2018	
	Jiangsu Artall Cultural Industry Co., Ltd.	General Party branch secretary	November 2019	
Tian Shengchun	Anyang Iron & Steel Automation Software Co., Ltd.	Director	September 2018	
Lu Benson	Zhuhai Rongze Tongyuan Investment Management Partnership	Managing director	January 2014	
Cheng	Beijing Maoyuan Capital Investment Management Co., Ltd.	Deputy general manager	March 2014	
Xiaoqi	Zhongnan University of Economics and Law	Professor and doctoral supervisor	September 1987	
Chen Zhiyong	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	
	China National Guidance Committee for Master Education of Taxation	Member	September 2016	
	Hubei Finance Institute	Standing director	June 2003	
	Hubei Budget and Accounting Research Institute	Deputy chairman	May 2012	
	Hubei Tax Institute	Deputy chairman	April 2016	
	Hubei International Cultural Exchange Center	Director	March 2009	
Tsang Sung	Esquel Group	Managing director	October 2002	
	Esquel China Holdings Limited	Chairman	December 2021	



## 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
He Jun	Institute of Industrial Economics of the Chinese Academy of Social Sciences	Researcher	September 2008	
Wei Zhihao	Xinxiang Zhongyi Power Co., Ltd.	Supervisor	November 2019	
Zhang Xiansheng	Anyang Iron & Steel Co., Ltd.	Chief accountant	July 2021	
Xiang Siying	China Ocean Industry Group Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 00651)	Independent director	May 2008	
	Huili Resources (Group) Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 01303)	Independent director	September 2017	
Xia Xiaoning	China Medical & HealthCare Group Limited (the shares of which are listed on Hong Kong Stock Exchange, stock code: 00383)	Independent director	December 2016	
Zhu Jianmin	Securities Brokerage and Wealth Management Committee of the Securities Association of China	Member	January 2022	
	Henan Securities and Futures Fund Association	Deputy chairman	November 2019	
Xu Haijun	Institute of Commercial Law of Henan Law Society	Deputy chairman	July 2017	
	Henan Asset Management Company Limited	Director	August 2020	
	Central China International	Director and chairman	September 2019	
Li Zhaoxin	Financial Accounting Committee of the Securities Association of China	Member	January 2022	
Hua Jinzhong	Investment Banking Committee of the Securities Association of China	Member	January 2022	
Zhu Qiben	Equity Exchange Co.	Director	June 2018	
	Development and Strategy Committee of the Securities Association of China	Member	January 2022	
Shi Hongxing	Central China International	Director	November 2021	
	Self-discipline and Internal Audit Committee of the Securities Association of China	Member	January 2022	
Han Junyang	Investor Service and Protection Committee of the Securities Association of China	Member	January 2022	
Explanations	N/A			

## 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 shareholders' 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 shareholders' general meeting; and the remuneration and assessment of the senior management shall be proposed by the Remuneration and Nomination Committee under the Board and determined by the Board.

Basis for determining the remuneration of Directors, Supervisors and senior management

The remuneration of the internal Directors and Supervisors of the Company shall be determined according to the resolutions of the shareholders' general meetings on remuneration of the Directors and Supervisors and such factors as the Company's operating results, job responsibilities, work performance and market environment.

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 shareholders' general meeting.

The remuneration, rewards and punishments of the senior management of the Company shall be determined according to the resolutions of the Board and the assessment and incentive and restriction mechanism of the Company. The remuneration of senior management shall be distributed in strict compliance with relevant state provisions on deferred payment of remuneration.

Payment of remuneration of Directors, Supervisors and senior management

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

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

The total remuneration received by all Directors, Supervisors and senior management at the end of the Reporting Period

RMB17.8827 million (after tax)

## SECTION 4 CORPORATE GOVERNANCE REPORT

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

Name	Position	Change	Reason for the change
Jian Mingjun	Director of Executive Committee	Appointed	Personal family reason
Chang Junsheng	Vice Chairman, Executive Director and President	Resigned	
Zhang Qiuyun	Non-executive Director	Elected	Cessation of service after election of the new session of the Supervisory Committee
	Supervisor	Resigned	
Yuen Chi Wai	Independent Director	Resigned	Expiry of term of office of independent Director
Ning Jincheng	Independent Director	Resigned	Expiry of term of office of independent Director
Wang Lixin	Non-executive Director	Resigned	Personal work arrangement reason
Yu Xugang	Independent Director	Resigned	Expiry of term of office of independent Director
Tang Jin	Non-executive Director	Elected	Cessation of service after election of the new session of the Supervisory Committee
Chen Zhiyong	Independent Director	Elected	
Tsang Sung	Independent Director	Elected	
He Jun	Independent Director	Elected	
Wei Zhihao	Supervisor	Elected	
Xie Junsheng	Supervisor	Resigned	
Zhang Bo	Supervisor	Elected	Cessation of service after election of the new session of the Supervisory Committee
Zhang Lu	Employee Supervisor	Resigned	
Zhang Huamin	Employee Supervisor	Resigned	Cessation of service after election of the new session of the Supervisory Committee
Ba Guanhua	Employee Supervisor	Elected	Cessation of service after election of the new session of the Board
Xu Changyu	Employee Supervisor	Elected	
Zhu Jianmin	Deputy Director of Executive Committee	Appointed	
Zhu Junhong	Member of Executive Committee	Appointed	
Xu Haijun	Member of Executive Committee	Appointed	
Li Zhaoxin	Member of Executive Committee	Appointed	
Hua Jinzhong	Member of Executive Committee	Appointed	
	Chief Compliance Officer	Resigned	
Zhu Qiben	Member of Executive Committee	Appointed	Cessation of service after election of the new session of the Board
Liu Hao	Member of Executive Committee	Appointed	
Li Feng	Member of Executive Committee	Appointed	
Wang Xiaogang	Member of Executive Committee	Appointed	
Shi Hongxing	Chief Compliance Officer, Member of Executive Committee	Appointed	

## SECTION 4 CORPORATE GOVERNANCE REPORT

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

On 28 August 2020, the Company received the Decision on Implementing Administrative Supervision Measure of Issuing Warning Letter to Zhu Jianmin (Decision Letter on Administrative Supervision Measure by Henan Bureau of the CSRC [2020] No. 13) (《關於對朱建民實施出具警示函行政監管措施的決定》(河南證監局行政監管措施決定書[2020]13號)) and the Decision on Implementing Administrative Supervision Measure of Issuing Warning Letter to Wang Xiaogang (Decision Letter on Administrative Supervision Measure by Henan Bureau of the CSRC [2020] No. 14) (《關於對王曉剛實施出具警示函行政監管措施的決定》(河南證監局行政監管措施決定書[2020]14號)) from Henan Bureau of the CSRC. For details, please refer to the announcement of the Company disclosed at the website of the SSE on 31 August 2020. (Announcement No.: 2020-063)

### V. PARTICULARS OF BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Meeting	Date of convention	Meeting resolution
The 26th Meeting of the Sixth Session of the Board	29 January 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Proposal on Provision for Impairment on Assets</li> <li>2. Proposal on the Authorization of the Establishment of a Branch of the Brokerage Business</li> </ol>
The 27th Meeting of the Sixth Session of the Board	25 March 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Proposal on Risk Preference and Tolerance for the Year of 2021</li> <li>2. Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2021</li> <li>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 2021</li> <li>4. Proposal on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2021</li> <li>5. Proposal on Determining the 2021 External Donation Budget and Formulating the Regulations on External Donation of Central China Securities Co., Ltd.</li> <li>6. Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business for the Year of 2021</li> </ol>

## SECTION 4 CORPORATE GOVERNANCE REPORT

Meeting	Date of convention	Meeting resolution
The 28th Meeting of the Sixth Session of the Board	30 March 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Work Report of the Board for the Year of 2020</li> <li>2. Work Report of the President for the Year of 2020</li> <li>3. Duty Report of Independent Directors for the Year of 2020</li> <li>4. Annual Report for the Year of 2020 (A Shares)</li> <li>5. Annual Report for the Year of 2020 (H Shares) and the Results Announcement for the Year Ended 31 December 2020</li> <li>6. Work Report of the Audit Committee under the Board for the Year of 2020</li> <li>7. Work Report of the Risk Control Committee under the Board for the Year of 2020</li> <li>8. Work Report of the Development and Strategy Committee under the Board for the Year of 2020</li> <li>9. Work Report of the Remuneration and Nomination Committee under the Board for the Year of 2020</li> <li>10. 2020 Social Responsibility Report and ESG (Environment, Social and Governance) Report</li> <li>11. 2020 Compliance Report</li> <li>12. 2020 Risk Management Annual Report</li> <li>13. 2020 Internal Control Assessment Report</li> <li>14. Special Work Report on Information Technology for the Year of 2020</li> <li>15. Audit Report for the Year of 2020</li> <li>16. Profit Distribution Plan for the Year of 2020</li> <li>17. Financial Statements for the Year of 2020</li> <li>18. Evaluation and Remuneration of the Directors of the Company for the Year of 2020</li> <li>19. Proposal on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited</li> <li>20. Special Report on the Deposit and Actual Use of Funds Raised in 2020</li> <li>21. Proposal on Authoring the Convening of the 2020 Annual General Meeting</li> </ol>

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Meeting	Date of convention	Meeting resolution
The 29th Meeting of the Sixth Session of the Board	20 April 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. 2021 First Quarterly Report</li> <li>2. Proposal on the Adjustment of the Organizational Structure of the Company</li> <li>3. Proposal on the Amendment of the Financial Management System of Central China Securities Co., Ltd.</li> <li>4. Proposal on the Amendment of the Accounting System of Central China Securities Co., Ltd.</li> <li>5. Proposal on Provision for Impairment on Assets</li> </ol>
The 30th Meeting of the Sixth Session of the Board	28 May 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Appointment of the Auditing Firm for the Year of 2021</li> <li>2. Proposal on the Nomination of Candidates for Independent Directors for the Sixth Session of the Board of the Company</li> <li>3. Proposal on the Adjustment of the Members of the Specialized Committees of the Sixth Session of the Board of the Company</li> <li>4. Proposal on the Formulation of the Management System for Registration of Insider Information of Central China Securities Co., Ltd.</li> </ol>
The 31st Meeting of the Sixth Session of the Board	9 June 2021	Considered and approved the Proposal on the Executive Vice President Performing the Duties of the President
The 32nd Meeting of the Sixth Session of the Board	25 June 2021	Considered and approved the Proposal of Central China Securities Co., Ltd. on External Donation
The 33rd Meeting of the Sixth Session of the Board	10 August 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Proposal on Special External Donation</li> <li>2. Proposal on Regulating Contract Changes and Operational Management of the Company's Collective Investment Schemes</li> <li>3. Proposal on the Amendment of the Articles of Association</li> </ol>

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Meeting	Date of convention	Meeting resolution
The 34th Meeting of the Sixth Session of the Board	27 August 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Proposal on Consideration of the Half Year Report of 2021, the Interim Results Announcement for the Six Months Ended 30 June 2021 and the 2021 Interim Report</li> <li>2. Profit Distribution Plan for the First Half of the Year of 2021</li> <li>3. Proposal on Provision for Impairment on Assets</li> <li>4. Proposal on the Amendment of the Implementation Measures for Evaluation of Compliance Management Effectiveness (Amended in 2021)</li> <li>5. Proposal on Authorization to Convene the First Extraordinary General Meeting in 2021</li> </ol>
The 35th Meeting of the Sixth Session of the Board	15 October 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Proposal on the Election of Candidates for the Seventh Session of the Board of Directors</li> <li>2. Proposal on the Provision of a Joint and Several Guarantee for the Issuance of US Dollar Bonds by a Wholly-owned Overseas Subsidiary</li> <li>3. Proposal on the Second Transfer of Part of Central China Blue Ocean's Equity Interest in Central China Micro-lending</li> </ol>
The 36th Meeting of the Sixth Session of the Board	29 October 2021	Considered and approved the 2021 Third Quarterly Report
The 1st Meeting of the Seventh Session of the Board	9 November 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Proposal on the Election of Jian Mingjun as Chairman of the Board of the Company</li> <li>2. Proposal on the Election of Members of the Audit Committee under the Board of Directors of the Company</li> <li>3. Proposal on the Election of Members of the Development and Strategy Committee under the Board of Directors of the Company</li> <li>4. Proposal on the Election of Members of the Remuneration and Nomination Committee under the Board of Directors of the Company</li> <li>5. Proposal on the Election of Members of the Risk Control Committee under the Board of Directors of the Company</li> <li>6. Proposal on the Appointment of Senior Management</li> <li>7. Proposal on the Appointment of the Representative of Securities Affairs</li> </ol>
The 2nd Meeting of the Seventh Session of the Board	29 November 2021	Considered and approved the Proposal on Notification Procedures for Dealings in Securities by Directors of the Company
The 3rd Meeting of the Seventh Session of the Board	24 December 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Proposal on the Establishment of the Executive Committee of the Company and the Rules of Procedure of the Executive Committee of Central China Securities Co., Ltd.</li> <li>2. Proposal on the Amendment of the Articles of Association</li> <li>3. Proposal on External Donation</li> </ol>

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Meeting	Date of convention	Meeting resolution
The 4th Meeting of the Seventh Session of the Board	30 December 2021	<p>Considered and approved the following proposals:</p> <ol style="list-style-type: none"> <li>1. Proposal on Entering into the Framework Agreements for Continuing Connected Transactions and Setting the Annual Caps for the Transactions</li> <li>2. Proposal on Amendments to the Compliance Assessment Management Measures</li> <li>3. Proposal on Amendments to Management Measures of Money Laundering and Terrorist Financing Risks</li> <li>4. Proposal on the Formulation of Risk Appetite Management Measures</li> </ol>

### VI. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name of Directors	Whether or not an independent Director	Number of required attendances at Board meetings	Attendance at Board meetings				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		
Jian Mingjun	No	15	15	13	0	0	No	2
Chang Junsheng	No	5	5	4	0	0	No	0
Li Xingjia	No	15	15	13	0	0	No	2
Zhang Qiuyun	No	4	4	4	0	0	No	0
Wang Lixin	No	14	14	12	0	0	No	1
Tian Shengchun	No	15	15	13	0	0	No	1
Zhang Xiaoqi	No	15	15	13	0	0	No	2
Lu Benson Cheng	No	15	15	13	0	0	No	2
Yuen Chi Wai	Yes	7	7	6	0	0	No	0
Ning Jincheng	Yes	7	7	6	0	0	No	0
Yu Xugang	Yes	15	15	13	0	0	No	2
Zhang Dongming	Yes	15	15	13	0	0	No	2
Chen Zhiyong	Yes	8	8	7	0	0	No	1
Tsang Sung	Yes	8	8	7	0	0	No	1



## SECTION 4 CORPORATE GOVERNANCE REPORT

Number of Board meetings convened during the year	15
Among which: number of on-site meetings	0
Number of meetings held through communication	12
Number of meeting held by means of on-site combined with communication	3

### VII. PARTICULARS OF DIRECTORS' TRAININGS

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

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

1. All Directors attended the third special training on corporate governance for 2021 organised by the China Listed Companies Association on 28 April 2021.
2. Jian Mingjun, the Chairman, participated in the third special training on corporate governance organized by the Listed Companies Association of China on 28 April 2021.
3. Tsang Sung, the Independent Director, participated in the seventy-fifth Independent Director Qualification Training organized by the SSE on 21 April 2021.
4. Chen Zhiyong, the Independent Director, participated in the seventy-sixth Independent Director Qualification Training organized by the SSE on 7 July 2021.

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

#### 2. During the Reporting Period, the Development Strategy Committee held 3 meetings

The main duties of the Development and Strategy Committee are: studying the Company's medium and long-term development strategy plans and proposing suggestions; studying major investment financing programs which are required to be approved by the Board as stated in the Articles of Association and proposing suggestion; studying material capital operation and assets operation projects which are required to be approved by the Board as stated in the Articles of Association and proposing suggestion; studying other important matters affecting the Company's development and making recommendation; and performing other duties authorized by the Board.

## SECTION 4 CORPORATE GOVERNANCE REPORT

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
28 January 2021	2021 First Meeting of Development Strategy Committee	Considered and approved: Proposal on the Authorization of the Establishment of a Branch of the Brokerage Business	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.
29 March 2021	2021 Second Meeting of Development Strategy Committee	Considered and approved the following proposals: 1. Work Report of the Board for the Year of 2020; 2. Work Report of the President for the Year of 2020; 3. Work Report of the Development and Strategy Committee under the Board for the Year of 2020; 4. 2020 Social Responsibility Report and ESG (Environment, Social and Governance) Report; 5. Special Work Report on Information Technology for the Year of 2020; 6. Proposal on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited	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.
23 December 2021	2021 Third Meeting of Development Strategy Committee	Considered and approved the following proposals: 1. Proposal on the Establishment of the Executive Committee of the Company and the Rules of Procedure of the Executive Committee of Central China Securities Co., Ltd.; 2. Proposal on the Amendment of the Articles of Association	The Development Strategy Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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

Director	Number of Attendance/ Number of Required Attendance	Remarks
Jian Mingjun (Executive Director, Chairperson)	3/3	
Li Xingjia (Non-Executive Director)	3/3	
Zhang Qiuyun (Non-Executive Director)	1/1	Appointed on 9 November 2021
Tian Shengchun (Non-Executive Director)	3/3	
Chang Junsheng (Executive Director)	2/2	Resigned on 8 June 2021
Wang Lixin (Non-Executive Director)	1/1	Resigned on 24 December 2021

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

### 3. During the Reporting Period, the Audit Committee held 9 meetings

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

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
28 January 2021	2021 First Meeting of Audit Committee	Considered and approved: Proposal on Provision for Impairment on Assets	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
24 March 2021	2021 Second Meeting of Audit Committee	Considered and approved: Proposal on Estimation of Related Party/ Continuing Connected Transactions Contemplated in the Ordinary Course of Business for the Year of 2021	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
29 March 2021	2021 Third Meeting of Audit Committee	Considered and approved the following proposals: 1. Annual Report for the Year of 2020 (A Shares); 2. Annual Report for the Year of 2020 (H Shares) and the Results Announcement for the Year Ended 31 December 2020; 3. Work Report of the Audit Committee under the Board for the Year of 2020; 4. 2020 Compliance Report; 5. 2020 Internal Control Assessment Report; 6. Audit Report for the Year of 2020; 7. Profit Distribution Plan for the Year of 2020; 8. Financial Statements for the Year of 2020; 9. Proposal on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited; 10. Special Report on the Deposit and Actual Use of Funds Raised in 2020	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.
19 April 2021	2021 Fourth Meeting of Audit Committee	Considered and approved the following proposals: 1. 2021 First Quarterly Report; 2. Proposal on the Amendment of the Financial Management System of Central China Securities Co., Ltd. (Amended in 2021); 3. Proposal on the Amendment of the Accounting System of Central China Securities Co., Ltd. (Amended in 2021); 4. Proposal on Provision for Impairment on Assets	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
28 May 2021	2021 Fifth Meeting of Audit Committee	Considered and approved: Appointment of the Auditing Firm for the Year of 2021	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

## SECTION 4 CORPORATE GOVERNANCE REPORT

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
27 August 2021	2021 Sixth Meeting of Audit Committee	Considered and approved the following proposals: 1. Proposal on Consideration of the Half Year Report of 2021, the Interim Results Announcement for the Six Months Ended 30 June 2021 and the 2021 Interim Report; 2. Profit Distribution Plan for the First Half of the Year of 2021; 3. Proposal on Provision for Impairment on Assets	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
14 October 2021	2021 Seventh Meeting of Audit Committee	Considered and approved: Proposal on the Provision of a Joint and Several Guarantee for the Issuance of US Dollar Bonds by a Wholly-owned Overseas Subsidiary	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.
28 October 2021	2021 Eighth Meeting of Audit Committee	Considered and approved: 2021 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.
29 December 2021	2021 Ninth Meeting of Audit Committee	Considered and approved: Proposal on Entering into the Framework Agreements for Continuing Connected Transactions and Setting the Annual Caps for the Transactions	The Audit Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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

Director	Number of Attendance/ Number of Required Attendance	Remarks
Zhang Dongming (Independent Non-Executive Director, Chairperson)	9/9	
Tian Shengchun (Non-Executive Director)	9/9	
Tsang Sung (Independent Non-Executive Director)	4/4	Appointed on 30 June 2021
Yuen Chi Wai (Independent Non-Executive Director)	5/5	Ceased to hold position on 30 June 2021

## SECTION 4 CORPORATE GOVERNANCE REPORT

### 4. During the Reporting Period, the Remuneration and Nomination Committee held 3 meetings

The main duties of the Remuneration and Nomination Committee are: studying and determining selection criteria and procedure of Directors and senior management; recommending candidates for independent Director and principal operation and management officers; and examining the qualification of candidates of other Directors and senior management and giving suggestions; investigating and examining the performance appraisal and remuneration management systems for Directors and senior management and supervising the implementation; conducting appraisal of the Directors and senior management; and other duties specified by the Articles of Association.

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
29 March 2021	2021 First Meeting of Remuneration and Nomination Committee	Considered and approved the following proposals: 1. Work Report of the Remuneration and Nomination Committee under the Board for the Year of 2020; 2. Evaluation and Remuneration of the Directors of the Company for the Year of 2020	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.
26 May 2021	2021 Second Meeting of Remuneration and Nomination Committee	Considered and approved the following proposals: 1. Proposal on the Nomination of Candidates for Independent Directors for the Sixth Session of the Board of the Company; 2. Proposal on the Adjustment of the Members of the Specialized Committees of the Sixth Session 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.
14 October 2021	2021 Third Meeting of Remuneration and Nomination Committee	Considered and approved: Proposal on the Election of Candidates for the Seventh Session of the Board of Directors	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	Number of Attendance/ Number of Required Attendance	Remarks
Chen Zhiyong (Independent Non-Executive Director, Chairperson)	1/1	Appointed on 30 June 2021
Zhang Xiaoqi (Non-Executive Director)	3/3	
Lu Benson Cheng (Non-Executive Director)	3/3	
Tsang Sung (Independent Non-Executive Director)	1/1	Appointed on 30 June 2021
Yuen Chi Wai (Independent Non-Executive Director, Chairperson)	2/2	Ceased to hold position on 30 June 2021
Ning Jincheng (Independent Non-Executive Director)	2/2	Ceased to hold position on 30 June 2021
Yu Xugang (Independent Non-Executive Director)	3/3	Ceased to hold position on 17 February 2022

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

The candidates for Director shall be nominated by the Board, or the shareholders individually or jointly holding no less than 3% of the total of the Company's shares with the voting right according to the Articles of Association. The nomination methods and procedures of independent non-executive Directors shall be performed in accordance with the laws, regulations, relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed, and relevant rules in relation to independent non-executive directors. The name list of candidates for Directors and Supervisors shall be included in a proposal to be submitted to general meetings for approval. The qualifications of Directors, Supervisors, and independent non-executive Directors shall be filed or approved according to the relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed.

Before the name list of candidates for Directors is presented to the Board, the Remuneration and Nomination Committee must examine the name list and make suggestions to the Board and shareholders. The Remuneration and Nomination Committee will review the candidates' curriculum vitae, conduct due diligence on the candidates, and evaluate the candidates' education background, professional qualifications, and industry-related experience, characters, and integrity with reference to the diversity policy of the Board.

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

The main duties of the Risk Control Committee are: reviewing and opining on overall objectives and basic policies of compliance management and risk management; reviewing and opining on establishment of specific departments and duties of compliance management and risk management; evaluating and opining on the risk of major decisions to be approved by the Board and solutions to eliminating such major risk; reviewing and opining on compliance reports and risk evaluation reports to be approved by the Board; reviewing the Company's risk management and internal control system; formulating the Company's corporate governance policies, reviewing the implementation, and making suggestion to the Board; reviewing and supervising Directors and senior management's training and their continuing professional development; reviewing and supervising whether Company's policies are in compliance with laws and supervisory regulations and the implementation; formulating, examining, and supervising the code of professional conduct and compliance manual (if applicable) of the employees and Directors; and other duties as specified in the Articles of Association. The Risk Control Committee actively fulfilled its duties and focused on studying the Company's compliance management and risk management matters, which supported the Board in decision makings.



## SECTION 4 CORPORATE GOVERNANCE REPORT

Date of convening	Meeting agenda	Important opinions and suggestions	Other performance of duties
24 March 2021	2021 First Meeting of Risk Control Committee	Considered and approved: Proposal on Risk Preference and Tolerance for the Year of 2021	The Risk Control Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.
29 March 2021	2021 Second Meeting of Risk Control Committee	Considered and approved the following proposals: 1. Work Report of the Risk Control Committee under the Board for the Year of 2020; 2. 2020 Compliance Report; 3. 2020 Risk Management Annual Report; 4. 2020 Internal Control Assessment Report	The Risk Control Committee acted diligently in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association and the Rules of Procedure for Board Meetings, and unanimously approved the above proposal after thorough communication and discussion.

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	Number of Attendance/ Number of Required Attendance	Remarks
Jian Mingjun (Executive Director, Chairperson)	2/2	
Zhang Xiaoqi (Non-Executive Director)	2/2	
Chen Zhiyong (Independent Non-Executive Director)	0/0	Appointed on 30 June 2021
Ning Jincheng (Independent Non-Executive Director)	2/2	Ceased to hold position on 30 June 2021

## SECTION 4 CORPORATE GOVERNANCE REPORT

### IX. PERFORMANCE OF DUTIES BY SUPERVISORS

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

Name of Supervisors	Whether or not an independent Supervisor	Number of required attendances at meetings of the Supervisory Committee	Attendance at meetings of the Supervisory Committee				Whether unable to attend in person for two consecutive meetings	Attendance at general meetings
			Number of attendance in person	Number of attendance through communication	Number of attendance by proxy	Number of absence		
Lu Zhili	No	10	10	7	0	0	No	2
Zhang Qiuyun	No	7	7	5	0	0	No	2
Wei Zhihao	No	3	3	2	0	0	No	1
Zhang Xiansheng	No	10	10	7	0	0	No	2
Xie Junsheng	No	7	7	5	0	0	No	1
Zhang Bo	No	3	3	2	0	0	No	1
Xiang Siying	Yes	10	10	7	0	0	No	2
Xia Xiaoning	Yes	10	10	7	0	0	No	2
Zhang Lu	No	7	7	5	0	0	No	1
Zhang Huamin	No	7	7	7	0	0	No	1
Ba Guanhua	No	3	3	2	0	0	No	1
Xu Changyu	No	3	3	2	0	0	No	1
Xiao Yichen	No	10	10	7	0	0	No	2
Number of meetings of the Supervisory Committee held during the year								10
Among all: number of on-site meetings								0
Number of meetings held through communication								7
Number of meetings held by means of on-site combined with communication								3

## SECTION 4 CORPORATE GOVERNANCE REPORT

### (II) Particulars of meetings of the Supervisory Committee

Meeting	Date of convention	Meeting resolution
The 17th Meeting of the Sixth Session of the Supervisory Committee	29 January 2021	The Proposal on Provision for Impairment on Assets was considered and approved
The 18th Meeting of the Sixth Session of the Supervisory Committee	25 March 2021	The Proposal on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business for the Year of 2021 was considered and approved
The 19th Meeting of the Sixth Session of the Supervisory Committee	30 March 2021	<p>The following proposals were considered and approved:</p> <ul style="list-style-type: none"> <li>I. Work Report of the Supervisory Committee for the Year of 2020</li> <li>II. Work Report of the Financial Supervision Committee under the Supervisory Committee for the Year of 2020</li> <li>III. Work Report of the Performance Supervision and Evaluation Committee under the Supervisory Committee for the Year of 2020</li> <li>IV. Profit Distribution Plan for the Year of 2020</li> <li>V. Financial Statements for the Year of 2020</li> <li>VI. Annual Report for the Year of 2020 (A Shares)</li> <li>VII. Annual Report for the Year of 2020 (H Shares) and the Results Announcement for the Year Ended 31 December 2020</li> <li>VIII. 2020 Social Responsibility Report and ESG (Environment, Social and Governance) Report</li> <li>IX. Special Report on the Deposit and Actual Use of Raised Funds in 2020</li> <li>X. 2020 Compliance Report</li> <li>XI. 2020 Internal Control Assessment Report</li> <li>XII. Proposal on the Amendments to the Measures for the Performance Evaluation of Directors, Supervisors and Senior Management by the Supervisory Committee of Central China Securities Co., Ltd.</li> <li>XIII. Evaluations and Remuneration of the Supervisors for the Year of 2020</li> <li>XIV. Proposal on Change of Members of the Performance Supervision and Evaluation Committee under the Supervisory Committee</li> </ul> <p>The 2020 Audit Report and the 2020 Annual Risk Management Report were also received at the meeting</p>
The 20th Meeting of the Sixth Session of the Supervisory Committee	20 April 2021	<p>The following proposals were considered and approved:</p> <ul style="list-style-type: none"> <li>I. 2021 First Quarterly Report</li> <li>II. Proposal on Provision for Impairment on Assets</li> </ul>
The 21st Meeting of the Sixth Session of the Supervisory Committee	27 August 2021	<p>The following proposals were considered and approved:</p> <ul style="list-style-type: none"> <li>I. Proposal on Consideration of the Half Year Report of 2021, the Interim Results Announcement for the Six Months Ended 30 June 2021 and the 2021 Interim Report</li> <li>II. Profit Distribution Plan for the First Half of 2021</li> <li>III. Proposal on Provision for Impairment on Assets</li> </ul>
The 22nd Meeting of the Sixth Session of the Supervisory Committee	15 October 2021	The Proposal on the Election of Candidates for the Seventh Session of the Supervisory Committee was considered and approved
The 23rd Meeting of the Sixth Session of the Supervisory Committee	29 October 2021	The 2021 Third Quarterly Report was considered and approved

## SECTION 4 CORPORATE GOVERNANCE REPORT

Meeting	Date of convention	Meeting resolution
The 1st Meeting of the Seventh Session of the Supervisory Committee	9 November 2021	The following proposals were considered and approved: I. Proposal on the Election of Lu Zhili as the Chairman of the Supervisory Committee of the Company II. Proposal on the Election of Members of the Performance Supervision and Evaluation Committee under the Supervisory Committee of the Company III. Proposal on the Election of Members of the Financial Supervision Committee under the Supervisory Committee of the Company
The 2nd Meeting of the Seventh Session of the Supervisory Committee	22 November 2021	The Proposal on Notification Procedures for Dealings in Securities by Supervisors of the Company was considered and approved
The 3rd Meeting of the Seventh Session of the Supervisory Committee	30 December 2021	The following proposals were considered and approved: I. Proposal on Entering into the Framework Agreements for Continuing Connected Transactions and Setting the Annual Caps for the Transactions II. Proposal on the Formulation of Measures for Internal Control and Risk Management Supervision of the Supervisory Committee

### IX. 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	2,386
Number of in-service employees of the major subsidiaries	341
Total number of in-service employees	2,727
Number of retired employees whose expenses shall be borne by the parent company and its major subsidiaries	0

Type of profession	Composition	Number of staff
Brokerage personnel		1,756
Investing banking personnel		270
Asset management personnel		48
Securities investment personnel		56
Researcher		35
International personnel		46
Legal compliance, risk control and audit personnel		78
IT personnel		78
Finance personnel		59
Administration and management personnel		232
Others		69
Total		2,727

Type of education	Education level	Number of persons
Doctoral degree		12
Master's degree		605
Bachelor's degree		1,911
Associate's degree and below		199
Total		2,727

## SECTION 4 CORPORATE GOVERNANCE REPORT

### (II) Remuneration policies

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

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

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

### (III) Training plans

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

During the Reporting Period, the Company provided employee training at all levels and diversified business and compliance training and innovative training program by means of face-to-face teaching or mobile online training, in order to enhance their professional skills and quality and facilitate the strategic development of the Company. The headquarters successively organized 8 internal training classes, which were attended by 1,227 employees in total; the Company participated in trainings organized by superior and external training institutions, including 56 training classes organized by the CSRC, the Securities Association of China, the Organization Department of Henan Provincial Party Committee, the Department of Finance of Henan Province, the SASAC of Henan Province, the stock exchanges, etc., which were attended by 168 employees in total; subsequent online occupational training programs were also organized with the per capita courses of 30 hours. The Company incurred training expenditure amounting to RMB1.987 million. The Company organized and implemented a series of pertinent and foresighted occupational and business training programs, and built a platform for further study, in order to enhance the comprehensive quality and business skills of employees, and realized the mutual benefits of both the Company and employees. In 2022, the Company will, on the basis of its business needs, strengthen and expand the employee training, focus on the practicality of the training, continuously provide human resources and cultivate more excellent employees for its sustainable development.

## SECTION 4 CORPORATE GOVERNANCE REPORT

### (IV) Labour outsourcing

Total working hours on labor outsourcing: 457 thousand hours

Total payment for labor outsourcing: RMB4.6643 million

### X. PROPOSAL FOR PROFIT DISTRIBUTION OR CAPITALISATION ISSUE

According to the Articles of Association, the Company may distribute dividends in cash or in shares. The Company shall emphasize on the reasonable investment returns to investors in its profit distribution and shall keep its profit distribution policies consistent and stable. The Company shall fully consider and listen to the opinions of shareholders (especially minority shareholders) and independent Directors, and shall adhere to cash dividend as its primary method of profit distribution. In the absence of significant investment plan or significant cash outlay, or any other events occurred that prohibit profit distribution in accordance with relevant laws, regulations and regulatory documents, the profit distributed by cash dividend each year shall be no less than 20% of the distributable profit realized for that year.

The Board shall, comprehensively taking into consideration factors such as industry characteristics, the Company's development stage, business operation model, profitability level and whether there are significant capital expenditure arrangements, develop differentiated cash dividend policies to be applicable in the different situations. The cash dividend payout ratio in every profit distribution shall reach a minimum of 20%. In addition to cash dividend distribution, the Company may also distribute its profits by way of stock dividend. However, in the event that no cash dividend is made by the Company during that year, profits shall not be distributed by way of stock dividend alone.

The Board shall, in the light of specific operating data of the Company, the profit margin, the cash flow position, the development stage and the current capital requirements, take into consideration the opinions of shareholders (especially minority shareholders) and independent Directors, while conducting careful research into and deliberation on the timing, conditions, minimum percentage, conditions of adjustment as well as decision-making procedures of cash dividends, to propose the annual or interim profit distribution plan. Independent Directors shall express specific opinions on these matters.

As audited by Da Hua Certified Public Accountants (Special General Partnership), the Company's net profit attributable to owners of the parent company for 2021 is RMB513,210,337.25. After the withdrawal of the surplus reserve and various risk reserves, the distributable profit for 2021 amounts to RMB350,329,112.11. As of 31 December 2021, the distributable profit for the parent company amounts to RMB426,335,070.44.

The Company proposes to distribute profits for the second half of 2021 based on the total share capital registered on the record date for payment of the cash dividend. The Company proposes distribute a cash dividend of RMB0.21 (tax inclusive) for every 10 shares to all shareholders (including A shareholders and H shareholders). Calculated based on the total share capital of the Company of 4,642,884,700 shares as of 31 December 2021, the total cash dividend amounts to RMB97,500,578.70 (tax inclusive). After adding the cash dividend of RMB78,929,039.90 (tax inclusive) paid for the first half of 2021, the accumulative cash dividend for the year amounts to RMB176,429,618.60 (tax inclusive), representing 34.38% of the net profit attributable to owners of the parent company in 2021. In the event of change in total share capital of the Company after the date of the Board meeting approving the profit distribution plan for the second half of 2021 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. No capital reserves will be converted into share capital and no bonus shares will be distributed by the Company.

## SECTION 4 CORPORATE GOVERNANCE REPORT

The proposed profit distribution plan is subject to the consideration of the annual general meeting of the Company for the year of 2021.

The formation of the aforesaid profit distribution plan is compliant and transparent and in compliance with the Articles of Association and approval procedures that the criteria and proportion of dividends are definite and clear, the relevant decision-making procedures and mechanisms are complete, the independent Directors have fulfilled their responsibilities and duties and expressed their independent opinions so as to fully protect the legitimate rights and interests of minority shareholders.

After the profit distribution plan for the second half of 2021 is considered and approved by the annual general meeting of the Company for the year of 2021, payment of the cash dividend for the second half of 2021 will be made before 31 August 2022. The Company will publish separate announcement on the record date and book closure period for the payment of the dividends to H shareholders, as well as the record date and the payment date in relation to the distribution to A shareholders.

### **XI. STATUS OF THE COMPANY'S SHARE INCENTIVE SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES AND THEIR IMPACT**

#### **Appraisal mechanism for senior management personnel, and the establishment and implementation of incentive mechanisms during the Reporting Period**

The Company adheres to the principle of equal emphasis on incentive and restraint for senior management, strictly implements the appraisal and evaluation mechanism for senior management, improves the appraisal and evaluation system for cadres, enriches the content of cadre evaluation and ensures the combat effectiveness of the cadre. Through performance appraisal, democratic assessment, individual conversation and other means, the cadres are comprehensively assessed for morality, competence, diligence, performance and integrity. The Company strengthens the application of the assessment results, promotes cadres with excellent performance and puts them in important positions, and strictly implements the relevant system of the Company for cadres who do not meet the conditions of service, so as to truly realise the employment mechanism of those who are capable and those who are mediocre, and establish a correct employment orientation.

For the target assessment of the Company's senior management personnel, those who fail to complete the business objectives and major tasks will be criticised and warned, admonished and talked to, or have their bonuses reduced in accordance with the completion of the targets or be demoted as suggested by the Company to the Board of Directors and the higher authorities after research. The completion of the annual targets and tasks of the senior management and the assessment results are used as the basis for incentive determination, and the performance incentives for executives are determined in accordance with the Implementation Plan for Bonus Allocation of Central China Securities Co., Ltd., which was considered and approved by the Board of Directors, and the relevant requirements of the industry regarding the deferred payment of remuneration of senior management are strictly implemented in the course of implementation.

## SECTION 4 CORPORATE GOVERNANCE REPORT

### XII. 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.

#### 1. Procedures used for identifying, evaluating, and managing major risks

For the procedures used for identifying, evaluating and managing major risks, please refer to IV. (VII) “Potential risks” under Section 4 of this report.

#### 2. Procedures remedying the defects of the internal control

The Company conducts self-evaluation on the effectiveness of the internal control by conducting internal control evaluation work annually, and formulates and timely carries out rectifications on the defects of the internal control identified every year. The Internal Audit Department of the Company monitors the internal control of principal businesses, proposes rectifications and management recommendation for the problems identified during auditing, and urges the implementation of the rectifications; and the Compliance Management Department updates compliance management rules according to laws and regulations and standards as well as actual situation of the Company, and supervises and improves business and management rules and monitors the implementation in accordance with laws, regulations and regulatory requirements. The Risk Control Department carries out effective identifications, monitoring, warning and reporting on the various business risks in day-to-day management, conducts effective management over risk incidents that have occurred and potential defects based on the risk management system, and updates and revises risk management rules and procedures, to adapt to ever-changing risks and management demands.

#### 3. Management rules on inside information

The Board is the organization managing the inside information of the Company and should ensure the true, accurate and complete registration of the inside information. The chairman of the Board is the key personnel accountable for management over the confidentiality of inside information and the registration of the insiders. The secretary to the Board is responsible for the daily management, registration and filings of insiders. The office of the Board is the daily operation department transferring, registering, disclosing, filing and reporting inside information to supervising departments.

The Board was of the view that the Company has maintained effective internal control over financial reporting in all material respects in accordance with the requirements of the Corporate Internal Control Standards and System and other relevant regulations. As at benchmark date of the assessment report on internal control, the Company was not aware of any significant deficiency in respect of internal control over financial reporting and non-financial reporting.



## SECTION 4 CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for continuously supervising on and for the risk management and internal control system of the Company, for reviewing the effectiveness of such risk management and internal control and for a sound, proper and effective internal control system to safeguard the assets of the Group. 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, through Audit Committee, reviews the effectiveness of the internal control system of the Group on an annual basis.

During the Reporting Period, the Board, through the Audit Committee, completed the annual review on the internal control system of the Group, which covered major control areas, including financial control, operation control and compliance control, and considered the Group's resources in other functions such as accounting, internal auditing and financial reporting. No major problems have been identified in the internal control through the review. The Board believes that, during the review year and as of the date of this report, the existing risk management and internal control system is effective and adequate.

### **XIII. MANAGEMENT AND CONTROL OVER THE SUBSIDIARIES DURING THE REPORTING PERIOD**

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

### **XIV. 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

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

The Company received the List of Special Self-Inspection on Governance of Listed Companies issued by the Henan Bureau of the CSRC in December 2020. In regard to the List, the Company conducted comprehensive self-inspections and the results were as follows:

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

Rectification: The Board of Directors will allow sufficient time to provide support and assistance for the directors of the Company to further understand the background and contents of the proposal and to express their opinions.

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

Rectification: The 2020 Annual General Meeting of the Company considered and approved the Proposal on Election of Independent Directors for the Sixth Session of the Board, and Mr. Yuen Chi ceased to hold position.

### 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

During the Reporting Period, the Company completed the relocation of 2 securities branch offices and 6 securities branches within the same city at home. All of these changes will facilitate the optimization of the Group's network as well as the enhancement of the Company's customer service capability and the comprehensive strength of its subsidiaries.

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

The Company is constantly adjusting and optimizing its securities branch network. During the Reporting Period, the Company completed the relocation of 2 securities branch offices and 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".

## SECTION 4 CORPORATE GOVERNANCE REPORT

### (2) Establishment of and changes in subsidiaries

#### Central China International:

The Proposal on Capital Increase in Hong Kong Subsidiary, Central China International Financial Holdings Company Limited, was considered and approved at the 19th meeting of the Sixth Session of the Board on 29 April 2020, pursuant to which the Board agreed to make additional capital contribution to Central China International by HK\$500 million to HK\$1 billion. In January 2021, the Company received the Reply Letter on Relevant Opinion on Capital Increase in Central China International Financial Holdings Company Limited by Central China Securities Co., Ltd (Institutional Department Letter [2021] No. 275) issued by the CSRC. According to the above reply, the CSRC has no objection to the Company's capital increase of HK\$800 million to Central China International. In March 2021, the Company received the Notice on Filing of Overseas Investment Project (Yu Fa Gai Wai Zi Bei [2021] No.10) from the Henan Provincial Reform and Development Committee. In June 2021, the Company completed the allocation of registered capital of HKD800 million to Central China International. In July 2021, Central China International completed the registration procedures at the Hong Kong Companies Registry, and its registered capital was changed to HKD1,800 million.

For details of the above, please refer to the relevant announcements disclosed by the Company on the website of the SSE on 30 April 2020, 27 January 2021 and 3 July 2021. (Announcement Number: 2020-042, 2021-006, and 2021-038)

#### Central China Blue Ocean:

On 3 November 2021, the Company issued the Shareholders' Resolution of Central China Blue Ocean Investment Management Company Limited, which approved the change of the registered capital of Central China Blue Ocean to RMB3.5 billion. As of the end of the Reporting Period, Central China Blue Ocean has completed the process of industrial and commercial registration of the change.

## 2. Securities brokers

Securities brokers are natural persons other than employees of the Company and authorized by the Company to engage in brokerage-related activities such as customer solicitation and customer service as an agent within the scope of authorization of the Company, and the Company enters into an agency contract with securities brokers. The Company has 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, registration 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 2021, the number of securities brokers of the Company amounted to 265.

## SECTION 4 CORPORATE GOVERNANCE REPORT

### 3. Specific explanation on standardization of accounts

Taking standardized management of customers' accounts as an important foundation, the Company focused on the normalization, standardization and systematization of account management and kept perfecting the long effective mechanism of standardized management of customers' accounts. In 2021, according to the requirements of relevant regulations of China Securities Depository and Clearing Corporation Limited and the Company, the Company effectively implemented various measures for standardized management of accounts, conscientiously carried out work such as occupation classification, mobile phone number verification, institutional account information verification, 1Password account specification, and continued to carry out basic work such as standardization of existing customer account information, completion of customer information, dormant account activation and rectification of non-conforming accounts so as to ensure that the account information is true, accurate, complete and valid.

During the Reporting Period, the Company had 22,060 new dormant cash accounts, activated 3,670 dormant securities accounts, recording 414,397 dormant cash accounts and 656,554 dormant securities accounts as at the end of the Period; the Company standardized 23 unqualified cash accounts and 25 unqualified securities accounts, recording 1,108 unqualified cash accounts and 1,168 unqualified securities accounts as at the end of the Period; as at the end of the Period, the Company had 7 cash accounts and 14 securities accounts frozen by the court and had no risk disposal accounts. See the following table for details:

Type of account: RMB account

Type of account		2021	2020	YoY Change
Dormant accounts	Cash account	414,397	392,337	22,060
	Securities account	656,554	660,224	-3,670
Unqualified accounts	Cash account	1,108	1,131	-23
	Securities account	1,168	1,193	-25
Judicially frozen accounts	Cash account	7	7	0
	Securities account	14	14	0
Risk disposal accounts	Cash account	0	0	0
	Securities account	0	0	0

### 4. Business innovation

Upon the issuance of the Outline for the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives through the Year 2035, accelerating digital development, building digitalized China, and creating new advantages of digital economy had become China's strategy content of key development in the next stage. In 2021, the Company committed to shaping a standard and digital service and operation system that integrates the offline and online business in accordance with the overall blueprint of wealth management digital transformation. Major breakthroughs have been made in some key areas related to the digital transformation of wealth management by using AI-driven and data-driven technology, centering on the overall goals of improving quality, increasing efficiency and reducing cost of enabling business. We built customer insight KYC, achieved a panoramic client portrait, achieved one-stop and full-channel wisdom touch, carried out scenario-based operation of core business in accordance with the clients' full life cycles, independently planned, designed and developed the "618 Financial Map" ("618理財地圖"), the "818 Financial Festival" ("818理財節"), the "Double 11" ("嗨翻雙11") and other operational activities, which filled the gaps in the operational activities of the Company. The smart robot service launched by the Company has greatly improved efficiency of customer service and released more valuable human resources to the branch organizations with a successful response rate of 91.35% and the advantage of "7 days\*24 hours response at any time".

## SECTION 4 CORPORATE GOVERNANCE REPORT

By the end of the Reporting Period, the number of customers of “Caishengbao (財升寶)” APP increased by 42.3% compared with that of the previous year. Central China Securities “Caishengbao (財升寶)” APP had carried over 90% of the customer services of the Company, and 93.4% of the financial orders of the Company were completed via the APP; and both the number and quality of new customers in the Internet pipeline cooperation have been increased and improved.

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

#### Risk management framework

The comprehensive risk management framework 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 Compliance Management Department, Legal Service Department, Risk Management Department and Internal Audit Department; and Level 4, the frontline risk control system consisting of the Business and management departments and branch outlets. Through the hierarchical authorization of the four-level structure, comprehensive coverage of risk management is achieved.

During the Reporting Period, the Company continued to improve the organizational structure of risk management, actively promoted performance of responsibilities of the organizational structure at all levels, optimized the hierarchical authorization management of each business line and the annual business scale and risk limit of subsidiaries; improved the key risk management process of all departments and subsidiaries, strengthened front-line risk management, and continuously enhanced the effectiveness of overall risk management.

#### Risk management system

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

## SECTION 4 CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company continued to improve its risk management system: first, the Company formulated measures for risk appetite management; second, it revised systems for liquidity risk, equity securities investment business risk, information technology risk, financial risk, and subsidiary investment business management; third, it revised the detailed rules for risk monitoring of proprietary fixed-income business, share transfer market-making business, margin financing and securities lending business, stock-pledged repurchase transaction business, asset management business and cash management products, and improved the risk management process and risk control index system; fourth, it promoted the revision and improvement of front-end risk control systems such as the management of securities database of asset management business, stress test of asset management products, the management of cooperation institutions of private placement commission business, due diligence and risk assessment of private placement commission products, stress test of subsidiaries and securities conversion and securities lending business.

### **Risk execution information system**

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

During the Reporting Period, the Company's risk management system was continuously upgraded and improved: first, completed the construction of subsidiary business management system, and realized the acquisition and system monitoring of the main business data of the subsidiaries; second, upgraded the existing risk control system, including ChiNext, interest rate swap, outsourcing business, etc.; third, promoted the implementation of the internal rating system, and strengthened credit risk management; fourth, completed the implementation plan of the same business and customer system construction, and promoted the system construction; fifth, organized the upgrading of the second generation of PBOC credit system.

### **6. 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 of Directors; the Compliance Management Headquarters is responsible to the Chief Compliance Officer and carries out compliance management under the leadership of the Chief Compliance Officer; the Company has full-time and part-time compliance administrators in each relevant unit, who is under the guidance of the Compliance Management Headquarters and organises and implements compliance management in the unit or in the line under its management. At the same time, the coordination of compliance management, risk control, auditing and other internal control functional departments of the Company has played an effective control role in the compliance operation of the Company's various units.

## SECTION 4 CORPORATE GOVERNANCE REPORT

In 2021, the Company further promoted various compliance management tasks. Firstly, based on system construction, we strengthened compliance review and control, and strengthened the Company's compliance risk defense line. Throughout the year, we formulated and revised 17 compliance management systems, including the Measures for Management of Rules and Regulations, the Implementation Rules for Incorruptibility, the Measures for Management of Conflicts of Interest, the Measures for Implementation of Effectiveness Evaluation of Compliance Management, and the Measures for Compliance Management of Investment Banking Business. At the same time, we supervised all units of the Company to make efforts in system construction and improvement, embed compliance requirements into business processes, which ran through all links such as decision-making, execution, supervision, and feedback. We continued to strengthen the audit and consulting support for the business, implemented a multi-level audit mechanism, strictly controlled the entry points and compliance risks, and organized the compliance review of the Company's system, major decisions and new products and businesses and issued compliance review opinions. Secondly, with the guideline of the compliance risk management, we strengthened the supervision and examination to effectively prevent compliance risk. In accordance with the actual operation and management, the Company organized compliance inspection and monitoring of key businesses, key areas, and key dimensions, effectively preventing and resolving compliance risks and strengthening the Company's internal control management; we took daily supervision and examination data as a base to regularly and irregularly summarize reports, so that the management team could keep abreast of the Company's overall compliance status in a timely manner. Thirdly, deeply rooted the construction of a compliance culture, we carried out regular and continuous promotion and training to further enhance the compliance awareness of all employees. We organized and compiled more than 200 publicity materials throughout the year, continued to convey the latest supervision spirit to managers and employees at all levels, and urged all employees to consciously become firm believers and practitioners of legal rules. Fourthly, we took legal compliance operations as the standard, strengthened compliance assessment, and enhanced the effectiveness of compliance management. We incorporated the effectiveness of compliance management and the compliance of practice behaviors into the scope of the annual assessment of the Company's senior managers, units and staff further improving the annual compliance review indicator system. We regularly organized a comprehensive evaluation of the effectiveness of compliance management of each unit, promptly supervised the implementation of rectification in response to evaluation issues, and promoted the positive cycle of self-evaluation and self-improvement.

### **(1) Inspections completed by the Compliance Management Department**

In 2021, the Compliance Management Department organized or participated above 30 internal inspections and self-inspections, including comprehensive inspection of investment banking business, special inspection on investment bank equity business underwriting, special inspection on integrity practices, routine compliance management inspections of branch offices, verification of employee stock account openings, customer suitability inspections, anti-money laundering obligations fulfillment inspections, comprehensive inspection on stock-pledged repurchase business, compliance inspections of asset management business, inspections of information technology compliance management, subsidiary compliance management inspections, etc. in combination with the actual operation and main areas of risk in the businesses according to the regulatory requirements and self-regulatory rules. Through compliance inspection and self-inspections, the Company effectively identified and prevented compliance risks, screened potential compliance risks, and encouraged relevant units to strengthen their fundamental work 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 optimized the work mode, focused on key areas and key links, and continuously improved the quality of audit. In 2021, the Internal Audit Department of the Company organized ordinary audits on the Company's principal business lines, headquarters departments, branches, and holding subsidiaries, and resigned audits to the economic responsibility of some key operation management members. It also organized and conducted evaluation on annual internal control, assessment on comprehensive risk management and effectiveness valuation on internal control of the investment banking business.

Certain problems in the audited entities were objectively reflected through supervision and inspection carried out by the auditors. The audit department paid attention to the rectification and implementation, for the purpose of continuously increasing the risk prevention awareness and active compliance awareness of the audited entities, so as to promote all lines of defense of the internal control system of the Company to play a full role.

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

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

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

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



## SECTION 4 CORPORATE GOVERNANCE REPORT

### 7. Shareholders' rights

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

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

Shareholders may convene extraordinary general meetings or class general meetings and put forward proposals at such meetings according to Article 81 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, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding no less than 10% shares of the Company shall be entitled to propose in writing to the Supervisory Committee to convene an extraordinary general meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after receipt of the said request. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Supervisory Committee fails to issue the notice for the general meeting within the specified time, the Supervisory Committee shall be deemed as failing to convene or preside the general meeting. The shareholder(s) severally or jointly holding no less than 10% shares of the Company for no less than 90 consecutive days may convene and preside over such meeting on his or their own.", Article 109 "Where the Company convenes a general meeting, the Board, Supervisory Committee, and shareholder(s) severally or jointly holding no less than 3% shares of the Company may make proposals to the Company." and Article 110 "Shareholder(s) severally or jointly holding no less than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other shareholders within two days after receipt of such proposal, and include the matters within the proposal on the agenda for the said meeting and submit for approval at the general meeting if the said matter falls within the functions and powers of general meetings. The contents of the provisional proposal shall fall within the functions and powers of general meetings and have specific discussion topic and specific matters to be resolved. Save as specified above, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice is served. The general meeting shall not vote or pass resolutions on proposals not listed in the notice of the general meeting or resolutions not in conformity with following article of the Articles of Association." Shareholders may convene an extraordinary general meeting or a class meeting based on the stated procedures and put forward proposals at the general meeting. The shareholders may attend general meetings and exercise voting rights either in person or by proxy. The minutes together with the attendance record of shareholders and the powers of attorney of the proxies shall be kept at the Company's premises. Shareholders may have access to copies of the minutes free of charge during the office hours of the Company. The Articles of Association have been disclosed on the website of the Company and the HKExnews website of the Hong Kong Stock Exchange.

## SECTION 4 CORPORATE GOVERNANCE REPORT

### 8. 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.

### 9. Compliance with Model Code

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

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

### 10. 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.

### 11. Communications with shareholders

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

The Articles of Association was amended for once during the Reporting Period. For details, please see the announcement of the Company dated 10 August 2021 and the Articles of Association published on 9 November 2021.

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

The Company set "Investor Relations" column in its website for publishing such information as announcements and financial data 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.

## SECTION 4 CORPORATE GOVERNANCE REPORT

The Company welcomes all shareholders attending general meetings and facilitates their attendance in a permitted range. The Company's Directors, Supervisors and senior management will attend general meetings. According to the Corporate Governance Code, the chairman and the chairpersons of the Audit Committee, Remuneration and Nomination Committee, and other specialized committees under the Board shall attend the annual general meeting of shareholders and answer questions at the meeting. The management of the Company shall ensure that the external auditors can attend the general meeting of shareholders and answer relevant questions put forward by shareholders.

### 12. 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.

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 2021, 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. The Company organized the briefing session on the annual results for the year of 2020 and the results for the first quarter of 2021 of the Company, 2021 interim results conference, and participated in the 2021 Investor Online Collective Reception Day organized by Henan Bureau of the CSRC and Henan Listed Companies Association and interacted on issues of concern to investors, such as corporate governance, development strategies, operating conditions and financing plans. The above methods effectively enhanced the degree of participation in the Company by shareholders and investors and guaranteed the open and transparent operation.

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.

### 13. Appointment and remuneration of auditors

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

### 14. Review by the Audit Committee

The Audit Committee has reviewed the Company's 2021 Audit Report and 2021 Annual Results.

## SECTION 4 CORPORATE GOVERNANCE REPORT

### 15. 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 appointment of the Directors will be based on meritocracy, 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 appointment 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 candidates' talents and capacities, 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.

## SECTION 4 CORPORATE GOVERNANCE REPORT

### (4) Implementation and monitoring

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

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

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

By order of the Board  
**Jian Mingjun**  
*Chairman*

25 March 2022

## SECTION 5 SIGNIFICANT EVENTS

### I. PERFORMANCE OF UNDERTAKINGS

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

Background of undertakings	Type of undertakings	Undertaking party	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed	In case of failure to perform in time, the specific reasons for the incomplete performance shall be stated	In case of failure to perform in time, future plans shall be described
Undertaking in relation to the initial public offering	Shares subject to trading moratorium	Henan Investment Group	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	Within 12 months from the date of listing and trading of initial public offering of the restricted A shares of Central China Securities held by Henan Investment Group, the shares held by Central China Securities shall not be sold in any way	Yes	Yes		
Undertaking in relation to the initial public offering	Non-competition	Henan Investment Group	Undertaking in relation to non-competition	Regarded as long-term since entering into of the non-competition agreement with Central China Securities on 10 March 2014	Yes	Yes		
Undertaking in relation to the initial public offering	Non-competition	The Company	Undertaking in relation to non-competition	Regarded as long-term since entering into non-competition agreement with Henan Investment Group on 10 March 2014	Yes	Yes		
Undertaking in relation to refinancing	Others	The Company	Undertaking in relation to increasing resource investment in compliance risk control and information technology	Notes	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Shanghai Gaoyi Asset Management Partnership (Limited Partnership)* (上海高毅資產管理合夥企業(有限合夥))	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	China International Capital Corporation Limited (中國國際金融股份有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		

## SECTION 5 SIGNIFICANT EVENTS

Background of undertakings	Type of undertakings	Undertaking party	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed	In case of failure to perform in time, the specific reasons for the incomplete performance shall be stated	In case of failure to perform in time, future plans shall be described
Undertaking in relation to refinancing	Shares subject to trading moratorium	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	China Pingmei Shenma Energy & Chemical Group Co., Ltd.* (中國平煤神馬能源化工集團有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Caitong Fund Management Co., Ltd.* (財通基金管理有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Henan Railway Investment Co., Ltd.* (河南鐵路投資有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Generali China Asset Management Co., Ltd.* (中意資產管理有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Jinxiu Zhonghe (Tianjin) Investment Management Co., Ltd.* (錦綉中和(天津)投資管理有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	CITIC Securities Company Limited (中信證券股份有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Bay Area Industry and Finance Investment (Guangzhou) Co., Ltd.* (灣區產融投資(廣州)有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		

## SECTION 5 SIGNIFICANT EVENTS

Background of undertakings	Type of undertakings	Undertaking party	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed	In case of failure to perform in time, the specific reasons for the incomplete performance shall be stated	In case of failure to perform in time, future plans shall be described
Undertaking in relation to refinancing	Shares subject to trading moratorium	Jiangsu Soho Holdings Group Co., Ltd.* (江蘇省蘇豪控股集團有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	CSC Financial Co., Ltd. (中信建投證券股份有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Hangzhou Zetong Investment Management Co., Ltd.* (杭州澤桐投資管理有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Sunshine Asset Management Corporation Limited* (陽光資產管理股份有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Hebei Guokong Capital Management Co., Ltd.* (河北國控資本管理有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Zi Jianjun (聶建軍)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Guosen Securities Co., Ltd. (國信證券股份有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
Undertaking in relation to refinancing	Shares subject to trading moratorium	Shanghai Boshen Investment Limited Partnership* (上海鉞紳投資中心(有限合伙))	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		



## SECTION 5 SIGNIFICANT EVENTS

Notes:

- (1) For the three consecutive years from 2020 to 2022, the Company's investment in compliance risk control of each year shall not be less than 3% of the Company's operating income in the previous year;
- (2) For the three consecutive years from 2020 to 2022, the Company's investment in information technology of each year shall not be less than 6% of the Company's operating income in the previous year;
- (3) From 2020 to 2022, the Company shall disclose in its annual report the actual investment in compliance risk control and information technology.

## II. APPOINTMENT OR TERMINATION OF SERVICE OF ACCOUNTING FIRM

Unit: Ten thousand Currency: RMB

	Previously engaged	Currently engaged
Name of the domestic accounting firm	ShineWing Certified Public Accountants (Special General Partnership)	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	255.00	75.00
Term of the audit services provided by domestic accounting firm	9 years	1 year

	Name	Remuneration
Accounting firm engaged for internal control audit	Da Hua Certified Public Accountants (Special General Partnership)	20.00
Sponsor	Huatai United Securities Co., Ltd.	0

As considered and approved by the Company at the 2020 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 2021 amounted to RMB950,000. The "audit fees" of RMB4,974,620.14 disclosed in VI. "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS — 50. Business and administrative expenses" under Section 8 "FINANCIAL REPORT" of this report represents the audit service fees recognised in the books of the Company and its subsidiaries and structured entities included in the scope of consolidation in 2021, which mainly includes (i) audit fee of the Group for the year 2020 of RMB2,159,875.47 payable to ShineWing Certified Public Accountants (Special General Partnership), (ii) audit and review fees of the Group for the year 2021 of RMB1,970,005.62 payable to Da Hua Certified Public Accountants (Special General Partnership), and (iii) fees for special (non-audit) services (including audit fees for the Company and subsidiaries included in the scope of consolidation, and special audit fees for structured entities included in the scope of consolidation) of RMB844,739.05 payable to other auditors.

## SECTION 5 SIGNIFICANT EVENTS

### Description of appointment or termination of service of accounting firm

Given that the alignment in the preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises disclosed in mainland China and Hong Kong markets by the Company, as considered and approved by the Company's 2019 Annual General Meeting on 10 June 2020, the Company ceased to re-appoint PricewaterhouseCoopers for their overseas audit services under the International Financial Reporting Standards, and appointed ShineWing Certified Public Accountants as the sole auditing firm of the Company for the year of 2020 to provide both domestic and overseas audit services under the China Accounting Standards for Business Enterprises.

In accordance with relevant requirements under the Notice of the Ministry of Finance on Printing and Distributing the Administrative Measures for Selection and Appointment of Accounting Firms by State-owned Financial Enterprise (Caijin [2020] No. 6) (《財政部關於印發〈國有金融企業選聘會計師事務所管理辦法〉的通知》(財金[2020]6號)), the term of appointment of an accounting firm by a financial enterprise shall not exceed five consecutive years in principle and the term of appointment of an accounting firm conforming to the requirements of such measures shall not exceed eight consecutive years. 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 is required to change the accounting firm in 2021. As considered and approved by the Company's 2020 Annual General Meeting on 30 June 2021, it was agreed to appoint Da Hua Certified Public Accountants (Special General Partnership) as the sole auditing firm of the Company for the year of 2021 to provide both domestic and overseas audit services under the China Accounting Standards for Business Enterprises.

For details of the above, please refer to the announcements dated 22 April 2020 and 28 May 2021 respectively, and the circulars dated 20 May 2020 and 31 May 2021 respectively disclosed by the Company on HKEXnews website of the Hong Kong Stock Exchange and relevant announcements of the Company dated 23 April 2020 and 29 May 2021 disclosed on the website of the SSE. (Announcement No.: 2020-034 and 2021-030)

## SECTION 5 SIGNIFICANT EVENTS

### III. MATERIAL LITIGATION AND ARBITRATION

Unit: 0'000 Currency: RMB

During the Reporting Period:

Prosecution (petitioner)	Defendant (respondent)	Party bearing joint liability	Type of litigation or arbitration	Background of litigation (arbitration)	Amount involved in litigation (arbitration)	Any estimated liabilities incurred in litigation (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	Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership)* (石河子市場晨 股權投資合夥企業(有限合夥)), Tan Songbin (譚頌斌), Zhou Juan (周娟)	None	Contract dispute	Note 1	18,799.98	Note 1	Note 1	Note 1	Note 1
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 2	20,000.00	Note 2	Note 2	Note 2	Note 2
Central China Securities	Kedi Food Group Co., Ltd.* (科迪 食品集團股份有限公司)	None	Contract dispute	Note 3	43,165.83	Note 3	Note 3	Note 3	Note 3
Central China Blue 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 4	10,580.88	Note 4	Note 4	Note 4	Note 4

\* For identification purpose only

## SECTION 5 SIGNIFICANT EVENTS

Note 1: The Company filed a lawsuit against Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership) (hereinafter referred to as "Ruichen Investment"), Tan Songbin and Zhou Juan, asserting the defendants' breach of contract in the securities-backed lending business. After the first instance judgment issued by Henan High People's Court (hereinafter referred to as "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 (2019) Supreme Court Minzhong No. 1917 civil judgment issued by the Supreme People's Court of the People's Republic of China, which rules that Ruichen Investment shall pay the Company the financing principal of approximately RMB187.9998 million and liquidated damages, attorney's fees and insurance premiums, and Tan Songbin shall bear joint and several liability for the above-mentioned payment obligation. It is confirmed that the Company has a preferential right of compensation for the discount, auction, or sale proceeds of the 24,529,900 shares of Guangdong Silver Age Sci & Tech Co., Ltd.\* (廣東銀禧科技股份有限公司) (hereinafter referred to as "Silver Age Sci & Tech") (Stock Code: 300221) pledged by the defendant, Ruichen Investment, to the Company within the scope of the creditor's rights determined by the aforesaid judgment. Other claims asserted by Central China Securities were rejected. Henan High People's Court accepted the case for compulsory enforcement on 30 March 2020. Zhengzhou Intermediate People's Court (hereinafter referred to as "Zhengzhou Intermediate People's Court") auctioned 24,529,900 shares of Silver Age Sci & Tech according to the corresponding procedures, and the first auction failed. Ruichen Investment raised an objection to execution during the second auction period, and Zhengzhou Intermediate People's Court dismissed the appeal with the Enforcement Ruling (2020) Yu 01 Zhi Yi No.1155. Then Ruichen Investment filed for retrial with the Henan High People's Court. Henan High People's Court dismissed the retrial with the Enforcement Ruling (2020) Yu Zhi Fu No.587 on 12 January 2021, upholding the Enforcement Ruling (2020) Yu 01 Zhi Yi No.1155. of Zhengzhou Intermediate People's Court. Zhengzhou Intermediate People's Court conducted the second auction of 24,529,900 shares of Silver Age Sci & Tech, and the auctioned shares were all sold for RMB188,884,151.85 on 2 March 2021, 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 (2021) Yu 01 Zhi No.490 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. On 31 August 2021, the Company and Ruichen Investment reached a new settlement agreement, which is still in the performance period.

In addition, in the case of the dispute on the financial loan contract among Suzhou Branch of the Shanghai Pudong Development Bank Co. Ltd.\* (上海浦東發展銀行股份有限公司), Tan Songbin and Zhou Juan, the Company, as a creditor, applied to participate in the distribution of RMB158,380,000 from the auction of 24.78 million shares of Silver Age Sci & Tech held by Tan Songbin. On 23 December 2020, after deducting related expenses, the Company received RMB13,942,396.35 for the execution of the distribution. As of 16 March 2021, the Company received the remaining execution of the distribution of RMB754,490.15. As at 31 December 2021, the principal had been fully recovered.

Note 2: The Company filed a lawsuit against Great Wall Film & Culture Company Group Limited (currently known as Zhejiang Qingfeng Yuansheng Culture Limited, hereinafter referred to as "Great Wall Film" or "Zhejiang Qingfeng"), asserting the defendant's breach of securities-backed lending contract. On 5 December 2019, Henan High People's Court issued the (2019) Yuminchu No. 11 civil judgment, which supported the Company's claims including the payment to be made by Great Wall Film for the financing principal with an amount of RMB200.00 million and interest, liquidated damages, attorney's fees and litigation property preservation insurance premiums. 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.

\* For identification purpose only

## SECTION 5 SIGNIFICANT EVENTS

In order to protect its legal rights and interests, the Company filed an enforcement objection lawsuit with Zhengzhou Intermediate People's Court within the statutory period, requesting an order to add the defendants, Zhao Feifan (趙非凡) and Zhao Ruiyong (趙銳勇), as the persons to be executed in the execution case between the Company and the third party, Zhejiang Qingfeng; and to order the defendants, Zhao Feifan and Zhao Ruiyong, to assume joint and several liability for the debts owed to the Company by the third party, Zhejiang Qingfeng in the amount of RMB146.5671 million. (Details of the aforementioned issues have been disclosed in the annual results announcement for the year ended 31 December 2020 dated 30 March 2021 as published by the Company on the HKExnews website of the Hong Kong Stock Exchange.) On 26 May 2021, the Company received the (2020) Yu 01 Minchu No.1751 civil judgment issued by Zhengzhou Intermediate People's Court, which ruled to add Zhao Ruiyong and Zhao Feifan as the persons to be executed in the case of a dispute over securities-backed lending between Central China Securities and Great Wall Film; and to order them to assume liability within the scope of their underpayment of capital contribution of RMB350,065,000 and RMB649,935,000 respectively. This judgment has already taken effective and the enforcement of the case of breach of securities-backed lending contract between the Company and Great Wall Film (Zhejiang Qingfeng) has been resumed. As at the end of the Reporting Period, the case was under execution. As at 31 December 2021, the book value of the balance of the creditor's right amounted to RMB128 million, and a full provision for bad debt had been made.

Note 3: The Company filed a lawsuit against Kedi Food Group Co., Ltd. (hereinafter referred to as "Kedi Group"), asserting the defendant's breach of securities-backed lending contract, and after the first instance judgement issued by Zhengzhou Intermediate People's Court, both Kedi Group and the Company refused to obey the first instance judgment and instituted an appeal. On 3 August 2020, the Company received the (2020) Yu Minzhong No. 636 civil judgement stating that Kedi Group was deemed to withdraw the appeal on its own account since it failed to pay the appeal fees within the stipulated period, and the Company's withdrawal of the appeal was allowed and this ruling was final. Zhengzhou Intermediate People's Court accepted the case for compulsory enforcement on 24 August 2020. On 24 December 2020, Henan Kedi Dairy Co., Ltd.\* (河南科迪乳業股份有限公司) published an alert announcement regarding the application for bankruptcy reorganization of its controlling shareholder, and the Shangqiu Intermediate People's Court (hereinafter referred to as "Shangqiu Intermediate People's Court") made a (2020) Yu 14 Po Shen No.20 civil judgement, ruling that Wei Junping's application for bankruptcy reorganization of Kedi Group was accepted. The Company has reported its claims as a creditor. On 21 January 2021, Zhengzhou Intermediate People's Court issued (2020) Yu 01 Zhi Two of No. 1089 enforcement ruling, to conclude the enforcement procedure against Kedi Group, the person subject to enforcement, as the application for bankruptcy reorganization of Kedi Group was accepted by Shangqiu Intermediate People's Court. As of the end of the Reporting Period, Kedi Group was under the procedure of bankruptcy reorganization. As at 31 December 2021, the book value of financing principal amounted to RMB305 million, and the accumulated provision of impairment amounted to RMB202 million.

Note 4: 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, the Company received the (2019) Yu 01 Minchu No. 1407 civil judgment issued by Zhengzhou Intermediate People's Court, which supported Central China Blue Ocean's claims including the payment to be made by Zhongyi Real Estate of trust loan principal with an amount of RMB99.69 million and interest, penalty interest, compound interest, liquidated damages and attorney's fees. It is confirmed that Central China Blue Ocean is the mortgagee of the in-process construction that is located in the east side of Yinping Road and the south side of Dongqing street (real estate unit number: 410102103004GB00071W00000000), together with the apportioned land-use rights; the Company has the preferential right of compensation for the discount, auction, or sale proceeds within the scope of its creditor's right; and eight defendants, including Henan Zhongyi Heavy Industry Machinery and Technology Co., Ltd., bear joint and several liability for the aforesaid payment obligation determined in this judgment, and have the right to claim compensation from Zhongyi Real Estate after they undertook the guarantee liability. The case was filed in Zhengzhou Intermediate People's Court on 13 January 2020. In accordance with the corresponding procedures, Zhengzhou Intermediate People's Court conducted an auction of the properties in the names of Xu Zengcai and Xu Xianghong, the persons being executed, located at No. 2, Floor 1-4, Building 31, and No. 4, Floor 1-4, Building 30, East Park, No. 69 Hongyuan Road, Jinshui District, and the first auction failed. Zhengzhou Intermediate People's Court conducted a second auction of the above two properties, of which the property located at No. 2, Floor 1-4, Building 31, East Park, No. 69 Hongyuan Road, Jinshui District failed. The property located at No. 4, Floor 1-4, Building 30, East Park, No. 69 Hongyuan Road, Jinshui District was auctioned for RMB5,527,354.5, and on 18 June 2021, Central China Blue Ocean received the amount of RMB2,443,099.88 for the execution of the distribution after deducting the balance of the principal of and interest on the bank mortgage loan and execution charge from the auction consideration.

\* For identification purpose only

## SECTION 5 SIGNIFICANT EVENTS

In addition, on 3 June 2021, Zhengzhou High-tech Industrial Development Zone People's Court (hereinafter referred to as "Zhengzhou High-tech Zone Court") made the (2021) Yu 0191 Zhihui No. 2387 order. According to the (2020) Yu 0191 Xiezhì No. 9422 execution order, a total of 37 sets of properties located at No. 5 Yinping Road, High-tech Industrial Development Zone under the name of Zhongyi Real Estate, the person subject to enforcement, were sealed up and to be disposed of. Central China Blue Ocean, as the mortgagee of the above properties sealed up, was not satisfied with the court's enforcement, and filed an enforcement objection lawsuit with Zhengzhou High-tech Zone Court on 10 June 2021, which was dismissed by Zhengzhou High-tech Zone Court with the Enforcement Ruling (2021) Yu 0191 Zhi Yi No.637 on 6 September 2021. Central China Blue Ocean appealed against the judgment and filed a review of the execution objection with Zhengzhou Intermediate People's Court, which issued the Enforcement Ruling (2021) Yu 01 Zhi Fu No.589 on 17 December 2021, ruling that the original ruling was revoked and remanded to Zhengzhou High-tech Zone Court for a new ruling. As at the end of the Reporting Period, no new ruling had been made in the case. As at 31 December 2021, the book balance amounted to RMB100 million, and the accumulated provision for impairment amounted to RMB28 million.

During the Reporting Period, the lawsuits on the contract dispute between the Company and Shenwu Technology Group Corporation Limited, and between the Company and Neoglory Holdings Group Co., Ltd. had no progress. Details of the aforementioned issues have been disclosed in the annual results announcement for the year ended 31 December 2020 dated 30 March 2021 as published by the Company on the HKExnews website of the Hong Kong Stock Exchange.

### IV. SUSPECTED VIOLATION OF LAWS AND REGULATIONS, PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, AND DE FACTO CONTROLLER

On 7 July 2021, the Company received the Decision on the Implementation of Measures for Issuing a Warning Letter to Central China Securities Co., Ltd. (《關於對中原證券股份有限公司實施出具警示函措施的決定》) (Administrative Supervision Measures Decision [2021] No. 12 of Henan Bureau of the CSRC) from Henan Bureau of the CSRC. For details, please refer to the relevant announcement disclosed by the Company on the website of the SSE on 13 July 2021. (Announcement No.: 2021-039)

On 17 August 2021, Henan Bureau of the CSRC issued the Decision on the Implementation of Administrative Supervision Measures to Order Corrective Action for and Increase in the Number of Internal Compliance Inspections of the Nanyang Branch Office of Central China Securities Co., Ltd. (《關於對中原證券股份有限公司南陽分公司實施責令改正並責令增加內部合規檢查次數行政監管措施的決定》) (Administrative Supervision Measures Decision [2021] No. 15 of Henan Bureau of the CSRC) from Henan Bureau of the CSRC. Nanyang Branch Office was required to complete the corrective action within 60 days from the date of issuance of the Supervision Measures and to conduct compliance inspection once every three months within one year from the date of issuance of the Supervision Measures.

As of the date of this report, the relevant problems have been rectified, and a rectification report has been submitted to the Henan Bureau of the CSRC within the specified time. At the same time, Nanyang Branch Office has completed two rounds of compliance inspection as required, and will complete the remaining two rounds of compliance inspection within the specified time in strict accordance with the requirements.

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

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

## SECTION 5 SIGNIFICANT EVENTS

### VI. CONNECTED TRANSACTIONS

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

#### **Entering into the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group**

The Group has been, in the ordinary and usual course of its business, engaged in continuing transactions with Henan Investment Group and its associates including securities and financial product transactions and provision of securities and financial services. According to the Hong Kong Listing Rules, Henan Investment Group, a substantial shareholder of the Company, together with its associates, is connected persons of the Company. Transactions between the Group and Henan Investment Group and its associates constitute continuing connected transactions of the Group. The Group and Henan Investment Group entered into a securities and financial products transactions and services framework agreement on 27 March 2019 (the “Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group”) for a term of three years from 1 January 2019 to 31 December 2021, and respectively set the annual caps (for the three financial years ending 31 December 2021, (1) the annual caps of the total net cash outflow from the Group in respect of the securities and financial products transactions are RMB123.00 million, RMB123.00 million and RMB123.00 million, respectively, and the total net cash inflow to the Group are RMB12.43 million, RMB12.43 million and RMB12.43 million, respectively; and (2) the annual caps for revenue from provision of securities and financial services to Henan Investment Group and its associates in respect of the securities and financial services are RMB33.81 million, RMB33.81million and RMB33.81million, respectively), in order to regulate such continuing connected transactions of the Company more effectively.

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

- (1) Securities and financial products transactions: Securities and financial product transactions will be conducted at the prevailing market prices in the ordinary and usual course of the Group’s business; inter-financial institutions loans will be conducted upon normal commercial terms or better at interest rates and terms, as applicable to similar loans provided by independent third party institutions.

## SECTION 5 SIGNIFICANT EVENTS

- (2) Securities and financial services: The general pricing principles for service fee or commission or brokerage fee charged by the Group shall be based on negotiations between the parties with reference to the prevailing market rates and in accordance with the requirements of the applicable laws and regulations of the PRC.

At the meeting held on 27 August 2019, the Board of Directors resolved to revise the annual caps for the total net cash inflow to the Group in respect of the securities and financial products transactions between the Group and Henan Investment Group and its associates under the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group for the three financial years ending 31 December 2021 to RMB34.00 million, RMB18.00 million and RMB15.00 million, respectively.

The provision of loans by Henan Investment Group and its associates to the Group under the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group are exempted from the reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules. As such transactions constitute financial assistance provided by a connected person for the benefit of the Group upon normal commercial terms with no security given for such financial assistance.

In 2021, 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:

	<b>Annual caps for 2021</b> <i>(in RMB million)</i>	<b>Actual amounts in 2021</b> <i>(in RMB million)</i>
<b>Securities and financial products transactions</b>		
Total net cash outflow from the Group	123.00	20.42
Total net cash inflow to the Group*	15.00	0
<b>Securities and financial services</b>		
Revenue from provision of securities and financial services to Henan Investment Group and its associates	33.81	1.51

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

For details of the continuous connected transactions mentioned above, please refer to the announcements of the Company dated 27 March 2019 and 27 August 2019, respectively published on the HKExnews website of the Hong Kong Stock Exchange.



## SECTION 5 SIGNIFICANT EVENTS

### **Entering into the 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 mutual provision of 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. entered into a securities and financial products transactions and services framework agreement on 27 March 2019 (the "Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.") for a term of three years from 1 January 2019 to 31 December 2021, and respectively set the annual caps (for the three financial years ending 31 December 2021, (1) the annual caps of the total net cash inflow into the Group for transactions in respect of the securities and financial products transactions are RMB75.00 million, RMB75.00 million and RMB75.00 million, respectively, and the annual caps of the total net cash outflow from the Group are RMB2.40 million, RMB2.40 million and RMB2.40 million, respectively; and (2) the annual caps for revenue from provision of securities and financial services to Equity Exchange Co. in respect of securities and financial services are RMB1.95 million, RMB1.95 million and RMB1.95 million, respectively, and the annual caps for expenses to be incurred by provision of securities and financial services to the Group are RMB10.10 million, RMB10.10 million and RMB10.10 million, respectively), in order to regulate such continuing connected transactions of the Company more effectively.

According to the Securities and Financial Products Transactions and Services Framework Agreement with 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.
- (2) Securities and financial services: The general pricing principle of the service fees charged by the Group shall be based on negotiations between the parties with reference to the prevailing market rates and in accordance with the requirements of the applicable laws and regulations of the PRC.

## SECTION 5 SIGNIFICANT EVENTS

In 2021, 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:

	<b>Annual caps for 2021</b> <i>(in RMB million)</i>	<b>Actual amounts in 2021</b> <i>(in RMB million)</i>
<b>Securities and financial products transactions</b>		
Total net cash inflow to the Group	75.00	0
Total net cash outflow from the Group*	2.40	0
<b>Securities and financial services</b>		
Revenue from provision of securities and financial services to Equity Exchange Co.	1.95	1.28
Expenses incurred by provision of securities and financial services to the Group	10.10	0.72

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

For details of the continuous connected transactions mentioned above, please refer to the announcement of the Company dated 27 March 2019 published on the HKExnews website of the Hong Kong Stock Exchange.

### **Renewal of the Securities and Financial Products Transactions and Services Framework Agreements with Henan Investment Group and Equity Exchange Co.**

As approved at the 4th meeting of the Seventh Session of the Board of the Company, on 30 December 2021, the Company renewed the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group and the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co., each for a term of three years commencing from 1 January 2022 to 31 December 2024, and set the relevant annual caps for the continuing connected transactions contemplated thereunder for the next three financial years ending 31 December 2024:

- For each of the three financial years ending 31 December 2024 under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group, (1) the annual caps of the total net cash outflow from the Group in respect of the securities and financial products transactions are RMB120.00 million, RMB120.00 million and RMB120.00 million, respectively, and the total net cash inflow to the Group are RMB10.50 million, RMB10.50 million and RMB10.50 million, respectively; and (2) the annual caps for revenue from provision of securities and financial services to Henan Investment Group and its associates in respect of the securities and financial services are RMB36.50 million, RMB36.50 million and RMB36.50 million, respectively.
- For each of the three financial years ending 31 December 2024 under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co., (1) the annual caps of the total net cash inflow into the Group for transactions in respect of the securities and financial products transactions are RMB125.00 million, RMB125.00 million and RMB125.00 million, respectively, and the annual caps of the total net cash outflow from the Group are RMB1.50 million, RMB1.50 million and RMB1.50 million, respectively; and (2) the annual caps for revenue from provision of securities and financial services to Equity Exchange Co. in respect of securities and financial services are RMB1.60 million, RMB1.60 million and RMB1.60 million, respectively, and the annual caps for expenses to be incurred by provision of securities and financial services to the Group are RMB5.75 million, RMB5.75 million and RMB5.75 million, respectively.

## SECTION 5 SIGNIFICANT EVENTS

For details of the renewal of the Securities and Financial Products Transactions and Services Framework Agreements with Henan Investment Group and Equity Exchange Co., please refer to the announcement of the Company dated 30 December 2021 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 of Directors, 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 Directors 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 of Directors 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 if there is no comparable transaction to determine whether the terms of the transaction are on normal commercial terms, on terms no less favorable to the Group than those available from or to (as the case may be) independent third parties; and
- 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 transaction and continuing connected transactions of the Company.

## SECTION 5 SIGNIFICANT EVENTS

### VII. MATERIAL CONTRACTS AND CONTRACT PERFORMANCE

#### Guarantees

Unit: Yuan Currency: RMB

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

Total amount of guarantees incurred during the Reporting Period (excluding the guarantees provided to subsidiaries)	0
Total balance of guarantees as at the end of the Reporting Period (A) (excluding the guarantees provided to subsidiaries)	0

Guarantees provided by the Company and its subsidiaries to subsidiaries

Total amount of guarantees provided to subsidiaries during the Reporting Period	269,808,000.00
Total balance of guarantees provided to subsidiaries at the end of the Reporting Period (B)	253,456,000.00

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

Total amount of guarantees (A+B)	253,456,000.00
Percentage of total guarantees over the net assets of the Group (%)	1.85

Including:

Amount of guarantees provided to shareholders, de facto controller and their related parties (C)

Amount of debt guarantees directly or indirectly provided to the parties with the gearing ratio exceeding 70% (D)

Total amount of guarantees exceeding 50% of net assets (E)

Total amount of the above three types of guarantees (C+D+E)

Explanations on outstanding guarantee which may assume joint and several liability for repayment

Explanations on guarantees

As at the end of the Reporting Period, the Company provided counter guarantee for Central China International's offshore loans, the balance of which amounted to RMB253,456,000.00 in total (equivalent to HK\$310,000,000.00)

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

#### Non-public issuance of A shares

In order to supplement the capital and working capital to expand the business scale, optimize the business structure, and enhance the Company's market competitiveness and risk resistance, as approved by the CSRC by virtue of the Approval in Relation to the Non-public Issuance of Shares by Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2020] No. 1190) (《關於核准中原證券股份有限公司非公開發行股票的批覆》(證監許可[2020]1190號)), the Company completed the non-public issuance of RMB-denominated ordinary shares (A shares) of 773,814,000 shares in July 2020 (the "Non-Public Issuance") with par value of RMB1.00 per share and total issue nominal value of RMB773,814,000 at issue price of RMB4.71 per share. The net value available to the Company from each security was RMB4.67 per share. The closing price of the A shares on the day when the issuance terms were set was RMB6.28 per share, and the total amount of funds raised was RMB3,644,663,940.00. After deducting the issuance expenses (tax exclusive) related to the Non-Public Issuance of RMB27,534,113.67, the actual net proceeds of the Non-Public Issuance were RMB3,617,129,826.33. All the 18 investors and their respective ultimate beneficial owners under the Non-public Issuance are third parties independent of the Company and its connected persons.

## SECTION 5 SIGNIFICANT EVENTS

The proceeds from the Non-Public Issuance, after deducting the issuance expenses, will be completely used to supplement the Company's capital and working capital, so as to enhance the Company's market competitiveness and risk resistance. The proceeds will be mainly used for the following purposes: (1) developing capital-based intermediary business; (2) developing investment and trading businesses; (3) increasing the capital of the domestic and overseas wholly-owned subsidiaries; (4) investing in the information system construction and compliance and risk control; and (5) replenishing the working capital.

As verified by Henan Xinghua Certified Public Accountants Co., Ltd. with the Capital Verification Report "Yu Xinghua Yan Zi [2020] No. 010", as of 23 July 2020, the Company has actually issued ordinary shares denominated in RMB (A shares) of 773,814,000.00 shares, raising total proceeds of RMB3,644,663,940.00, and the total amount of proceeds after deducting underwriting and sponsorship fees of RMB24,800,000.00 (the total amount of underwriting and sponsorship fees including tax was RMB26,300,000.00, of which the Company paid RMB1,500,000.00 with its own funds prior to the Non-Public Issuance) was RMB3,619,863,940.00. The above-mentioned proceeds were all in place on 23 July 2020.

As of 31 December 2020, the Company had used the proceeds of RMB3,169,576,274.25. In the first half of 2021, the Company used the funds raised from the Non-public Issuance (totaling RMB454,400,534.94, including the interest of the proceeds of RMB8,456,206.22 in the account) as follows: RMB438,576,800.00 was used for the capital increase in domestic and foreign wholly-owned subsidiaries to enhance their capital strengths; RMB15,823,734.94 was used for the information system construction to continuously improve the informatization management level. The use of the proceeds of the Non-public Issuance was consistent with the contents disclosed in the Proposal of the Non-public Issuance Proposal (revised).

On 27 May 2021, the Company published the Announcement on the Used-up of the Proceeds and the Cancellation of the Proceeds Account. Given that the proceeds of the Company have been used up and the special account for the proceeds is no longer in use, the Company has cancelled the special account for the proceeds and transferred the interest of RMB299,929.32 (less than RMB5 million and less than 5% of the net proceeds) on the remaining balance of the special account to supplement the working capital.

For details of the Non-Public Issuance, please refer to the announcements of the Company dated 18 April 2019, 11 June 2019, 30 March 2020, 5 June 2020, 10 June 2020, 1 July 2020 and 31 July 2020 respectively and the circulars of the Company dated 21 May 2019 and 20 May 2020 respectively published on the HKExnews website of the Hong Kong Stock Exchange and the relevant announcements of the Company dated 19 April 2019, 12 June 2019, 22 October 2019, 19 December 2019, 31 March 2020, 6 June 2020, 11 June 2020, 2 July 2020, 1 August 2020 and 27 May 2021 respectively published on the website of the SSE. (Announcement No.: 2019-024, 2019-041, 2019-060, 2019-073, 2020-013, 2020-014, 2020-016, 2020-017, 2020-018, 2020-047, 2020-048, 2020-051, 2020-056 and 2021-028)

## SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### (I) Changes in shares

##### 1. Changes in shares

Unit: Share

		Before this change		Increase or decrease of this change (+, -)				After this change		
		Number	Percentage (%)	Issuance of new shares	Capitalization of capital reserve into share capital		Others	Subtotal	Number	Percentage (%)
					Bonus issue					
I.	Shares subject to trading moratorium	773,814,000	16.67				-773,814,000	-773,814,000	0	0
1.	State-owned shares									
2.	Shares held by state-owned legal persons	409,235,666	8.82				-409,235,666	-409,235,666	0	0
3.	Shares held by other domestic investors	364,578,334	7.85				-364,578,334	-364,578,334	0	0
	Including: Shares held by domestic non state-owned legal persons	345,470,054	7.44				-345,470,054	-345,470,054	0	0
	Shares held by domestic natural persons	19,108,280	0.41				-19,108,280	-19,108,280	0	0
4.	Shares held by overseas investors									
	Including: Shares held by overseas legal persons									
	Shares held by overseas natural persons									
II.	Tradable shares not subject to trading moratorium	3,869,070,700	83.33				773,814,000	773,814,000	4,642,884,700	100
1.	RMB-denominated ordinary shares	2,673,705,700	57.59				773,814,000	773,814,000	3,447,519,700	74.25
2.	Domestic-listed foreign shares									
3.	Overseas-listed foreign shares	1,195,365,000	25.74						1,195,365,000	25.75
4.	Others									
III.	Total number of shares	4,642,884,700	100						4,642,884,700	100

## SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### 2. Explanations on changes in shares

#### Listing and trading of A shares subject to trading moratorium issued under the non-public issuance

On 1 February 2021, a total of 773,814,000 A shares subject to trading moratorium held by shareholders who has participated in the non-public issuance of the Company, including Shanghai Gaoyi Asset Management Partnership (Limited Partnership), Pingmei Shenma and Jiangsu SOHO, were released from trading moratorium and commenced trading.

For details of the above, please refer to the relevant announcement disclosed by the Company on the website of the SSE on 23 January 2021. (Announcement No.: 2021-004)

#### (II) Changes in shares subject to trading moratorium:

Unit: Share

Name of shareholders	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium during the year	Increase in the number of shares subject to trading moratorium during the year	Number of shares subject to trading moratorium at the end of the year	Reasons for trading moratorium	Date of release from trading moratorium
Shanghai Gaoyi Asset Management Partnership (Limited Partnership)	116,595,322	116,595,322		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
China International Capital Corporation Limited	91,295,116	91,295,116		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Guotai Junan Securities Co., Ltd.	82,802,547	82,802,547		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	63,694,267	63,694,267		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Caitong Fund Management Co., Ltd.	53,927,813	53,927,813		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Henan Railway Investment Co., Ltd.	47,239,915	47,239,915		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Generally China Asset Management Co., Ltd.	42,462,845	42,462,845		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Jinxiu Zhonghe (Tianjin) Investment Management Co., Ltd.	39,702,760	39,702,760		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
CITIC Securities Company Limited	35,031,847	35,031,847		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021

## SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Name of shareholders	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium during the year	Increase in the number of shares subject to trading moratorium during the year	Number of shares subject to trading moratorium at the end of the year	Reasons for trading moratorium	Date of release from trading moratorium
Bay Area Finance Investment (Guangzhou) Co. Ltd.	31,847,133	31,847,133		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Jiangsu SOHO Holdings Group Co., Ltd.	25,477,707	25,477,707		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
CSC Financial Co., Ltd.	25,477,707	25,477,707		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Hangzhou Zetong Investment Management Co. Ltd.	21,443,736	21,443,736		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Sunshine Asset Management Corporation Limited	20,382,165	20,382,165		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Hebei Guokong Capital Management Co. Ltd.	19,108,280	19,108,280		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Zi Jianjun	19,108,280	19,108,280		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Guosen Securities Co., Ltd.	19,108,280	19,108,280		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Shanghai Boshen Investment Limited Partnership	19,108,280	19,108,280		0	Shares subject to trading moratorium issued under the Non-public Issuance	1 February 2021
Total	773,814,000	773,814,000		/	/	/



## SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### II. ISSUANCE AND LISTING OF SECURITIES

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

Unit: 0'000 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)						
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	4 March 2021	4.03%	1,000.00	11 March 2021	1,000.00	5 March 2024
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	19 May 2021	3.21%	1,000.00	27 May 2021	1,000.00	20 May 2022
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd.	17 June 2021	3.35%	1,200.00	25 June 2021	1,200.00	18 June 2022
2021 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	21 October 2021	4.7%	1,100.00	27 October 2021	1,100.00	22 October 2024

#### Particulars about issuances of securities during the Reporting Period (particulars of bonds with different interest rates during duration shall be provided separately):

During the Reporting Period, the Company issued 4 tranches of bonds, including public offering of 1 tranche of corporate bonds namely "21 Central China 01" with the offering size of RMB 1 billion, the interest rate of 4.03% and the term of 3 years; public offering of two tranches of short-term corporate bonds namely "21 Central China S1" with the offering size of RMB 1 billion, the interest rate of 3.21% and the term of 1 year, and "21 Central China S2" with the offering size of RMB 1.2 billion, the interest rate of 3.35% and the term of 1 year; and non-public offering of 1 tranche of subordinated bonds namely "21 Central China C1" with the offering size of RMB 1.1 billion, the interest rate of 4.7% and the term of 3 years.

During the Reporting Period, the proceeds from the issuance of "21 Central China 01" bonds, after deducting the issuance expenses, were used to repay maturing debts, adjust and optimise the debt structure and reduce financial risks; or to supplement working capital to meet the Company's business operation needs; the proceeds from the issuance of "21 Central China S1" and "21 Central China S2" bonds were all used to supplement the Company's working capital or repay maturing debt financing instruments; the proceeds from the issuance of "21 Central China C1" bonds, after deducting the issuance expenses, were all used to repay the principal and interest on the Company's interest-bearing debts.

## SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### III. SHAREHOLDERS

#### (I) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period	144,671 Among which: 144,630 A shareholders; 41 registered H shareholders
Total number of ordinary shareholders as at the end of the month prior to the disclosure date of this report	155,479 Among which: 155,439 A shareholders; 40 registered H shareholders

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

Unit: Share

##### Shareholdings of the top ten shareholders

Name of shareholders (Full name)	Changes during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Shares pledged, marked or frozen Status of shares	Number	Nature of shareholders
HKSCC Nominees Limited	-28,000	1,195,112,850	25.74	0	Nil		Overseas legal person
Henan Investment Group Co., Ltd.		822,983,847	17.73	0	Nil		State-owned legal person
Anyang Iron & Steel Group Co., Ltd.		177,514,015	3.82	0	Nil		State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.	99,304,900	124,782,607	2.69	0	Nil		State-owned legal person
Bohai Industrial Investment Fund Management Co., Ltd. -Bohai Industrial Investment Fund (Tranche 1)	-322,857,018	108,881,533	2.35	0	Nil		Other
China Pingmei Shenma Energy & Chemical Group Co., Ltd.		63,694,267	1.37	0	Nil		State-owned legal person
Zheng Yu (鄭宇)	16,361,000	51,003,190	1.10	0	Nil		Domestic natural person
Anyang Economic Development Group Co., Ltd.		48,824,693	1.05	0	Pledged	24,412,346	State-owned legal person
Henan Railway Investment Co., Ltd.		47,239,915	1.02	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)	18,069,708	44,794,808	0.96	0	Nil		Other

## SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	1,195,112,850	Overseas-listed foreign shares	1,195,112,850
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.	124,782,607	RMB-denominated ordinary shares	124,782,607
Bohai Industrial Investment Fund Management Co., Ltd. — Bohai Industrial Investment Fund (Tranche 1)	108,881,533	RMB-denominated ordinary shares	108,881,533
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	63,694,267	RMB-denominated ordinary shares	63,694,267
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 Investment Co., Ltd.	47,239,915	RMB-denominated ordinary shares	47,239,915
China Construction Bank Corporation — Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	44,794,808	RMB-denominated ordinary shares	44,794,808
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: 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 104,977,000 H shares of the Company through Stock Connect's Southbound trading, totaling 974,693,847 shares of the Company, accounting for 20.99% of the total issued shares of the Company.

## SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

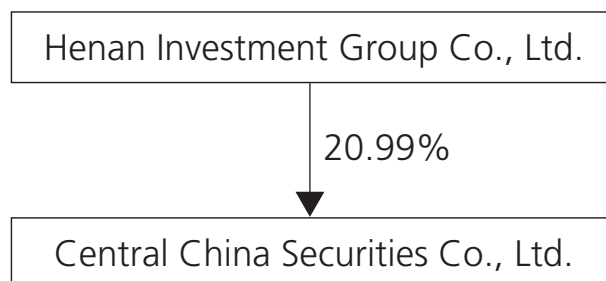
### IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

#### (I) Controlling shareholder

##### 1 Legal person

Name	Henan Investment Group Co., Ltd.
Person in charge of the entity or legal representative	Liu Xinyong
Date of incorporation	18 December 1991
Principal business	Investment management, investment in construction projects, industrial production information and machinery and equipment required for construction projects, sale of raw materials of products for investment projects (other than those subject to national specific regulations); housing lease (For those subject to approval among the abovementioned, the company is not allowed to operate such business before obtaining approvals.)
Details of controlling interests and investments in other domestic and overseas-listed companies during the Reporting Period	The controlling interests in domestic listed companies are: 943,700,684 shares in YUNENG Holdings (001896) which accounts for 69.62% of its total share capital; 362,579,146 shares in City Development Environment (000885) which accounts for 56.47% of its total share capital; and 407,835,649 shares in Ancai Hi-Tech (600207) which accounts for 47.26% of its total share capital. The investments in domestic listed companies are: China Aviation Optical (002179) and Zhengzhou Bank (002936). 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



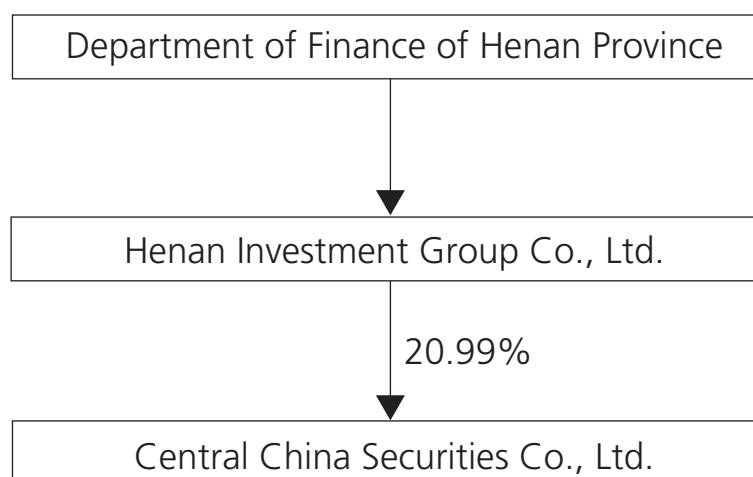
## SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### (II) De facto controller

#### 1 Legal person

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

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



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

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

## SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

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

#### (I) Corporate bonds

##### 1. Basic information of corporate bonds

Unit: 100 million    Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Value date	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risks of termination of listing and trading
2019 Corporate Bonds Publicly Issued to Qualified Investors (Tranche 1) of Central China Securities Co., Ltd.	19 Central China 01	155259	25 March 2019	26 March 2019	26 March 2022	20	3.9	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By bidding, quotation, inquiry and agreement	No
2019 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	19 Central China C1	162323	29 October 2019	30 October 2019	30 October 2022	10	4.9	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By quotation, inquiry and agreement	No
2020 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	20 Central China C1	166631	22 April 2020	23 April 2020	23 April 2023	15	4.08	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By quotation, inquiry and agreement	No
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	21 Central China 01	175736	4 March 2021	5 March 2021	5 March 2024	10	4.03	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By bidding, quotation, inquiry and agreement	No
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	21 Central China S1	163875	19 May 2021	20 May 2021	20 May 2022	10	3.21	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By bidding, quotation, inquiry and agreement	No
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd.	21 Central China S2	163881	17 June 2021	18 June 2021	18 June 2022	12	3.35	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By bidding, quotation, inquiry and agreement	No
2021 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	21 Central China C1	197241	21 October 2021	22 October 2021	22 October 2024	11	4.7	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By quotation, inquiry 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
2018 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, "18 Central China 01" matured on 27 April 2021, and the principal and interest were paid in full as scheduled.
2019 Corporate Bonds Publicly Issued to Qualified Investors (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, the annual interest payment of "19 Central China 01" was made on 26 March 2021, and the interest was paid in full as scheduled.
2019 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, the annual interest payment of "19 Central China C1" was made on 1 November 2021, and the interest was paid in full as scheduled.
2020 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	In accordance with the relevant regulations of the SSE and China Securities Depository and Clearing Corporation Limited, the annual interest payment of "20 Central China C1" was made on 23 April 2021, and the interest was paid in full as scheduled.

## SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

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

Unit: 100 million Yuan 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
2019 Corporate Bonds Publicly Issued to Qualified Investors (Tranche 1) of Central China Securities Co., Ltd.	20	20	0	None	None	Yes
2019 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	10	10	0	None	None	Yes
2020 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	15	15	0	None	None	Yes
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	10	10	0	None	None	Yes
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	10	10	0	None	None	Yes
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd.	12	12	0	None	None	Yes
2021 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	11	11	0	None	None	Yes



## SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

### 3. Other information on corporate bonds

During the Reporting Period, the Company strictly fulfilled the covenants and commitments as specified in the offering circulars of the above-mentioned bonds. There was no breach of the covenants or commitments as specified in the offering circulars. The repayment of principal and payment of interests of the bonds were settled in full as scheduled according to the offering circulars without any default.

### (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	2021	2020	Changes compared with the corresponding period of last year(%)	Reason for change
Net profit after non-recurring profit or loss	490,355,011.21	95,722,370.32	412.27	Mainly due to the increase in total profit of the Company
Current ratio	1.58	1.56	1.28	
Quick ratio	1.58	1.56	1.28	
Gearing ratio (%)	65.65	66.08	-0.65	
Debt-to-EBITDA ratio	6.45	3.96	62.88	mainly due to the increase in EBITDA and decrease in total debt
Interest coverage ratio	1.86	1.18	57.63	mainly due to the increase in total profit
Cash interest coverage ratio	-0.53	4.25	N/A	mainly due to the decrease in cash inflow as a result of net cash outflow from sale and repurchase agreement in the current year and net cash inflow in the same period last year
EBITDA interest coverage ratio	1.95	1.27	53.54	mainly due to the increase in total profit
Loan repayment ratio (%)	100	100	0.00	
Interest payment ratio (%)	100	100	0.00	

## SECTION 8 FINANCIAL REPORT

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# Auditor's Report



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

## I. Opinion

We have audited the financial statements of Central China Securities Co., Ltd. (hereinafter referred to as "the Company"), including the consolidated and parent company's balance sheet as at 31 December 2021, 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 2021.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company's financial position as at 31 December 2021, and the consolidated and parent company's operating results and the consolidated and parent company's cash flow statement for the year 2021, 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**

# Auditor's Report

## (1) *Matter description*

As stated in Note VI 3, 7, 9 and 10 to the financial statements, as of 31 December 2021, 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 RMB8.148 billion, RMB973 million, RMB263 million and RMB970 million, the aforementioned assets together accounted for 19.27% of the total assets, and the total recognized impairment provision balance was RMB903 million.

As at 31 December 2021, Management applied the Expected Credit Model to measure the expected credit losses ("ECL"). For the above-mentioned financial assets in Stages 1 and 2, Management used a measurement model that includes key parameters such as the probability of default, the rate of default loss, and the exposure to default risk to assess the impairment allowance. For these financial assets that have suffered credit impairment in stage 3, Management measures the impairment provision by estimating the future cash flows of the financial assets.

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

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.

# Auditor's Report

## (2) *Audit response*

Our main audit procedures for the determination of the provision for impairment of financial assets measured at amortized cost are as follows:

- 1) Realize 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 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 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 financial assets measured at amortized cost are reasonable.

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

### (1) *Matter description*

As stated in Note VI 8, 10 and 25 and also Note X to the Financial Statements, as of 31 December 2021, 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 RMB24.508 billion, RMB970 million yuan and RMB971 million respectively, and the total amount of changes in fair value confirmed in the current period was RMB490 million.

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 the unobservable input value will use management estimates, which will involve significant management judgments.

## Auditor's Report

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) Realize 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, consult the investment agreements signed this year, 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 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 instruments are reasonable.

## IV. Other information

Management is responsible for the other information. The other information comprises the information included in the Company's 2021 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.

# Auditor's Report

## 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.

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 Managements' 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;

## Auditor's Report

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. We remain solely responsible for our audit opinion.

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

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

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

Da Hua Certified Public Accountants  
(Special General Partnership)

Beijing, China

CICPA:  
(Project partner)

Ao Dujiya

CICPA:

Li Tiantian

25 March 2022



# CONSOLIDATED BALANCE SHEET

31 December 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Closing balance	Opening balance
<b>Assets:</b>			
Cash and bank balances	VI. 1	12,332,030,422.75	10,951,131,021.90
Including: customer's capital deposit		9,990,048,353.53	8,193,682,554.76
Clearing settlement funds	VI. 2	2,558,219,120.46	2,379,100,088.00
Including: customer reserve		2,446,921,329.46	2,287,871,177.95
Margin accounts receivable	VI. 3	8,148,017,143.05	7,400,757,113.38
Derivative financial assets	VI. 4	54,610.00	
Refundable deposits	VI. 5	802,256,089.47	744,878,747.69
Accounts receivable	VI. 6	98,055,900.27	169,323,523.34
Financial assets held under resale agreements	VI. 7	972,870,075.44	2,055,964,889.83
Financial investment:			
Financial assets at fair value through profit or loss	VI. 8	24,507,919,178.87	22,592,572,498.77
Financial assets measured at amortised costs	VI. 9	263,452,484.68	456,168,931.89
Financial assets at fair value through other comprehensive income	VI. 10	970,426,547.78	2,088,805,149.07
Long-term equity investments	VI. 11	1,659,879,203.08	1,067,276,173.44
Investment properties	VI. 12	15,666,107.28	16,474,089.01
Fixed assets	VI. 13	188,201,266.95	179,004,039.77
Construction in progress	VI. 14	58,641,526.64	52,427,024.00
Right-of-use assets	VI. 15	160,408,039.28	163,033,163.26
Intangible assets	VI. 16	223,016,230.62	188,018,189.26
Deferred income tax assets	VI. 17	486,461,663.34	464,734,648.09
Goodwill	VI. 18	19,522,493.37	19,882,791.61
Other assets	VI. 19	283,225,421.38	1,387,323,474.69
<b>Total assets</b>		<b>53,748,323,524.71</b>	<b>52,376,875,557.00</b>

# CONSOLIDATED BALANCE SHEET

31 December 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Closing balance	Opening balance
<b>Liabilities:</b>			
Short-term loans	VI. 22	256,191,822.27	315,977,554.88
Short-term financing instruments payable	VI. 23	7,032,271,969.93	4,154,657,809.90
Due to banks and other financial institutions	VI. 24	2,900,742,263.92	3,694,418,222.23
Financial liabilities at fair value through profit or loss	VI. 25	971,171,013.72	1,356,226,583.04
Derivative financial liabilities	VI. 4	465,376.83	57,980.91
Financial assets sold under repurchase agreements	VI. 26	10,548,472,328.09	12,200,308,194.73
Accounts payable to brokerage clients	VI. 27	12,571,797,812.48	10,555,230,551.25
Employee benefits payable	VI. 28	768,133,013.64	561,932,538.17
Taxes payable	VI. 29	121,620,959.74	131,604,084.55
Accounts payable	VI. 30	143,594,220.52	65,874,572.60
Contract liabilities	VI. 31	6,872,133.68	26,495,681.41
Long-term borrowings	VI. 32		1,001,741.67
Bonds payable	VI. 33	3,685,225,541.41	4,610,250,342.02
Lease liabilities	VI. 34	157,162,685.95	157,698,672.45
Deferred income tax liabilities	VI. 17	38,563,107.66	14,241,536.99
Other liabilities	VI. 35	401,959,351.47	344,423,399.69
<b>Total Liabilities</b>		<b>39,604,243,601.31</b>	<b>38,190,399,466.49</b>
<b>Equity:</b>			
Share capital	VI. 36	4,642,884,700.00	4,642,884,700.00
Capital reserve	VI. 37	6,301,860,583.46	6,330,622,817.68
Other comprehensive income	VI. 38	-872,349.97	12,549,125.88
Surplus reserve	VI. 39	908,512,430.25	838,358,247.79
General risk reserve	VI. 40	1,534,245,856.08	1,441,518,813.40
Retained earnings	VI. 41	295,251,945.46	102,780,913.15
Total equity attributable to owners of the parent company		13,681,883,165.28	13,368,714,617.90
Non-controlling interests		462,196,758.12	817,761,472.61
<b>Total equity</b>		<b>14,144,079,923.40</b>	<b>14,186,476,090.51</b>
<b>Total liabilities and equity</b>		<b>53,748,323,524.71</b>	<b>52,376,875,557.00</b>

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# CONSOLIDATED INCOME STATEMENT

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2021	Year 2020
<b>I. Total operating income</b>		<b>4,420,848,497.96</b>	3,103,301,696.87
Net interest income	VI. 42	<b>138,347,509.79</b>	101,097,703.29
Including: interest income		<b>1,017,022,199.16</b>	959,869,249.40
Interest expenses		<b>878,674,689.37</b>	858,771,546.11
Net fee and commission income	VI. 43	<b>1,636,808,462.51</b>	1,172,198,286.83
Including: brokerages business		<b>845,736,024.69</b>	790,645,044.22
Investment banking		<b>635,907,867.58</b>	206,756,722.44
Assets management		<b>37,289,783.89</b>	47,316,049.98
Investment income (or less: losses)	VI. 44	<b>588,394,946.32</b>	606,652,804.47
Including: Investment income from associates and joint ventures		<b>52,636,085.81</b>	53,783,145.31
Gains on changes in fair value (or less: losses)	VI. 45	<b>489,485,981.10</b>	-48,524,176.45
Gains on foreign exchange (or less: losses)		<b>1,578,376.60</b>	-3,348,221.20
Other operating income	VI. 46	<b>1,557,032,891.52</b>	1,264,503,482.85
Gains from assets disposal (or less: losses)	VI. 47	<b>69,744.36</b>	-20,777.16
Other income	VI. 48	<b>9,130,585.76</b>	10,742,594.24
<b>II. Total operating cost</b>		<b>3,710,316,417.23</b>	2,954,485,813.12
Taxes and surcharges	VI. 49	<b>22,031,146.36</b>	19,375,311.17
Business and administrative expenses	VI. 50	<b>1,803,962,502.07</b>	1,334,084,832.77
Expected credit losses	VI. 51	<b>373,913,233.39</b>	344,960,999.30
Other assets impairment losses	VI. 52	<b>2,752,382.99</b>	31,841,326.55
Other operating costs	VI. 53	<b>1,507,657,152.42</b>	1,224,223,343.33
<b>III. Operating profit (or less: losses)</b>		<b>710,532,080.73</b>	148,815,883.75
Add: non-operating income	VI. 54	<b>18,736,381.72</b>	5,860,453.04
Less: non-operating expenses	VI. 55	<b>11,053,100.46</b>	10,645,944.64
<b>IV. Profit before tax (or less: losses)</b>		<b>718,215,361.99</b>	144,030,392.15
Less: income tax expenses	VI. 56	<b>167,195,492.71</b>	41,911,301.78
<b>V. Net profit (or less: net loss)</b>		<b>551,019,869.28</b>	102,119,090.37
(I) Classified by continuity of operations			
1. Net profit from continuing operations (or less: net losses)		<b>551,019,869.28</b>	102,119,090.37
2. Net profit from discontinued operations (or less: net losses)			
(II) Classified by ownership			
1. Net profit attributable to owners of the parent company (or less: net losses)		<b>513,210,337.25</b>	104,302,038.78
2. Net profit attributable to non-controlling interests (or less: net losses)		<b>37,809,532.03</b>	-2,182,948.41

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# CONSOLIDATED INCOME STATEMENT

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2021	Year 2020
<b>VI. Other comprehensive income after tax</b>		<b>-13,421,475.85</b>	-23,994,465.35
Items attributable to owners of the parent company		<b>-13,421,475.85</b>	-23,994,465.35
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		<b>-13,421,475.85</b>	-23,994,465.35
1. Items attributable to investees under equity method that will be reclassified to profit or loss		<b>-2,405,906.43</b>	181,829.12
2. Gains and losses from changes in the fair value of available-for-sale financial assets			
3. The held-to-maturity investment is reclassified as available-for-sale financial asset gains and losses			
4. Changes in the fair value of financial assets at fair value through other comprehensive income		<b>2,509,789.28</b>	-59,904,500.70
5. The amount of financial assets reclassified and included in other comprehensive income			
6. Credit impairment reserves of financial assets at fair value through other comprehensive income		<b>-666,965.37</b>	53,080,728.55
7. Cash flow hedge provision			
8. Translation differences of foreign currency financial statements		<b>-12,858,393.33</b>	-17,352,522.32
Items attributable to non-controlling interests			
<b>VII. Total comprehensive income</b>		<b>537,598,393.43</b>	78,124,625.02
Items attributable to owners of the parent company		<b>499,788,861.40</b>	80,307,573.43
Items attributable to non-controlling interests		<b>37,809,532.03</b>	-2,182,948.41
<b>VIII. Earnings per share (EPS):</b>	VI. 57		
(I) Basic EPS		<b>0.11</b>	0.02
(II) Diluted EPS		<b>0.11</b>	0.02

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# CONSOLIDATED CASH FLOW STATEMENT

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2021	Year 2020
<b>I. Cash flows from operating activities:</b>			
Cash receipt from interests, fee and commissions		2,984,204,762.72	2,702,035,174.80
Net increase in due to banks and other financial institutions			1,330,000,000.00
Net increase of repurchase business			3,480,155,509.95
Net decrease of resale business		908,351,491.46	700,025,363.10
Cash received from brokerage clients		2,016,567,261.23	1,660,163,609.91
Other cash received related to operating activities	VI. 58	2,016,609,365.55	1,506,857,134.57
<b>Subtotal of cash inflows from operating activities</b>		<b>7,925,732,880.96</b>	<b>11,379,236,792.33</b>
Net increase of financial instruments at fair value through profit or loss		1,336,048,752.31	4,504,583,697.73
Net decrease in due to banks and other financial institutions		790,000,000.00	
Net decrease in repurchase business funds		1,652,086,917.38	
Net increase in margin accounts receivable		738,220,210.20	1,622,093,003.66
Cash payment to interests, fee charges and commissions		768,512,368.10	688,281,627.02
Cash payments to and on behalf of employees		1,139,438,589.33	850,448,240.88
Cash payments of taxes		471,594,792.58	244,373,933.87
Other cash payments related to operating activities	VI. 58	1,986,245,160.35	2,098,653,166.86
<b>Subtotal of cash outflows from operating activities</b>		<b>8,882,146,790.25</b>	<b>10,008,433,670.02</b>
<b>Net cash flows from operating activities</b>	VI. 59	<b>-956,413,909.29</b>	<b>1,370,803,122.31</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from investment recovery		1,326,111,871.62	
Cash received from investment income		127,650,667.04	60,584,894.64
Cash received from disposal of fixed assets, intangible assets and other long-term assets		1,284,228.66	219,869.46
Cash received from disposal of subsidiaries and other business units		162,261,400.00	
<b>Subtotal of cash inflows from investing activities</b>		<b>1,617,308,167.32</b>	<b>60,804,764.10</b>
Cash payments to acquire fixed assets, intangible assets and other long-term assets		220,635,769.29	117,362,199.51
Cash payments to acquire investments			1,278,882,226.50
<b>Subtotal of cash outflows from investing activities</b>		<b>220,635,769.29</b>	<b>1,396,244,426.01</b>
<b>Net cash flows from investing activities</b>		<b>1,396,672,398.03</b>	<b>-1,335,439,661.91</b>

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# CONSOLIDATED CASH FLOW STATEMENT

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Year 2021	Year 2020
<b>III. Cash flows from financing activities:</b>			
Cash received by absorbing investments			3,644,663,940.00
Cash received from loans		10,000,000.00	689,174,336.00
Cash received from issuance of bonds		11,941,017,000.00	6,117,939,031.63
Subtotal of cash inflows from financing activities		11,951,017,000.00	10,451,777,307.63
Cash repayments of borrowings		9,983,292,940.64	8,366,714,808.43
Cash payments for distribution of dividends or profit or interest expenses		678,187,191.34	476,776,544.21
Including: cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit		22,110,119.80	6,634,020.00
Other cash payments related to financing activities	VI. 58	173,628,888.72	133,454,629.51
<b>Subtotal of cash outflows from financing activities</b>		<b>10,835,109,020.70</b>	<b>8,976,945,982.15</b>
<b>Net cash flows from financing activities</b>		<b>1,115,907,979.30</b>	<b>1,474,831,325.48</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>1,578,376.60</b>	<b>-3,348,221.20</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>			
	VI. 59	1,557,744,844.64	1,506,846,564.68
Add: opening balance of cash and cash equivalents		13,312,322,291.24	11,805,475,726.56
<b>VI. Closing balance of cash and cash equivalents</b>		<b>14,870,067,135.88</b>	<b>13,312,322,291.24</b>

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2021							
	Equity attributable to owners of the parent company							Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Non-controlling interest	
I. Balance at the end of prior year	4,642,884,700.00	6,330,622,817.68	12,549,125.88	838,358,247.79	1,441,518,813.40	102,780,913.15	817,761,472.61	14,186,476,090.51
Add: Changes of accounting policies								
Error correction of early stage								
Others								
II. Balance at the beginning of current year	4,642,884,700.00	6,330,622,817.68	12,549,125.88	838,358,247.79	1,441,518,813.40	102,780,913.15	817,761,472.61	14,186,476,090.51
III. Current period increase (or less: decrease)		-28,762,234.22	-13,421,475.85	70,154,182.46	92,727,042.68	192,471,032.31	-355,564,714.49	-42,396,167.11
(I) Total comprehensive income			-13,421,475.85			513,210,337.25	37,809,532.03	537,598,393.43
(II) Capital contributed or withdrawn by owners							-371,264,126.72	-371,264,126.72
1. Capital contributed by owners								
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others							-371,264,126.72	-371,264,126.72
(III) Profit distribution				70,154,182.46	111,601,092.06	-339,613,354.32	-22,110,119.80	-179,968,199.60
1. Appropriation to surplus reserve				70,154,182.46		-70,154,182.46		
2. Appropriation to general risk reserve					111,601,092.06	-111,601,092.06		
3. Cash dividend recognized as distribution						-157,858,079.80	-22,110,119.80	-179,968,199.60
4. Others								
(IV) Internal carry-over within equity								
1. Transfer of capital reserve to capital								
2. Transfer of surplus reserve to capital								
3. Surplus reserve to cover losses								
4. Others								
(V) Others		-28,762,234.22			-18,874,049.38	18,874,049.38		-28,762,234.22
IV. Balance at the end of current period	4,642,884,700.00	6,301,860,583.46	-872,349.97	908,512,430.25	1,534,245,856.08	295,251,945.46	462,196,758.12	14,144,079,923.40

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2020							
	Equity attributable to owners of the parent company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Non-controlling interest	Total equity
<b>I. Balance at the end of prior year</b>	3,869,070,700.00	3,487,237,785.96	36,543,591.23	808,084,287.96	1,382,038,921.28	88,232,726.32	826,578,441.02	10,497,786,453.77
Add: Changes of accounting policies								
Error correction of early stage								
Others								
<b>II. Balance at the beginning of current year</b>	3,869,070,700.00	3,487,237,785.96	36,543,591.23	808,084,287.96	1,382,038,921.28	88,232,726.32	826,578,441.02	10,497,786,453.77
<b>III. Current period increase (or less: decrease)</b>	773,814,000.00	2,843,385,031.72	-23,994,465.35	30,273,959.83	59,479,892.12	14,548,186.83	-8,816,968.41	3,688,689,636.74
(I) Total comprehensive income			-23,994,465.35			104,302,038.78	-2,182,948.41	78,124,625.02
(II) Capital contributed or withdrawn by owners	773,814,000.00	2,843,315,826.36						3,617,129,826.36
1. Capital contributed by owners	773,814,000.00	2,843,315,826.36						3,617,129,826.36
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others								
(III) Profit distribution				30,273,959.83	59,479,892.12	-89,753,851.95	-6,634,020.00	-6,634,020.00
1. Appropriation to surplus reserve				30,273,959.83		-30,273,959.83		
2. Appropriation to general risk reserve					59,479,892.12	-59,479,892.12		
3. Cash dividend recognized as distribution							-6,634,020.00	-6,634,020.00
4. Others								
(IV) Internal carry-over within equity								
1. Transfer of capital reserve to capital								
2. Transfer of surplus reserve to capital								
3. Surplus reserve to cover losses								
4. Others								
(V) Others		69,205.36						69,205.36
<b>IV. Balance at the end of current period</b>	4,642,884,700.00	6,330,622,817.68	12,549,125.88	838,358,247.79	1,441,518,813.40	102,780,913.15	817,761,472.61	14,186,476,090.51

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo



# COMPANY BALANCE SHEET

31 December 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Closing balance	Opening balance
<b>Assets:</b>			
Cash and bank balances		10,787,186,204.27	9,353,694,098.48
Including: customer's capital deposit		9,475,290,338.74	7,812,001,585.50
Clearing settlement funds		2,274,149,998.54	2,165,049,237.07
Including: customer reserve		2,066,846,823.76	2,005,804,519.95
Margin accounts receivable		8,081,803,812.77	7,248,897,079.39
Derivative financial assets		54,610.00	
Refundable deposits		259,267,830.02	368,868,430.71
Accounts receivable		29,485,887.66	85,450,845.08
Financial assets held under resale agreements		972,870,075.44	2,055,165,080.52
Financial investment:			
Financial assets at fair value through profit or loss		20,891,935,865.83	19,933,278,797.76
Financial assets measured at amortised costs			
Financial assets at fair value through other comprehensive income		970,426,547.78	2,088,805,149.07
Long-term equity investments	XV. 1	5,296,280,233.94	4,126,432,553.95
Investment properties		24,748,699.56	25,858,938.87
Fixed assets		173,173,353.77	164,207,159.80
Construction in progress		58,641,526.64	52,427,024.00
Right-of-use assets		142,506,224.38	133,127,127.62
Intangible assets		218,187,343.75	181,335,531.53
Deferred income tax assets		324,344,489.89	301,081,560.09
Goodwill			
Other assets		232,547,711.06	523,400,315.46
<b>Total assets</b>		<b>50,737,610,415.30</b>	<b>48,807,078,929.40</b>

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# COMPANY BALANCE SHEET

31 December 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Closing balance	Opening balance
<b>Liabilities:</b>			
Short-term financing instruments payable		7,032,271,969.93	3,425,939,961.92
Due to banks and other financial institutions		2,900,742,263.92	3,694,418,222.23
Financial liabilities at fair value through profit or loss			778,986,314.11
Derivative financial liabilities		465,376.83	57,980.91
Financial assets sold under repurchase agreements		10,448,272,328.09	12,002,208,194.73
Accounts payable to brokerage clients		11,400,036,597.27	9,666,752,032.28
Employee benefits payable		719,713,530.83	517,314,154.75
Taxes payable		111,000,397.96	118,777,886.11
Accounts payable		116,166,224.28	60,063,783.40
Contract liabilities		5,113,846.11	10,997,000.07
Bonds payable		3,685,225,541.41	4,610,250,342.02
Lease liabilities		140,244,474.29	129,412,235.14
Deferred income tax liabilities			
Other liabilities		122,760,647.36	47,982,898.50
<b>Total Liabilities</b>		<b>36,682,013,198.28</b>	35,063,161,006.17
<b>Equity:</b>			
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		454,814.24	-1,388,009.67
Surplus reserve		908,512,430.25	838,358,247.79
General risk reserve		1,471,249,831.25	1,371,112,556.76
Retained earnings		426,335,070.44	286,790,057.51
<b>Total equity</b>		<b>14,055,597,217.02</b>	13,743,917,923.23
<b>Total liabilities and equity</b>		<b>50,737,610,415.30</b>	48,807,078,929.40

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# COMPANY INCOME STATEMENT

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2021	Year 2020
<b>I. Total operating income</b>		<b>2,593,098,163.83</b>	1,653,607,413.99
Net interest income	XV. 2	<b>89,238,835.37</b>	46,243,250.79
Including: interest income		<b>916,567,743.30</b>	840,710,707.82
Interest expenses		<b>827,328,907.93</b>	794,467,457.03
Net fee and commission income	XV. 3	<b>1,472,777,921.89</b>	1,038,150,743.24
Including: brokerages business		<b>716,344,816.88</b>	686,071,935.92
Investment banking		<b>631,244,447.05</b>	200,925,249.51
Assets management		<b>25,029,916.17</b>	39,325,418.37
Investment income (or less: losses)	XV. 4	<b>932,957,257.98</b>	631,253,436.58
Including: Investment income from associates and joint ventures			
Gains on changes in fair value (or less: losses)		<b>76,803,683.45</b>	-88,807,494.18
Gains on foreign exchange (or less: losses)		<b>-189,029.17</b>	-646,160.05
Other operating income		<b>12,637,023.36</b>	18,079,232.10
Gains from assets disposal (or less: losses)		<b>61,132.30</b>	-20,667.36
Other income		<b>8,811,338.65</b>	9,355,072.87
<b>II. Total operating cost</b>		<b>1,977,521,958.93</b>	1,430,720,797.48
Taxes and surcharges		<b>17,872,297.15</b>	16,838,369.81
Business and administrative expenses	XV. 5	<b>1,576,873,987.71</b>	1,149,447,203.93
Expected credit losses		<b>168,069,536.77</b>	263,120,359.08
Other assets impairment losses		<b>213,448,720.01</b>	
Other operating costs		<b>1,257,417.29</b>	1,314,864.66
<b>III. Operating profit (or less: losses)</b>		<b>615,576,204.90</b>	222,886,616.51
Add: non-operating income		<b>3,658,099.45</b>	2,410,755.63
Less: non-operating expenses		<b>9,320,144.10</b>	7,004,959.37
<b>IV. Profit before tax (or less: losses)</b>		<b>609,914,160.25</b>	218,292,412.77
Less: income tax expenses		<b>142,219,610.57</b>	16,466,013.88
<b>V. Net profit (or less: net loss)</b>		<b>467,694,549.68</b>	201,826,398.89
Net profit from continuing operations (or less: net losses)		<b>467,694,549.68</b>	201,826,398.89
Net profit from discontinued operations (or less: net losses)			

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# COMPANY INCOME STATEMENT

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2021	Year 2020
<b>VI. Other comprehensive income after tax</b>		<b>1,842,823.91</b>	-6,823,772.15
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		<b>1,842,823.91</b>	-6,823,772.15
1. Items attributable to investees under equity method that will be reclassified to profit or loss			
2. Gains and losses from changes in the fair value of available-for-sale financial assets			
3. The held-to-maturity investment is reclassified as available-for-sale financial asset gains and losses			
4. Changes in the fair value of financial assets at fair value through other comprehensive income		<b>2,509,789.28</b>	-59,904,500.70
5. The amount of financial assets reclassified and included in other comprehensive income			
6. Credit impairment reserves of financial assets at fair value through other comprehensive income		<b>-666,965.37</b>	53,080,728.55
7. Cash flow hedge provision			
8. Translation differences of foreign currency financial statements			
<b>VII. Total comprehensive income</b>		<b>469,537,373.59</b>	195,002,626.74

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# COMPANY CASH FLOW STATEMENT

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2021	Year 2020
<b>I. Cash flows from operating activities:</b>			
Cash receipt from interests, fee and commissions		2,684,051,065.52	2,447,542,230.21
Net increase in due to banks and other financial institutions			1,330,000,000.00
Net increase of repurchase business			3,282,055,509.95
Net decrease of resale business		907,551,491.46	693,725,172.41
Cash received from brokerage clients		1,733,284,564.99	1,509,151,900.87
Other cash received related to operating activities		496,123,169.74	47,039,557.07
<b>Subtotal of cash inflows from operating activities</b>		<b>5,821,010,291.71</b>	9,309,514,370.51
Net increase of financial instruments at fair value through profit or loss		693,081,454.84	4,424,200,415.64
Net decrease in due to banks and other financial institutions		790,000,000.00	
Net decrease in repurchase business funds		1,554,186,917.38	
Net increase in margin accounts receivable		824,817,236.63	1,665,197,871.00
Cash payment to interests, fee charges and commissions		708,392,317.36	645,952,818.64
Cash payments to and on behalf of employees		1,009,315,086.14	741,941,079.67
Cash payments of taxes		376,327,235.26	164,519,232.68
Other cash payments related to operating activities		85,303,833.01	708,719,319.40
<b>Subtotal of cash outflows from operating activities</b>		<b>6,041,424,080.62</b>	8,350,530,737.03
<b>Net cash flows from operating activities</b>	XV.6	<b>-220,413,788.91</b>	958,983,633.48
<b>II. Cash flows from investing activities:</b>			
Cash received from investment income		105,906,962.38	105,550,982.70
Cash received from disposal of fixed assets, intangible assets and other long-term assets		620,291.60	165,683.59
Subtotal of cash inflows from investing activities		106,527,253.98	105,716,666.29
Cash payments to acquire fixed assets, intangible assets and other long-term assets		139,913,380.44	112,128,505.23
Cash payments to acquire investments		273,158,156.90	1,427,522,815.54
<b>Subtotal of cash outflows from investing activities</b>		<b>413,071,537.34</b>	1,539,651,320.77
<b>Net cash flows from investing activities</b>		<b>-306,544,283.36</b>	-1,433,934,654.48

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# COMPANY CASH FLOW STATEMENT

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Note XV	Year 2021	Year 2020
<b>III. Cash flows from financing activities:</b>			
Cash received from investments absorbed			3,644,663,940.00
Cash received from borrowing			300,000,000.00
Cash received from issuance of bonds		11,941,017,000.00	5,400,203,000.00
<b>Subtotal of cash inflows from financing activities</b>		<b>11,941,017,000.00</b>	<b>9,344,866,940.00</b>
Cash repayments of borrowings		9,286,065,000.00	6,715,301,000.00
Cash payments for distribution of dividends or profit or interest expenses		528,184,846.94	418,420,136.68
Other cash payments related to financing activities		59,131,911.23	84,168,489.90
<b>Subtotal of cash outflows from financing activities</b>		<b>9,873,381,758.17</b>	<b>7,217,889,626.58</b>
<b>Net cash flows from financing activities</b>		<b>2,067,635,241.83</b>	<b>2,126,977,313.42</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-189,029.17</b>	<b>-646,160.05</b>
<b>V. Net increase in cash and cash equivalents</b>	XV.6	<b>1,540,488,140.39</b>	<b>1,651,380,132.37</b>
Add: opening balance of cash and cash equivalents		11,500,913,337.34	9,849,533,204.97
<b>VI. Closing balance of cash and cash equivalents</b>		<b>13,041,401,477.73</b>	<b>11,500,913,337.34</b>

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# COMPANY STATEMENT OF CHANGES IN EQUITY

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2021						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
<b>I. Balance at the end of prior year</b>	4,642,884,700.00	6,606,160,370.84	-1,388,009.67	838,358,247.79	1,371,112,556.76	286,790,057.51	13,743,917,923.23
Add: Changes of accounting policies							
Error correction of early stage							
Others							
<b>II. Balance at the beginning of current year</b>	4,642,884,700.00	6,606,160,370.84	-1,388,009.67	838,358,247.79	1,371,112,556.76	286,790,057.51	13,743,917,923.23
<b>III. Current period increase (or less: decrease)</b>							
(I) Total comprehensive income			1,842,823.91	70,154,182.46	100,137,274.49	139,545,012.93	311,679,293.79
(II) Capital contributed or withdrawn by owners			1,842,823.91			467,694,549.68	469,537,373.59
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution				70,154,182.46	100,137,274.49	-328,149,536.75	-157,858,079.80
1. Appropriation to surplus reserve				70,154,182.46		-70,154,182.46	
2. Appropriation to general risk reserve					100,137,274.49	-100,137,274.49	
3. Cash dividend recognized as distribution						-157,858,079.80	-157,858,079.80
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others							
<b>IV. Balance at the end of current period</b>	4,642,884,700.00	6,606,160,370.84	454,814.24	908,512,430.25	1,471,249,831.25	426,335,070.44	14,055,597,217.02

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo

# COMPANY STATEMENT OF CHANGES IN EQUITY

Year 2021 Prepared by: Central China Securities Co., Ltd.

(Unless otherwise specified, expressed in RMB Yuan)

Item	Year 2020						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
<b>I. Balance at the end of prior year</b>	3,869,070,700.00	3,762,844,544.48	5,435,762.48	808,084,287.96	1,315,470,752.11	170,879,423.10	9,931,785,470.13
Add: Changes of accounting policies							
Error correction of early stage							
Others							
<b>II. Balance at the beginning of current year</b>	3,869,070,700.00	3,762,844,544.48	5,435,762.48	808,084,287.96	1,315,470,752.11	170,879,423.10	9,931,785,470.13
<b>III. Current period increase (or less: decrease)</b>	773,814,000.00	2,843,315,826.36	-6,823,772.15	30,273,959.83	55,641,804.65	115,910,634.41	3,812,132,453.10
(I) Total comprehensive income			-6,823,772.15			201,826,398.89	195,002,626.74
(II) Capital contributed or withdrawn by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36
1. Capital contributed by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution				30,273,959.83	55,641,804.65	-85,915,764.48	
1. Appropriation to surplus reserve				30,273,959.83		-30,273,959.83	
2. Appropriation to general risk reserve					55,641,804.65	-55,641,804.65	
3. Cash dividend recognized as distribution							
4. Others							
(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							
<b>IV. Balance at the end of current period</b>	4,642,884,700.00	6,606,160,370.84	-1,388,009.67	838,358,247.79	1,371,112,556.76	286,790,057.51	13,743,917,923.23

Legal representative:  
Jian Mingjun

Officer in charge of accounting:  
Zhu Jianmin

Chief accountant:  
Li Zhaoxin

Head of department:  
Yang Bo



# Notes to the Financial Statements

for the Year of 2021

## 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. (SFC [2002] No. 326) of China Securities Regulatory Commission, based on the merger and reorganization of the securities business department of Henan Finance Securities Company and Anyang Trust and Investment Company, combined with other qualified companies to increase capital and shares. The Company was registered with Henan Administration for Industry and Commerce on 8 November 2002, with a registered capital of RMB1,033.79 million. After the establishment of the Company, according to the Opening Reply of China Securities Regulatory Commission, the Company acquired securities assets such as the securities business department and securities service department of Henan securities.

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

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

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

On 25 June 2014, the Company's overseas issued shares were listed on the main board of the Hong Kong stock exchange, stock abbreviation: CCSC, stock code: 01375. According to the Reply on Issues Related to the Management of State-owned Equity and the Transfer of State-owned Shares of Central China Securities Co., Ltd. (GXCQ [2013] No. 1070) issued by the State-owned Assets Supervision and Administration Commission of the State Council, after the Company completes the issuance, The state-owned shareholders Henan Investment Group, Angang Group, Pingmei Shenma, Anyang Economic Development, Jiangsu Suhao, Shenhua Group, Jiaozuo Economic Development, Shenzhen Guangsheng and Hebi Construction Investment respectively transferred 40,994,778 shares, 8,842,345 shares, 3,738,231 shares, 2,432,074 shares, 1,348,575 shares, 884,166 shares, 678,113 shares, 449,525 shares and 442,193 shares held by them to the National Social Security Fund Council. The above nine transferred 59,810,000 shares held by the National Social Security Fund Council. On 28 October 2014, the Company completed the industrial and commercial change registration of registered capital at Henan Administration for Industry and commerce, and the registered capital increased to RMB2,631,615,700.00.

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

# Notes to the Financial Statements

for the Year of 2021

## I. BASIC INFORMATION (CONTINUED)

### 1. Place of registration, form of organization and the headquarter address of the Company (continued)

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

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

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

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

As of 31 December 2021, 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 2021

## I. BASIC INFORMATION (CONTINUED)

### 1. Place of registration, form of organization and the headquarter address of the Company (continued)

As of 31 December 2021, the Company has established 30 branch offices and 83 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, micro loan<sup>1</sup>, 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 25 March 2022.

<sup>1</sup> As stated in Note VII, Changes in the Scope of Consolidation, in 2021, the Company lost control over Henan Central China Micro- Lending Co., Ltd. by disposing part of its equity. The date of loss of control is December 31, 2021. In 2021, the Company's main business activities still include micro loan.

# Notes to the Financial Statements

for the Year of 2021

## II. THE RANGE OF CONSOLIDATED FINANCIAL STATEMENTS

There are 14 subsidiaries included in the scope of consolidated financial statements in this period, including:

Name of subsidiary	Type of subsidiary	Level	Shareholding ratio (%)	Proportion of voting rights (%)
Central China Futures Co., Ltd.	Holding subsidiary	2	51.36	51.36
Yuxin Investment Management (Shanghai) Co., Ltd.	Holding subsidiary	3	51.36	51.36
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.	Holding subsidiary	3	60.00	60.00
Central China Blue Ocean Investment Management Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Central China Equity Exchange Co., Ltd.	Holding subsidiary	2	35.00	51.00
Central China International Financial Holdings Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Central China International Holdings Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Financial Group Ltd.	Wholly-owned subsidiary	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."

For the structured entities included in the consolidation scope, see "Note VIII. Equity in other entities (I) Equity in subsidiaries" for details.

The entities included in the consolidated financial statements for the current period decreased by 4 compared with the previous period. For the specific information on the subject of changes in the scope of consolidation, see "Note VII. Changes in the scope of consolidation" for details.

# Notes to the Financial Statements

for the Year of 2021

## III. THE BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

### 1. The basis for the preparation of financial statements

Based on actual transactions and events, the Company is in accordance with the “Accounting Standards for Business Enterprises-Basic Standards” promulgated by the Ministry of Finance and specific accounting standards for business enterprises, the application guide for business accounting standards, the interpretations of business accounting standards and other relevant regulations (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”) for confirmation and measurement, and on this basis, combined with the China Securities Regulatory Commission’s “The Preparation and Reporting of Corporate Information Disclosure of Public Securities No. 15 — General Provisions for Financial Statements” (revised in 2014), “Disclosure Provisions of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited”.

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

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

### 3. Accounting basis and pricing principles

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

# Notes to the Financial Statements

for the Year of 2021

## 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 2021

## 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 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

#### (3) Business combination not under the same control

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

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

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

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

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



# Notes to the Financial Statements

for the Year of 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

#### (4) Relevant expenses incurred for combination

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

### 7. Preparation method of consolidated financial statements

#### (1) Consolidation scope

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

# Notes to the Financial Statements

for the Year of 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 7. Preparation method of consolidated financial statements (continued)

#### (2) Consolidation procedures

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

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

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

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

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

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

# Notes to the Financial Statements

for the Year of 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 7. Preparation method of consolidated financial statements (continued)

#### (2) Consolidation procedures (continued)

##### a) *Add subsidiaries or business*

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

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

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

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

# Notes to the Financial Statements

for the Year of 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 7. Preparation method of consolidated financial statements (continued)

#### (2) Consolidation procedures (continued)

##### b) Disposal of subsidiaries or businesses

##### i General treatment method

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

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

##### ii Step by step disposal of subsidiaries

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

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

# Notes to the Financial Statements

for the Year of 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 7. Preparation method of consolidated financial statements (continued)

#### (2) Consolidation procedures (continued)

##### b) Disposal of subsidiaries or businesses (continued)

##### ii Step by step disposal of subsidiaries (continued)

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

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

##### c) Purchase of minority interests in subsidiaries

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

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

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

# Notes to the Financial Statements

for the Year of 2021

## 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 2021

## 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 2021

## 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 2021

## 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.

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 2021

## 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 maturity amount and; (iii) deducting accumulated provision for credit impairment (only applicable to financial assets).

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

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

# Notes to the Financial Statements

for the Year of 2021

## 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:

- a. It is part of the hedging relationship specified in “China Accounting Standards for Business Enterprises No. 24 — Hedging Accounting”;
- b. 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 2021

## 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, performs impairment accounting treatment on the following financial assets and recognize loss provisions:

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

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

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

# Notes to the Financial Statements

for the Year of 2021

## 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 2021

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

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

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

# Notes to the Financial Statements

for the Year of 2021

## 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; (iii) the financial asset has been transferred, and the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

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

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

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

# Notes to the Financial Statements

for the Year of 2021

## 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 2021

## 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 2021

## 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 2021

## 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 method for business combination under the same control and not under the same control for the specific accounting policies.
- b) Long-term equity investments obtained by other means

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

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

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

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

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

##### a) Cost method

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

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

# Notes to the Financial Statements

for the Year of 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

## 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) (%)
Building	40.00	5.00	2.38

When the use purpose of investment properties is changed for self-use, the investment properties will be converted into fixed assets or intangible assets from the date of change. When the use purpose of self-use property is changed to earn rent or capital appreciation, the fixed assets or intangible assets will be converted into investment properties from the date of change. When conversion occurs, the book value before conversion is converted into account value.

When an investment property is disposed of, or is permanently withdrawn from use and is not expected to obtain economic benefits from its disposal, the investment properties shall be terminated. The amount of the disposal income of the investment properties sold, transferred, scrapped or damaged shall be included in the current profits or losses after deducting the book value and relevant taxes and fees.

### 17. Fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year with more than RMB2,000.00.

Fixed assets include operating houses, non-business houses, simple houses, buildings, machinery and equipment, power equipment, transportation equipment, electronic equipment, communications equipment, electrical equipment, security and defense equipment, office equipment, as the value of the recorded costs at the time of acquisition, including the purchase price and import duties and other related taxes and fees, as well as other expenses incurred before the fixed assets reach the intended use status can be directly attributed to the asset; Consisting of the necessary expenditure incurred before the asset is constructed to its intended use, the fixed assets invested by the investor shall be recorded at the value agreed upon in the investment contract or agreement, but the value agreed upon in the contract or agreement shall be recorded at fair value.

# Notes to the Financial Statements

for the Year of 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

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



# Notes to the Financial Statements

for the Year of 2021

## 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 2021

## 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 2021

## 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 2021

## 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 profit and loss.

### 26. Estimated liabilities

#### (1) Recognition standard of estimated liabilities

When the obligations related to contingencies meet the following conditions at the same time, the Company shall recognize them as provisions:

- a) The obligation is the current obligation of the Company;
- b) The fulfillment of the obligation is likely to cause economic benefits to flow out of the Company;
- c) The amount of the obligation can be measured in a reliable way.

# Notes to the Financial Statements

for the Year of 2021

## 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 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 27. Lease liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. When calculating the present value of lease payments, the Company adopts the interest rate embedded in the lease as the discount rate; If the embedded interest rate of the lease cannot be determined, the incremental loan interest rate of the Company shall be used as the discount rate. Lease payments include:

- (1) Fixed payment amount and actual fixed payment amount after deducting relevant amount of lease incentive;
- (2) Variable lease payments depending on index or ratio;
- (3) When the Company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the purchase option;
- (4) Where the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment includes the payment required to exercise the option to terminate the lease;
- (5) The amount expected to be paid according to the guaranteed residual value provided by the Company.

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

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

# Notes to the Financial Statements

for the Year of 2021

## 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 2021

## 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.

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



# Notes to the Financial Statements

for the Year of 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 29. Revenue (continued)

#### a) Handling fee and commission income (continued)

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

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

#### b) Interest income

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

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

#### c) Investment income

The Group recognizes the difference between its fair value and the initial recorded amount when disposing of financial assets at fair value through profit or loss as investment income, and at the same time adjusts the profit and loss of changes in fair value. When disposing of FVOCI, the difference between the sum of the acquired price and the original value directly included in the cumulative amount of changes in the fair value of other comprehensive income and the book value of the financial asset is included in the investment income.

For long-term equity investments accounted for using the cost method, the cash dividends or profits declared by the investee are recognized as current investment income. For long-term equity investments accounted for using equity method, the investment income is the share enjoyed by the Company of calculated based on the net profit.

# Notes to the Financial Statements

for the Year of 2021

## 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 2021

## 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 2021

## 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: 1) the transaction is not a business combination; 2) when the transaction occurs, it will not affect the accounting profit, taxable income or deductible loss.

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

# Notes to the Financial Statements

for the Year of 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

#### (2) Basis for recognition of deferred income tax liabilities

The Company recognizes the taxable temporary differences payable and unpaid in the current period and previous periods as deferred income tax liabilities. But excluding:

- a) Temporary differences arising from the initial recognition of goodwill;
- b) Temporary differences arising from the transactions or events formed by non-business combination, and the occurrence of such transactions or events will not affect neither accounting profits nor temporary differences formed by taxable income (or deductible losses);
- c) For the taxable temporary difference related to the investment of subsidiaries and associated enterprises, the reversal time of the temporary difference can be controlled, and the temporary difference is likely not to be reversed in the foreseeable future.

### 33. Leases

A lease is a contract in which the lessor gives up the right to use the asset to the lessee for consideration for a certain period of time.

#### (1) The Group as the lessee

At the beginning of the lease term, the Group recognizes a right-of-use asset and lease liability for the lease. The Group uses the straight-line method of depreciation for right-of-use assets. At the balance sheet date, the Group assesses whether the right-of-use assets are impaired and accounts for the identified impairment losses.

The lease liability is initially measured at the present value of the lease payments outstanding at the beginning of the lease term. The Group calculates interest expense on the lease liability at a fixed periodic rate (i.e., discount rate) for each period of the lease term and recognizes it in current profit or loss or the cost of the asset.

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

# Notes to the Financial Statements

for the Year of 2021

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

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

### 35. Hedging Accounting

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

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

- a) The hedging relationship is comprised of only 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 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

## 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 2021

## 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 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 2021

## 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 2021

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 38. Significant accounting judgments and estimates (continued)

#### (5) Consolidation of structured entities

All facts and circumstances must be considered when assessing whether the Group controls the invested enterprise as an investor. The definition of control includes the following three elements: 1) the power of the investor to the investee; 2) the variable return enjoyed by the investee in the relevant business; and 3) the ability to use the power of the investee to influence the amount of its return. If one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

For structured entities (such as funds and asset management plans) managed by the Group, the Group will assess whether its maximum exposure to the structured entities, together with the variable returns generated by its administrator's compensation, is significant enough to indicate that the Group has control over the structured entities. If the Group has control over the structured entity under management, the structured entity will be included in the consolidated scope of the consolidated financial statements. For structured subject shares held by parties other than the Group, as the issuer has a contractual obligation to buy back its offering shares in cash, the Group recognizes them as financial liabilities or payables at fair value through profit or loss.

### 39. Changes in important accounting policies and accounting estimates

#### (1) Changes in accounting policies

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

#### (2) Changes in accounting estimates

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

# Notes to the Financial Statements

for the Year of 2021

## V. TAXATION

### 1. Main taxes and tax rates of the Company

Taxes	Tax bases	Tax rates	Note
Value-added tax (VAT)	The taxable amount calculated by multiplying the taxable sales amount by the applicable tax rate/collection rate and deducting the balance of input tax allowed to be deducted in the current period	3%–13%	
Urban maintenance and construction taxes	Turnover tax payable	1%、5%、7%	
Educational surcharge	Turnover tax payable	3%	
Local education surcharge	Turnover tax payable	2%	
Corporate income tax	Taxable income	16.5%、25%	

Description of income tax rates of different taxpayers:

In accordance with the provisions of the “Enterprise Income Tax Law of the People’s Republic of China” and the “Announcement of the State Administration of Taxation on Printing and Distributing the “Measures for the Administration of the Collection of Corporate Income Tax Collection for Cross-Regional Operations”” (State Administration of Taxation Announcement No. 57 of 2012), the Company implements the corporate income tax collection and management measures of “unified calculation, hierarchical management, on-site prepayment, consolidated liquidation, and fiscal adjustment”.

According to the Enterprise Income Tax Law of the People’s Republic of China, the Company applies the enterprise income tax rate of 25% from 1 January 2008; Central China International Holdings Co., Ltd. and its subsidiaries in Hong Kong apply the comprehensive profits tax rate of 16.5% in accordance with the relevant provisions of the Hong Kong Special Administrative Region.



# Notes to the Financial Statements

for the Year of 2021

## VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

#### (1) Details

Item	31 December 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
<b>Cash on hand</b>			<b>98,430.36</b>			<b>185,324.40</b>
RMB	72,965.39	1.0000	72,965.39	111,968.17	1.0000	111,968.17
HKD	26,493.97	0.8176	21,661.47	82,535.06	0.8416	69,464.81
CAD	760.00	5.0046	3,803.50	760.00	5.1203	3,891.42
<b>Deposits in bank</b>			<b>12,243,329,985.55</b>			<b>10,941,803,014.08</b>
Deposit account			<b>2,253,281,632.02</b>			<b>2,748,120,459.32</b>
RMB	2,076,811,748.81	1.0000	2,076,811,748.81	2,494,458,896.71	1.0000	2,494,458,896.71
USD	4,422,196.09	6.3757	28,194,595.60	20,547,255.32	6.5249	134,066,949.25
HKD	180,121,566.96	0.8176	147,267,393.15	141,461,731.71	0.8416	119,059,851.88
AUD	47,229.56	4.6220	218,295.03	47,229.09	5.0290	237,513.15
EUR	109,367.31	7.2197	789,599.20	29,609.31	8.0033	236,973.12
CAD	0.04	5.0046	0.20	0.04	5.1203	0.20
THB	0.16	0.1912	0.03	228,937.98	0.2174	49,779.75
JPY				165,957.00	0.0632	10,495.26
Client fund deposit			<b>9,990,048,353.53</b>			<b>8,193,682,554.76</b>
RMB	9,915,271,951.08	1.0000	9,915,271,951.08	8,104,738,687.41	1.0000	8,104,738,687.41
USD	3,502,779.41	6.3757	22,332,670.71	4,610,580.22	6.5249	30,083,211.61
HKD	63,067,824.23	0.8176	51,564,253.09	67,293,174.96	0.8416	56,636,640.55
EUR	120,799.16	7.2197	872,133.69	276,838.87	8.0033	2,215,633.25
JPY	132,544.62	0.0554	7,344.96	132,540.00	0.0632	8,381.94
<b>Other cash and bank balances</b>			<b>88,602,006.84</b>			<b>9,142,683.42</b>
RMB	88,602,006.84	1.0000	88,602,006.84	9,142,683.42	1.0000	9,142,683.42
<b>Total</b>			<b>12,332,030,422.75</b>			<b>10,951,131,021.90</b>

# Notes to the Financial Statements

for the Year of 2021

## 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 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate credit capital			128,976,290.40			70,219,206.05
RMB	34,356,321.36	1.0000	34,356,321.36	2,379,906.55	1.0000	2,379,906.55
HKD	115,728,924.95	0.8176	94,619,969.04	80,603,701.70	0.8416	67,839,299.50
Client credit capital			642,557,735.00			582,961,261.74
RMB	606,831,951.55	1.0000	606,831,951.55	528,880,625.85	1.0000	528,880,625.85
USD	271,849.13	6.3757	1,733,229.05	1,333,044.66	6.5249	8,697,857.34
HKD	41,576,020.55	0.8176	33,992,554.40	53,921,841.34	0.8416	45,382,778.55
Total			771,534,025.40			653,180,467.79

(2) As of 31 December 2021, the Company's cash which deposited overseas were RMB248,879,305.32, and mainly due to deposits made by Hong Kong subsidiaries.

(3) As of 31 December 2021, the Group has a restricted bank deposits totaling RMB15,174,127.73, mainly due to the Company to carry out asset management business and risk reserves deposited in banks.

Deposit bank	Bank account	Ending balance	Reason for restriction
Bank of China Limited Henan Branch Business Department	262469587289	15,174,127.73	Risk reserve account for asset management business
Bank of China Limited Henan Branch Business Department	262469586944		Risk reserve account for asset management business

# Notes to the Financial Statements

for the Year of 2021

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

### 2. Clearing settlement funds

Item	31 December 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
<b>Corporate reserve funds</b>			<b>111,297,791.00</b>			<b>91,228,910.05</b>
RMB	102,105,269.63	1.0000	102,105,269.63	82,146,097.14	1.0000	82,146,097.14
HKD	9,222,807.57	0.8176	7,540,567.47	10,234,072.57	0.8416	8,613,404.83
USD	235,994.84	6.3757	1,504,632.27	46,444.53	6.5249	303,041.53
EUR	19,482.27	7.2197	140,656.12	20,000.00	8.0033	160,066.63
JPY	94,697.30	0.0554	5,247.65	94,922.00	0.0632	6,002.95
MYR	651.00	1.5266	993.82	98.31	1.6185	159.11
GBP	49.27	8.6064	424.04	15.48	8.9057	137.86
<b>Client's ordinary reserve funds</b>			<b>2,164,814,240.23</b>			<b>1,975,873,287.75</b>
RMB	2,156,650,747.55	1.0000	2,156,650,747.55	1,972,225,042.98	1.0000	1,972,225,042.98
USD	1,129,908.11	6.3757	7,203,955.14	514,990.08	6.5249	3,360,258.77
HKD	1,173,602.67	0.8176	959,537.54	342,172.42	0.8416	287,986.00
<b>Client's credit reserve funds</b>			<b>282,107,089.23</b>			<b>311,997,890.20</b>
RMB	282,107,089.23	1.0000	282,107,089.23	311,997,890.20	1.0000	311,997,890.20
<b>Total</b>			<b>2,558,219,120.46</b>			<b>2,379,100,088.00</b>

### 3. Margin accounts receivable

#### (1) By categories

Item	31 December 2021	31 December 2020
<b>Within borders</b>		
Individual client	7,987,959,787.39	7,161,431,516.25
Institutional client	118,055,893.89	109,194,134.07
Less: provision for impairment	24,211,868.51	21,728,570.93
<b>Subtotal</b>	<b>8,081,803,812.77</b>	<b>7,248,897,079.39</b>
<b>Overseas</b>		
Individual client	73,778,914.10	157,193,911.35
Institutional client	45,205,207.56	48,511,514.39
Less: provision for impairment	52,770,791.38	53,845,391.75
<b>Subtotal</b>	<b>66,213,330.28</b>	<b>151,860,033.99</b>
<b>Total</b>	<b>8,148,017,143.05</b>	<b>7,400,757,113.38</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 3. Margin accounts receivable (continued)

#### (2) Details of collateral

Collateral type	31 December 2021	31 December 2020
Cash	846,581,309.11	732,150,639.06
Bonds	83,947,128.68	34,564,682.12
Stocks	22,948,357,125.90	22,251,473,685.92
Funds	1,974,185,701.01	94,132,329.50
<b>Total</b>	<b>25,853,071,264.70</b>	<b>23,112,321,336.60</b>

### 4. Derivative financial instruments

#### (1) 31 December 2021

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

# Notes to the Financial Statements

for the Year of 2021

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

### 4. Derivative financial instruments (continued)

#### (2) 31 December 2020

Item	Contractual value	Hedging instruments		Contractual value	Non-hedging instruments	
		Fair value			Fair value	
		Asset	Liability		Asset	Liability
Commodity futures	85,586,810.00		3,717,100.00	227,988,540.00	255,505.00	
Less: Offsetting with temporary receipts and payments			3,717,100.00		255,505.00	
Interest rate swaps				37,580,000,000.00	10,220,124.13	
Less: Offsetting with temporary receipts and payments					10,220,124.13	
National debt futures				2,608,688,300.00	404,482.44	
Less: Offsetting with temporary receipts and payments					404,482.44	
Stock options				5,329,975.80		57,980.91
<b>Total</b>	<b>85,586,810.00</b>			<b>40,422,006,815.80</b>		<b>57,980.91</b>

Under the non-debt settlement system on the current day, clearing settlement funds include the commodity futures, interest rate swaps and national debt futures held by the Company on 31 December 2021 and 31 December 2020. Derivative instruments such as commodity futures, interest rate swap, national debt futures under derivative financial assets/liability are listed as the net amount of RMB after offsetting with temporary receipts and payments (position profit and loss from settlement).

### 5. Refundable deposits

Item	31 December 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
<b>Trading margin</b>			<b>784,726,026.98</b>			<b>539,543,098.45</b>
RMB	783,870,927.98	1.0000	783,870,927.98	538,665,535.45	1.0000	538,665,535.45
HKD	500,000.00	0.8176	408,800.00	500,000.00	0.8416	420,820.00
USD	70,000.00	6.3757	446,299.00	70,000.00	6.5249	456,743.00
<b>Credit margin</b>			<b>11,900,318.58</b>			<b>10,618,496.40</b>
RMB	11,900,318.58	1.0000	11,900,318.58	10,618,496.40	1.0000	10,618,496.40
<b>Performance bonds</b>			<b>5,629,743.91</b>			<b>194,717,152.84</b>
RMB	5,629,743.91	1.0000	5,629,743.91	194,717,152.84	1.0000	194,717,152.84
<b>Total</b>			<b>802,256,089.47</b>			<b>744,878,747.69</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 6. Accounts receivable

#### (1) By categories

Item	31 December 2021	31 December 2020
Stock-pledged repurchase receivable	309,607,600.00	309,607,600.00
Bond interest receivable		54,079,800.00
Settlement receivable	35,330,595.98	43,148,113.18
Asset management fee receivable	42,993,026.05	33,462,467.93
Fees and commission receivable	21,474,920.01	45,840,692.93
Margin financing clients receivable	7,957,005.97	7,963,368.74
Others	17,074,028.66	1,004,903.94
Less: Provision for bad debts (According to the simplified model)	336,381,276.40	325,783,423.38
<b>Book value of accounts receivable</b>	<b>98,055,900.27</b>	<b>169,323,523.34</b>

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 2021, the balance of the stock-pledged repurchase receivable is RMB309,607,600.00, and the bad debt provision has been fully accrued.

#### (2) By evaluation methods

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

Continued:

# Notes to the Financial Statements

for the Year of 2021

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

### 6. Accounts receivable (continued)

#### (2) By evaluation methods (continued)

Item	31 December 2020			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	366,183,152.30	73.96	321,256,743.62	87.73
<b>Subtotal</b>	366,183,152.30	73.96	321,256,743.62	
Combination provision for bad debts				
Within 1 year	93,972,049.47	18.98	469,858.78	0.50
1-2 years	15,534,859.80	3.14	776,742.99	5.00
2-3 years	11,655,642.06	2.35	1,165,564.20	10.00
3-4 years	2,139,391.38	0.43	427,878.28	20.00
4-5 years	5,621,451.71	1.14	1,686,435.51	30.00
More than 5 years	400.00		200.00	50.00
<b>Subtotal</b>	128,923,794.42	26.04	4,526,679.76	
<b>Total</b>	495,106,946.72	100.00	325,783,423.38	

(3) Among the balance of accounts receivable at the end of period, the amount receivable from shareholder units holding more than 5% (including 5%) of the voting shares of the Company was **RMB1,967,868.64**, mainly for the accrued receivable of asset management fee income.

### 7. Financial assets held under resale agreements

#### (1) By business

Item	31 December 2021	31 December 2020
Agreed repurchase securities	<b>5,977,183.52</b>	9,847,902.11
Stock-pledged repurchase	<b>1,383,442,367.59</b>	1,707,498,529.86
Bonds outright repurchase		40,292,940.00
Bond-pledged repurchase	<b>24,991,123.29</b>	565,267,829.32
Less: provision for asset impairment	<b>441,540,598.96</b>	266,942,311.46
<b>Total</b>	<b>972,870,075.44</b>	2,055,964,889.83

# Notes to the Financial Statements

for the Year of 2021

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

### 7. Financial assets held under resale agreements (continued)

#### (2) By subjects

Item	31 December 2021	31 December 2020
Stocks	1,389,419,551.11	1,717,346,431.97
Bonds	24,991,123.29	605,560,769.32
Less: provision for asset impairment	441,540,598.96	266,942,311.46
Book Value	972,870,075.44	2,055,964,889.83

#### (3) Details of collateral

Collateral type	Fair value on 31 December 2021	Fair value on 31 December 2020
Stocks	2,717,820,013.50	2,792,479,921.43
Bonds		736,501,927.71
Total	2,717,820,013.50	3,528,981,849.14
Including: collateral that can be sold or re-collateralized		40,542,360.00
Collateral that has been sold or has been pledged again		40,542,360.00

Note: On 31 December 2021, the Company conducted a one-day reverse repurchase of government bonds (GC001) on the Shanghai Stock Exchange, with a quantity of 250,000, and obtained sufficient collateral.

#### (4) By residual maturity (margin accounts receivable acquired through stock-pledged repurchase)

Remaining period	31 December 2021	31 December 2020
Within 1 month		10,002,274.03
1-3 months		
3 months-1 year	728,821,679.20	735,430,249.94
More than 1 year	7,506,700.04	50,267,123.29
Over due	647,113,988.35	911,798,882.60
Total	1,383,442,367.59	1,707,498,529.86



# Notes to the Financial Statements

for the Year of 2021

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

Item	31 December 2020			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	795,699,647.26		911,798,882.60	1,707,498,529.86
Impairment allowance	1,363,745.09		265,570,503.11	266,934,248.20
<b>Book value</b>	<b>794,335,902.17</b>		<b>646,228,379.49</b>	<b>1,440,564,281.66</b>
<b>The value of Collateral</b>	<b>2,099,499,467.60</b>		<b>668,709,113.83</b>	<b>2,768,208,581.43</b>

# Notes to the Financial Statements

for the Year of 2021

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

Item	31 December 2020			
	Classified into FVTPL	Fair value Designated as FVTPL	Total	Initial cost Designated as FVTPL
Bonds	19,006,086,088.17		19,006,086,088.17	18,963,514,100.97
Public Offering of Fund	989,026,998.94		989,026,998.94	981,237,072.37
Stocks	1,269,140,125.07		1,269,140,125.07	1,428,922,123.23
Bank financing products	120,306,652.05		120,306,652.05	120,000,000.00
Brokerage asset management products	10,319,370.53		10,319,370.53	10,901,958.05
Private funds and partnerships	745,313,668.07		745,313,668.07	716,092,794.00
Others	452,379,595.94		452,379,595.94	430,000,000.00
<b>Total</b>	<b>22,592,572,498.77</b>		<b>22,592,572,498.77</b>	<b>22,650,668,048.62</b>

# Notes to the Financial Statements

for the Year of 2021

## 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 2021 and 31 December 2020, the balance of the Group's financial assets at fair value through profit or loss included RMB14,531,200.47 and RMB6,015,764.80 in securities financing, respectively.

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

Item	Reasons for restriction	Book value on 31 December 2021	Book value on 31 December 2020
Bonds	Pledged for repurchase financing, pledged for bond lending	12,216,894,246.31	13,222,864,812.00
Bonds	Exercise registration		193,466,175.35
Public offered funds	Securities lending	14,531,200.47	6,015,764.80
Stocks	Restricted by share reduction	208,110,954.86	220,030,319.58
Stocks	Restrictions on bulk trading	18,849,600.00	18,849,600.00

### 9. Financial assets measured at amortized costs

#### (1) Details

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

Item	31 December 2020			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	217,242,739.75	4,725,086.10	2,432,928.65	219,534,897.20
Private placement bonds	147,537,686.71		106,414,092.02	41,123,594.69
Assets management plans	244,388,050.00		48,877,610.00	195,510,440.00
<b>Total</b>	<b>609,168,476.46</b>	<b>4,725,086.10</b>	<b>157,724,630.67</b>	<b>456,168,931.89</b>

# Notes to the Financial Statements

for the Year of 2021

## 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
<b>1 January 2021</b>	23,041.81		157,701,588.86	157,724,630.67
Book value				
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Increase			159,520,806.13	159,520,806.13
Transfer back	23,041.81			23,041.81
Write off				
Difference from foreign currency translation			-2,528,005.43	-2,528,005.43
<b>31 December 2021</b>			314,694,389.56	314,694,389.56

### 10. Financial assets at fair value through other comprehensive income

#### (1) By categories

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

# Notes to the Financial Statements

for the Year of 2021

## 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 2020				Accumulated impairment of allowance
	Initial cost	Interest	Changes in fair value	Book value	
National debt	340,391,503.36	5,862,227.41	91,496.64	346,345,227.41	
Local government debt	506,205,995.05	7,092,082.20	2,894,304.95	516,192,382.20	294,239.63
Corporate debt	690,041,226.48	17,829,856.74	-73,300,586.48	634,570,496.74	70,379,414.90
Others	581,303,404.07	12,904,493.15	-2,510,854.50	591,697,042.72	301,305.30
<b>Total</b>	<b>2,117,942,128.96</b>	<b>43,688,659.50</b>	<b>-72,825,639.39</b>	<b>2,088,805,149.07</b>	<b>70,974,959.83</b>

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

Item	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses in lifetime (No credit impairment)	Stage 3 Expected credit losses in lifetime (Credit impairment)	Total
<b>1 January 2021</b>	1,266,559.83		69,708,400.00	70,974,959.83
Book value				
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Increase				
Transfer back	889,287.16			889,287.16
Write off				
<b>31 December 2021</b>	<b>377,272.67</b>		<b>69,708,400.00</b>	<b>70,085,672.67</b>

# Notes to the Financial Statements

for the Year of 2021

## 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 2021	Book value on 31 December 2020
Corporate debt	pledged for bond lending		30,822,180.41
Corporate debt	pledged for repurchase financing		132,078,473.98
Local government debt	pledged for repurchase financing		516,192,382.20
National debt	pledged for refinancing operations		295,212,638.37

### 11. Long-term equity investments

#### (1) By categories

Item	31 December 2021	31 December 2020
Long-term equity investment based on equity method	1,686,379,521.68	1,097,430,290.95
<b>Total</b>	<b>1,686,379,521.68</b>	<b>1,097,430,290.95</b>
Less: Impairment loss	26,500,318.60	30,154,117.51
<b>Net long-term equity investment</b>	<b>1,659,879,203.08</b>	<b>1,067,276,173.44</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 11. Long-term equity investments (continued)

#### (2) Investment in associates

Investee	Opening balance	Additional investment	Reducing investment	Increase/decrease				Provision for impairment	Closing balance	Impairment provision period-end balance
				Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits			
Henan Huatai Grain and Oil Machinery Co., Ltd.	5,941,268.76		4,600,000.00	372,266.93		-1,713,535.69			55,098,132.55	
Henan Zhongping Financing Guarantee Co., Ltd.	53,585,720.49			1,512,412.06						
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	20,580,791.00	5,503,437.50		-15,984,642.07					10,099,586.43	12,473,406.77
Zhengzhou Nongtao E-commerce Co., Ltd.	1,274,705.60							-268,789.24	1,005,916.36	
CSI Jiaotong Fund Management Co., Ltd.	20,259,530.65			-280,425.02					19,979,105.63	
Henan Investment Realistic Communication Co., Ltd.	942,625.91			-78,624.93					864,000.98	
Henan Shengrong Juyuan Venture Capital Fund (Limited Partnership)	77,237,635.85			-5,243,611.94					71,994,023.91	
Puyang Chuangying Industrial Investment Fund Co., Ltd.	1,809,940.63			-114,149.06					1,695,791.57	
Shangcai Zhongding Industrial Development Investment Fund (Limited Partnership)	2,425,115.24			-44,727.94					2,380,387.30	
Xinxiang Zhongding Technology Achievement Transformation Fund (Limited Partnership)	20,111,020.69			266,881.43					20,377,902.12	
Luoyang Guohong CSI Industry Development Investment Fund (Limited Partnership)	11,928,916.25			-393,001.97					11,535,914.28	
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)	53,969,593.37			-4,471,390.61					49,498,202.76	
Luoyang CSI Technology Innovation Venture Capital Fund (Limited Partnership)	11,013,547.47	9,800,000.00		-29,661.18					20,783,886.29	3,389,755.50
Luohu Huatui Permanent Magnetic Material Co., Ltd.	1,500,000.00								1,500,000.00	
Henan Zhonglian Equipment Manufacturing Technology Research Center Co., Ltd.	18,897,017.93			134,325.34					19,031,343.27	
Zhongyuan Environmental Capital Technology Co., Ltd.	16,398,673.20			-324,718.14					16,073,955.06	
Henan Jiaoguang Rongmei Information Technology Co., Ltd.	3,893,344.24			96,226.81					3,989,571.05	5,059,488.46
Henan Ruida Pharmaceutical Technology Co., Ltd.			3,476,571.60					3,476,571.60		
Zhengzhou IKEA Anhao Software Technology Co., Ltd.	11,573,088.51			478,950.38					12,052,038.89	
Zhengzhou Dahai Zhixin Technology Co., Ltd.	7,269,355.41			269,293.37					7,538,648.78	

# Notes to the Financial Statements

for the Year of 2021

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

### 11. Long-term equity investments (continued)

#### (2) Investment in associates (continued)

Investee	Opening balance	Additional Investment	Reducing investment	Increase/decrease					Closing balance	Impairment provision period-end balance
				Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment		
Zhengzhou Majia Agricultural Technology Co., Ltd.	1,403,826.09			6,440.31					1,410,266.40	
Henan Liying Environmental Protection Technology Co., Ltd.	24,575,575.97			2,422,445.68					26,998,021.65	
Henan Dudu Computer Technology Co., Ltd.	240,000.00								240,000.00	492,987.23
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	1,200,147.22			-224,336.12					975,811.10	
Minquan County Innovation Industry Investment Fund (Limited Partnership)	40,063,815.85		3,264,000.00	34,590,964.03			-12,859,792.82		58,530,987.06	
Qingdao Zhongzhou Lantai Beisheng Investment Management Center (Limited Partnership)	8,035,554.65		7,677,076.50	-358,478.15					2,063,598.17	
Henan Zhongyuan Big Data Trading Center Co., Ltd.	2,032,507.32			31,090.85					612,879,327.53	
Henan Asset Management Co., Ltd.	590,529,079.58			38,859,356.34	-2,405,906.43		-14,103,201.96		32,090,552.49	
Henan Dahecai Cube Media Holdings Co., Ltd.	31,989,736.84			1,600,815.65			-1,500,000.00		9,438,797.86	
Hebi Magnesium Trading Center Co., Ltd.	9,741,230.62			-302,432.76						
Shangcai Fengtuo Agriculture and Forestry Technology Co., Ltd.	4,976,131.23			-26,102.86					4,950,028.37	
2242257 Ontario Inc.	446,665.68							-11,941.03	434,724.65	5,084,680.64
Luoyang Desheng Biotechnology Co., Ltd.	11,430,011.19			-129,080.62					11,300,930.57	
Henan Central China Micro-Lending Co., Ltd.								573,067,750.00	573,067,750.00	
<b>Total</b>	<b>1,067,276,173.44</b>	<b>15,303,437.50</b>	<b>19,017,648.10</b>	<b>52,636,085.81</b>	<b>-2,405,906.43</b>	<b>-1,713,535.69</b>	<b>-28,462,994.78</b>	<b>-268,789.24</b>	<b>1,659,879,203.08</b>	<b>26,500,318.60</b>



# Notes to the Financial Statements

for the Year of 2021

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

### 11. Long-term equity investments (continued)

#### (2) Investment in associates (continued)

The Group inspected the book long-term equity investment on 31 December 2021, assessed the signs of impairment in combination with the operation, financial status and other factors of the invested entity, and conducted impairment test on this basis, as of 31 December 2021, the Group has accumulated a long-term equity investment impairment provision of RMB26,500,318.60.

Other transfers out in the current period are the disposal of the associated enterprise Zhengzhou IKEA Anhao Software Technology Co., Ltd. in the current period, and RMB3,476,571.60 of impairment provision has been transferred out; the sale of 15% equity of subsidiary Henan Central China Micro-Lending Co., Ltd., lost control and turned into a joint venture, RMB573,067,750.00 has been transferred in, others are translation differences of foreign currency statements.

### 12. Investment properties

Item	Buildings and structures	Total
<b>Original book value</b>		
1. Opening balance	33,882,398.45	33,882,398.45
2. Increase		
3. Decrease		
4. Closing balance	33,882,398.45	33,882,398.45
<b>Accumulated depreciation and accumulated amortization</b>		
1. Opening balance	17,408,309.44	17,408,309.44
2. Increase	807,981.73	807,981.73
(1) Accrual or amortization	807,981.73	807,981.73
3. Decrease		
4. Closing balance	18,216,291.17	18,216,291.17
<b>Provision for impairment</b>		
1. Opening balance		
2. Increase		
3. Decrease		
4. Closing balance		
<b>Book value</b>		
1. Closing book value	15,666,107.28	15,666,107.28
2. Opening book value	16,474,089.01	16,474,089.01

On 31 December 2021 and 31 December 2020, there is no provision for impairment of the Group's investment properties.

On 31 December 2021 and 31 December 2020, the Company's investment properties did not have a property right certificate yet to be completed.

# Notes to the Financial Statements

for the Year of 2021

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

### 13. Fixed assets

#### (1) Book Value

Item	31 December 2021	31 December 2020
Original value of fixed assets	519,653,139.17	518,939,792.67
Less: Accumulative depreciation	331,451,872.22	339,935,752.90
Less: Provision for asset impairments		
Total	188,201,266.95	179,004,039.77

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

Item	Buildings and structures	Electronic equipments	Transport facilities	Others	Total
<b>Original book value</b>					
1. Opening balance	158,278,328.85	316,266,557.75	23,955,154.00	20,439,752.07	518,939,792.67
2. Increase		37,768,955.17		3,099,317.99	40,868,273.16
(1) Acquisition		37,768,955.17		3,099,317.99	40,868,273.16
(2) Transferred in from investment properties					
3. Decrease		34,436,057.85	2,871,482.72	2,761,709.03	40,069,249.60
(1) Disposal or scrap		34,296,971.99	2,411,745.27	2,707,056.39	39,415,773.65
(2) Others		139,085.86	459,737.45	54,652.64	653,475.95
4. Difference by foreign currency		-45,106.07	-37,827.11	-2,743.88	-85,677.06
5. Closing balance	158,278,328.85	319,554,349.00	21,045,844.17	20,774,617.15	519,653,139.17
<b>Accumulative depreciation</b>					
1. Opening balance	57,680,241.87	246,559,345.70	19,653,921.67	16,042,243.66	339,935,752.90
2. Increase	4,166,944.17	22,259,658.03	1,079,091.55	1,551,582.38	29,057,276.13
(1) Accrual	4,166,944.17	22,259,658.03	1,079,091.55	1,551,582.38	29,057,276.13
(2) Transferred in from investment properties					
3. Decrease		32,514,853.95	2,364,331.43	2,596,305.73	37,475,491.11
(1) Disposal or scrap		32,406,060.63	2,202,632.95	2,550,968.50	37,159,662.08
(2) Others		108,793.32	161,698.48	45,337.23	315,829.03
4. Difference from foreign currency translation		-36,111.82	-27,190.92	-2,362.96	-65,665.70
5. Closing balance	61,847,186.04	236,268,037.96	18,341,490.87	14,995,157.35	331,451,872.22
<b>Provision for impairment</b>					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
<b>Book value</b>					
1. Closing book value	96,431,142.81	83,286,311.04	2,704,353.30	5,779,459.80	188,201,266.95
2. Opening book value	100,598,086.98	69,707,212.05	4,301,232.33	4,397,508.41	179,004,039.77

# Notes to the Financial Statements

for the Year of 2021

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

### 13. Fixed assets (continued)

- (3) The depreciation of the fixed asset recognized in the period is RMB29,057,276.13.
- (4) On 31 December 2021, the Group has no fixed assets temporarily idle.
- (5) On 31 December 2021, the Group has no fixed assets that have not completed the title certificate.

### 14. Construction in progress

#### (1) Details

Item	31 December 2021			31 December 2020		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Office building construction	58,641,526.64		58,641,526.64	52,427,024.00		52,427,024.00
<b>Total</b>	<b>58,641,526.64</b>		<b>58,641,526.64</b>	<b>52,427,024.00</b>		<b>52,427,024.00</b>

#### (2) No provision for impairment of construction in progress during the reporting period

# Notes to the Financial Statements

for the Year of 2021

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

### 15. Right-of-use assets

Item	Buildings and structures	Total
Original book value		
1. Opening balance	275,884,275.21	275,884,275.21
2. Increase	74,618,526.23	74,618,526.23
(1) Rent in	74,618,526.23	74,618,526.23
3. Decrease	23,780,074.04	23,780,074.04
(1) Lease expired	21,368,153.98	21,368,153.98
(2) Others	2,411,920.06	2,411,920.06
4. Difference by foreign currency	-1,062,877.00	-1,062,877.00
5. Closing balance	325,659,850.40	325,659,850.40
Accumulative depreciation		
1. Opening balance	112,851,111.95	112,851,111.95
2. Increase	76,100,281.34	76,100,281.34
(1) Accrual	76,100,281.34	76,100,281.34
3. Decrease	23,077,778.83	23,077,778.83
(1) Lease expired	20,835,117.13	20,835,117.13
(2) Others	2,242,661.70	2,242,661.70
4. Difference by foreign currency	-621,803.34	-621,803.34
5. Closing balance	165,251,811.12	165,251,811.12
Book value		
1. Closing balance	160,408,039.28	160,408,039.28
2. Opening balance	163,033,163.26	163,033,163.26

On 31 December 2021 and 31 December 2020, there is no provision for impairment of the Group's right-of-use assets.

# Notes to the Financial Statements

for the Year of 2021

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

### 16. Intangible assets

#### (1) Details

Item	Computer software	Seat fee	Land-use right	Others	Total
<b>Original book value</b>					
1. Opening balance	285,079,501.52	32,616,590.00	105,480,246.53	2,444,000.00	425,620,338.05
2. Increase	73,647,321.64				73,647,321.64
(1) Purchase	73,647,321.64				73,647,321.64
3. Decrease	4,348,726.73			430,000.00	4,778,726.73
(1) Disposal or scrap	3,493,250.03			430,000.00	3,923,250.03
(2) Others	855,476.70				855,476.70
4. Difference by foreign currency	-1,693.02	-24,040.00			-25,733.02
5. Closing balance	354,376,403.41	32,592,550.00	105,480,246.53	2,014,000.00	494,463,199.94
<b>Accumulative depreciation</b>					
1. Opening balance	185,750,073.97	31,608,283.48	17,799,791.34	2,444,000.00	237,602,148.79
2. Increase	35,245,079.36	49,999.92	2,637,006.12		37,932,085.40
(1) Accrual	35,245,079.36	49,999.92	2,637,006.12		37,932,085.40
3. Decrease	3,655,571.85			430,000.00	4,085,571.85
(1) Disposal or scrap	3,491,965.10			430,000.00	3,921,965.10
(2) Others	163,606.75				163,606.75
4. Difference by foreign currency	-1,693.02				-1,693.02
5. Closing balance	217,337,888.46	31,658,283.40	20,436,797.46	2,014,000.00	271,446,969.32
<b>Impairment allowance</b>					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
<b>Book value</b>					
1. Closing balance	137,038,514.95	934,266.60	85,043,449.07		223,016,230.62
2. Opening balance	99,329,427.55	1,008,306.52	87,680,455.19		188,018,189.26

(2) The amortization amount of intangible assets was RMB37,932,085.40 in the current period.

(3) On 31 December 2021 and 31 December 2020, the Group has no significant intangible assets used as collateral or guarantee.

# Notes to the Financial Statements

for the Year of 2021

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

### 16. Intangible assets (continued)

#### (4) Details of transaction seat fees

Item	Original balance	31 December 2020	Amortized or transferred	Accumulated amortization or roll-out	Difference by foreign currency	31 December 2021
Shanghai Stock Exchange A-shares	19,462,500.00			19,462,500.00		
Shenzhen Stock Exchange A-shares	11,812,450.00			11,812,450.00		
National SME Stock Transfer System Co., Ltd.	500,000.00	166,666.52	49,999.92	383,333.40		116,666.60
Hong Kong Stock Exchange	876,200.00	841,640.00			-24,040.00	817,600.00
<b>Total</b>	32,651,150.00	1,008,306.52	49,999.92	31,658,283.40	-24,040.00	934,266.60

# Notes to the Financial Statements

for the Year of 2021

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

### 17. Deferred income tax assets and deferred income tax liabilities

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

Item	31 December 2021	31 December 2020
<b>Deferred income tax assets</b>		
Provision for impairment of assets	290,552,437.32	243,561,201.63
Employee benefits payable	80,266,162.78	76,885,445.52
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	56,104,067.46	100,789,341.05
To be carried forward underwriting income and expenditure	1,529,211.22	3,045,778.89
Accrued expenses	2,549,011.50	2,507,002.68
Changes in fair value of financial assets at fair value through other comprehensive income	17,369,813.42	18,206,409.85
Changes in fair value of financial liabilities at fair value through profit or loss		1,524,273.16
Futures risk reserve	105,574.86	105,574.86
Others	37,985,384.78	18,109,620.45
<b>Total</b>	<b>486,461,663.34</b>	<b>464,734,648.09</b>
<b>Deferred income tax liabilities</b>		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	331,009.63	7,102,318.65
Others	38,232,098.03	7,139,218.34
<b>Total</b>	<b>38,563,107.66</b>	<b>14,241,536.99</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 17. Deferred income tax assets and deferred income tax liabilities (continued)

#### (2) Temporary difference items

Item	31 December 2021	31 December 2020
<b>Deductible temporary differences:</b>		
Provision for impairment of assets	1,197,550,274.94	1,019,083,812.61
Employee benefits payable	321,064,651.12	307,541,782.10
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	276,565,541.35	456,839,987.56
To be carried forward underwriting income and expenditure	6,116,844.88	12,183,115.56
Accrued expenses	10,196,046.00	10,028,010.72
Changes in fair value of financial assets at fair value through other comprehensive income	69,479,253.68	72,825,639.39
Changes in fair value of financial liabilities at fair value through profit or loss		6,097,092.66
Futures risk reserve	422,299.44	422,299.44
Others	177,002,458.23	89,776,909.66
<b>Total</b>	<b>2,058,397,369.64</b>	<b>1,974,798,649.70</b>
<b>Taxable temporary difference:</b>		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	1,324,038.51	28,409,274.59
Others	152,928,392.11	28,556,873.36
<b>Total</b>	<b>154,252,430.62</b>	<b>56,966,147.95</b>

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



# Notes to the Financial Statements

for the Year of 2021

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

### 18. Goodwill

Investee	31 December 2020	31 December 2020 Impairment loss	Generated from business combination in the current period	Difference from foreign currency translation	31 December 2021	31 December 2021 Impairment loss
Central China Futures Co., Ltd.	7,268,756.37				7,268,756.37	
Central China Financing International Co., Ltd.	12,614,035.24	1,576,209.93		-360,298.24	12,253,737.00	1,531,188.20
<b>Total</b>	<b>19,882,791.61</b>	<b>1,576,209.93</b>		<b>-360,298.24</b>	<b>19,522,493.37</b>	<b>1,531,188.20</b>

- (1) In 2007, the Company acquired 55.68% of Central China Futures Co., Ltd. (Original name: Yuliang Futures Brokerage Co., Ltd.). The difference between the fair value of the identifiable assets and liabilities of Central China Futures Co., Ltd. obtained by the merger cost exceeding the proportion is recognized as goodwill related to Central China Futures Co., Ltd.
- (2) Goodwill of the Group arose from its acquisition of 100% of Central China International Financial Holdings Co., Ltd. (Original name: Pan Asia Corporate Finance Limited) in 2016 with a merger consideration HKD24,416,272.00. The recognition of fair value is HKD7,556,040.59 and the difference is HKD16,860,231.41, which is converted into goodwill at the exchange rate on 31 December 2021.
- (3) The main cash flow generated by the above invested unit is independent of the other subsidiaries, and the Company separately manages the above subsidiaries. Therefore, each subsidiary is an asset group and the goodwill formed by the business combination with separately impairment test. The recoverable amount of the Company's goodwill is determined by the method of estimating the present value of future cash flows. The discount of cash flow is calculated using an appropriate discount rate and reflects the specific risks of the relevant asset group. As of 31 December 2021, according to impairment test of the goodwill, an impairment provision of RMB1,531,188.20 was made based on the estimated recoverable amount, changes from last period are translation of foreign currency statements.

# Notes to the Financial Statements

for the Year of 2021

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

### 19. Other assets

#### (1) Details

Item	31 December 2021	31 December 2020
Other receivables	151,334,689.18	208,187,453.87
Repaid expenses	26,860,381.26	8,724,860.09
Long-term deferred expenses	34,238,212.32	29,304,787.78
Pending underwriting expenses	627,901.97	758,196.90
Entrusted Loan		4,000,000.00
Loan		875,830,915.70
Commodity inventory	18,632,753.49	197,278,287.50
Clearing margin receivable	10,049,607.08	10,053,020.30
Pending deduct VAT on purchase	422,032.42	3,763,992.39
Futures membership	1,400,000.00	1,400,000.00
Interest receivable	216,514.54	1,262,539.54
Others	39,443,329.12	46,759,420.62
Total	283,225,421.38	1,387,323,474.69

#### (2) Other receivables

##### 1) Details

Item	31 December 2021	31 December 2020
Prepayments	65,039,968.23	37,802,104.67
Cash pledge	20,333,604.96	18,457,262.12
Equity transfer fund	28,000,000.00	28,000,000.00
Debt receivable	13,927,354.17	14,584,450.53
Margins	54,204,892.68	107,692,585.42
Withholding payment	110,990.67	193,064.03
Others	11,914,990.84	19,267,087.49
Less: Provision for bad debts	42,197,112.37	17,809,100.39
Book value	151,334,689.18	208,187,453.87

# Notes to the Financial Statements

for the Year of 2021

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

### 19. Other assets (continued)

#### (2) Other receivables (continued)

##### 2) By evaluation methods

Item	31 December 2021			31 December 2020		
	Book balance	Provision for bad debts	Proportion (%)	Book balance	Provision for bad debts	Proportion (%)
Separate provision for bad debts	106,993,990.36	35,581,660.44	33.26	133,831,876.43	12,785,582.57	9.55
<b>Subtotal</b>	<b>106,993,990.36</b>	<b>35,581,660.44</b>		<b>133,831,876.43</b>	<b>12,785,582.57</b>	
Combination provision for bad debts						
Within 1 year	51,131,838.12	255,661.24	0.50	56,469,157.79	282,345.90	0.50
1-2 years	12,398,855.20	619,942.76	5.00	18,713,083.99	935,654.20	5.00
2-3 years	6,371,639.49	637,163.95	10.00	9,355,826.17	935,582.62	10.00
3-4 years	9,313,471.55	1,862,694.31	20.00	2,391,853.82	478,370.76	20.00
4-5 years	2,105,068.77	631,520.63	30.00	1,129,068.48	338,720.54	30.00
More than 5 years	5,216,938.06	2,608,469.04	50.00	4,105,687.58	2,052,843.80	50.00
<b>Subtotal</b>	<b>86,537,811.19</b>	<b>6,615,451.93</b>		<b>92,164,677.83</b>	<b>5,023,517.82</b>	
<b>Total</b>	<b>193,531,801.55</b>	<b>42,197,112.37</b>		<b>225,996,554.26</b>	<b>17,809,100.39</b>	

#### 3) At the end of the period, there are no accounts receivable from related parties.

#### (3) Long-term deferred expenses

Item	31 December 2020	Increase	Deferred	Decrease	31 December 2021
Decoration expense, etc.	29,304,787.78	17,518,110.89	12,574,654.30	10,032.05	34,238,212.32
<b>Total</b>	<b>29,304,787.78</b>	<b>17,518,110.89</b>	<b>12,574,654.30</b>	<b>10,032.05</b>	<b>34,238,212.32</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 19. Other assets (continued)

#### (4) Entrusted loans

Item	31 December 2021	31 December 2020
Entrusted loans	22,563,560.95	34,416,951.35
Less: Provision for impairment of assets	22,563,560.95	30,416,951.35
Book value		4,000,000.00

#### (5) Loans

##### 1) By categories

Item	31 December 2021	31 December 2020
Individual		40,841,156.74
Agency		977,539,981.74
Less: Provision for asset impairments		142,550,222.78
Book value		875,830,915.70

##### 2) By the approach of credit enhancement

Item	31 December 2021	31 December 2020
Mortgage loan		165,098,079.70
Pledge loan		69,537,966.67
Guaranteed loan		771,612,802.11
Credit loan		12,132,290.00
Less: Provision for asset impairments		142,550,222.78
Book value		875,830,915.70

# Notes to the Financial Statements

for the Year of 2021

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

### 19. Other assets (continued)

#### (5) Loans (continued)

##### 3) Changes in loan impairment provision

Item	31 December 2020	Accrual	Transfer out	31 December 2021
Loan impairment provision	142,550,222.78	11,479,740.61	154,029,963.39	
<b>Total</b>	142,550,222.78	11,479,740.61	154,029,963.39	

### 20. Securities lending business

Item	31 December 2021	31 December 2020
Securities lending	<b>15,288,471.47</b>	6,015,764.80
— Financial assets at fair value through profit or loss	<b>14,531,200.47</b>	6,015,764.80
— Securities received through refinancing	<b>757,271.00</b>	
<b>Total amount of securities received through refinancing</b>	<b>4,454,060.00</b>	

As of 31 December 2021 and 31 December 2020, the Company has no significant margin trading business contracts overdue.

# Notes to the Financial Statements

for the Year of 2021

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

### 21. Detailed statement of provision for impairment of assets

#### (1) By changing details

Item	31 December 2020	Increase	Decrease Turn back	Transfer out	Others	Difference from foreign currency translation	31 December 2021
Provision for impairment of margin accounts receivable	75,573,962.68	2,483,297.58	950,322.72			-124,277.65	76,982,659.89
Provision for accounts receivable	325,783,423.38	10,808,127.71		185,163.47		-25,111.22	336,381,276.40
Provision for other receivable	17,809,100.39	24,739,015.95		325,040.77		-25,963.20	42,197,112.37
Provision for impairment of financial assets held under resale agreements	266,942,311.46	186,789,750.66	12,191,463.16				441,540,598.96
Provision for impairment of financial assets at amortized costs	157,724,630.67	159,520,806.13	23,041.81			-2,528,005.43	314,694,389.56
Provision for impairment of financial assets at fair value through other comprehensive income	70,974,959.83		889,287.16				70,085,672.67
Provision for impairment of other assets	9,967,776.77						9,967,776.77
Provision for impairment of loan	142,550,222.78	11,479,740.61		154,029,963.39			
Provision for impairment of entrusted loan	30,416,951.35		7,853,390.40				22,563,560.95
<b>Subtotal of provision for impairment of financial instruments and other items</b>	<b>1,097,743,339.31</b>	<b>395,820,738.64</b>	<b>21,907,505.25</b>	<b>154,540,167.63</b>		<b>-2,703,357.50</b>	<b>1,314,413,047.57</b>
Provision for impairment of long- term equity investments	30,154,117.51	268,789.24		3,476,571.60		-446,016.55	26,500,318.60
Provision for impairment of inventory		2,483,593.75		2,470,643.76			12,949.99
Provision for impairment of goodwill	1,576,209.93					-45,021.73	1,531,188.20
<b>Subtotal of provision for impairment of other assets</b>	<b>31,730,327.44</b>	<b>2,752,382.99</b>		<b>5,947,215.36</b>		<b>-491,038.28</b>	<b>28,044,456.79</b>
<b>Total</b>	<b>1,129,473,666.75</b>	<b>398,573,121.63</b>	<b>21,907,505.25</b>	<b>160,487,382.99</b>		<b>-3,194,395.78</b>	<b>1,342,457,504.36</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 21. Detailed statement of provision for impairment of assets (continued)

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

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

Item	31 December 2020			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	21,729,825.88	1,614,024.67	52,230,112.13	75,573,962.68
Provision for bad debts		9,550,197.58	334,042,326.19	343,592,523.77
Provision for impairment of financial assets held under resale agreements	1,371,808.35		265,570,503.11	266,942,311.46
Provision for impairment of financial assets at amortized costs	23,041.81		157,701,588.86	157,724,630.67
Provision for impairment of financial assets at fair value through other comprehensive income	1,266,559.83		69,708,400.00	70,974,959.83
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of loan	4,922,882.76	641,944.33	136,985,395.69	142,550,222.78
Provision for impairment of entrusted loan			30,416,951.35	30,416,951.35
<b>Total</b>	<b>29,314,118.63</b>	<b>11,806,166.58</b>	<b>1,056,623,054.10</b>	<b>1,097,743,339.31</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 22. Short-term loans

Item	31 December 2021	31 December 2020
Credit loans		42,082,000.00
Guaranteed loans (Note 1)	256,191,822.27	273,895,554.88
<b>Total</b>	<b>256,191,822.27</b>	<b>315,977,554.88</b>

Note 1: Guaranteed loans details:

- (1) As of 31 December 2021, guaranteed loans are loans of HKD77,600,000.00 borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. in the form of overseas loan under domestic guarantee. The term of loan does not exceed one year, and the annual interest rate of the loan is approximately Hibor+1.50%.
- (2) As of 31 December 2021, guaranteed loans are loans of HKD48,500,000.00 borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. in the form of overseas loan under domestic guarantee. The loan period does not exceed one year, and the annual interest rate of the loan is approximately Hibor+1.50%.
- (3) As of 31 December 2021, guaranteed loans are loans of HKD101,850,000.00 borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. in the form of overseas loan under domestic guarantee. The loan period does not exceed one year, and the annual interest rate of the loan is approximately Hibor+1.50%.
- (4) As of 31 December 2021, guaranteed loans are loans of HKD72,750,000.00 borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. in the form of overseas loan under domestic guarantee. The loan period does not exceed one year, and the annual interest rate of the loan is approximately Hibor+1.50%.
- (5) As of 31 December 2021, guaranteed loans are loans of RMB10,000,000.00 borrowed by subsidiary Yu Xing Investment Co., Ltd. from Zhengzhou High-tech Zone Branch of China Everbright Bank Co., LTD. The loan period does not exceed one year, and the annual interest rate of the loan is 5.20%.



# Notes to the Financial Statements

for the Year of 2021

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

### 23. Short-term financing instruments payable

Item	Par value	Start Date	Maturity	Issuing amount	Coupon rate	Book balance of 31 Dec. 2020	Increase	Decrease	Book balance of 31 Dec. 2021
18 Central China 01 (Note 1)	1,500,000,000.00	27 April 2018	3 years	1,500,000,000.00	5.58%	1,557,328,766.98	26,371,233.02	1,583,700,000.00	
19 Central China 01 (Note 2)	2,000,000,000.00	26 March 2019	3 years	2,000,000,000.00	3.90%		2,059,902,946.46		2,059,902,946.46
21 Central China S1 (Note 3)	1,000,000,000.00	20 May 2021	1 year	1,000,000,000.00	3.21%		1,019,875,616.43		1,019,875,616.43
21 Central China S2 (Note 4)	1,200,000,000.00	18 June 2021	1 year	1,200,000,000.00	3.35%		1,221,696,986.32		1,221,696,986.32
Income certificates (Note 5)	2,889,224,000.00	From 31 December 2020 to 31 December 2021	14~272 days	2,889,224,000.00	3.10%~6.00%	1,868,611,194.94	7,736,625,515.35	7,883,032,070.42	1,722,204,639.87
Guaranteed Bonds due 2021 (Note 6)	110,000,000.00 (USD)	15 September 2020	363 days	110,000,000.00 (USD)	5.20%	728,717,847.98	18,572,382.47	747,290,230.45	
19 Central China C1 (Note 7)	1,000,000,000.00	30 October 2019	3 years	1,000,000,000.00	4.90%		1,008,591,780.85		1,008,591,780.85
<b>Total</b>						4,154,657,809.90	13,091,636,460.90	10,214,022,300.87	7,032,271,969.93

Note 1: According to the resolution of the Central China Securities Co., Ltd. on the Company's issuance of domestic and foreign debt financing instruments and related authorizations adopted by the Company's third extraordinary shareholders' meeting in 2015, and the Shanghai Stock Exchange "Letter on No Objection to the Non-Public Issuance of Subordinated Bonds of Central China Securities Co., Ltd.," (Shangzheng Han [2017] No. 586), the Company could non-public issue subordinated bonds with a total amount of less than RMB10 billion to qualified investors. On 26 April 2018, the Company issued the first subordinated debt of 2018 with a face value of RMB1.5 billion and debt maturity of 3 years, the coupon rate was 5.58%

Note 2: According to the resolution of the Company's 2015 third interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors" (ZJXX [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 25 March 2019, the Company issued RMB2 billion of bonds with a maturity of 3 years and a coupon rate of 3.90%.

Note 3: According to the resolution of the Company's 2019 first interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Short-term Corporate Debt Certificates to Professional Investors" (ZJXX [2021] no. 377), the Company was allowed to publicly issue short-term corporate bonds with a total face value of no more than RMB5 billion. On 19 May 2021, the Company issued RMB1 billion of bonds with a maturity of 1 year and a coupon rate of 3.21%.

Note 4: According to the resolution of the Company's 2019 first interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Short-term Corporate Debt Certificates to Professional Investors" (ZJXX [2021] no. 377), the Company was allowed to publicly issue short-term corporate bonds with a total face value of no more than RMB5 billion. On 17 June 2021, the Company issued RMB1.2 billion of bonds with a maturity of 1 year and a coupon rate of 3.35%.

# Notes to the Financial Statements

for the Year of 2021

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

### 23. Short-term financing instruments payable (continued)

Note 5: As of 31 December 2021, the Company's existing proofs of income include Xinyi series proof of income of RMB33,264,000.00, Jinyi series proof of income of RMB832,564,000.00, Zunyi series proof of income of RMB436,382,000.00 and Rongyi series proof of income of RMB410,000,000.00, with a period of 14~341 days, the interest rate range is 3.10%~6.00%.

Note 6: Deliberated by the Company's 2020 third board resolution and approved by the Hong Kong Stock Exchange "Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong" approved by, Wending Zhongyuan Company Limited, a subsidiary of the Company, issued 363 days of USD110 million senior unsecured bonds on the Hong Kong Stock Exchange on 15 September 2020, with a coupon rate of 5.20%. The above bonds are provided by the Company's subsidiary CCIFHC as an unconditional and irrevocable guarantee, and the Company provides a maintenance agreement and a liquidity support agreement.

Note 7: According to the "Proposal of Central China Securities Co., Ltd. on the Company's Issuance of Domestic and Overseas Debt Financing Instruments and Related Authorizations" passed by the Company's third extraordinary general meeting in 2015, on October 29, 2019, the Company issued the first tranche of subordinated bonds in 2019 with a face value of 1 billion yuan, a bond maturity of 3 year and a coupon rate of 4.90%.

### 24. Due to banks and other financial institutions

#### (1) Categories

Item	31 December 2021	31 December 2020
Due to banks	2,900,742,263.92	1,990,620,444.45
Capital from refinancing		1,703,797,777.78
<b>Total</b>	<b>2,900,742,263.92</b>	<b>3,694,418,222.23</b>

#### (2) Residual maturity of capital from refinancing

Item	31 December 2021 Balance	Rate	31 December 2020 Balance	Rate
Within 1 month			503,004,444.45	2.80%
1-3 months			1,200,793,333.33	2.80%
3 months-1 year				
<b>Total</b>			<b>1,703,797,777.78</b>	

# Notes to the Financial Statements

for the Year of 2021

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

### 25. Financial liabilities at fair value through profit or loss

Item	31 December 2021		Total
	Classified into FVTPL	Fair value Designated as FVTPL	
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (Note2)	971,171,013.72		971,171,013.72
<b>Total</b>	<b>971,171,013.72</b>		<b>971,171,013.72</b>

Item	31 December 2020		Total
	Classified into FVTPL	Fair value Designated as FVTPL	
Bonds (Note 1)	778,986,314.11		778,986,314.11
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (Note 2)	577,240,268.93		577,240,268.93
<b>Total</b>	<b>1,356,226,583.04</b>		<b>1,356,226,583.04</b>

Note 1: As of 31 December 2020, the Group sold outright bonds to other financial institutions for financing business.

Note 2: In the consolidated financial statements, since the Group is obliged to pay other investors on the maturity date of the structured entity in accordance with the net book value and the relevant terms of the structured entity, the Group classifies the financial liabilities arising from the consolidated structured entity as financial liabilities at fair value through profit or loss.

# Notes to the Financial Statements

for the Year of 2021

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

### 26. Financial assets sold under repurchase agreements

#### (1) By categories

Item	31 December 2021	31 December 2020
Outright repurchase	559,050,286.48	170,134,478.47
Pledge-style repurchase	9,989,422,041.61	12,030,173,716.26
<b>Total</b>	<b>10,548,472,328.09</b>	12,200,308,194.73

#### (2) By subject categories

Item	31 December 2021	31 December 2020
Bonds	10,548,472,328.09	12,200,308,194.73
<b>Total</b>	<b>10,548,472,328.09</b>	12,200,308,194.73

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

Item	Fair value on 31 December 2021	Fair value on 31 December 2020
Bonds	12,261,286,301.56	13,375,777,049.15
<b>Total</b>	<b>12,261,286,301.56</b>	13,375,777,049.15

# Notes to the Financial Statements

for the Year of 2021

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

### 27. Accounts payable to brokerage clients

#### (1) Details

Item	31 December 2021	31 December 2020
General brokerage business		
Individual	10,147,554,339.10	9,183,094,149.35
Institution	1,541,998,240.91	594,826,211.62
Subtotal	11,689,552,580.01	9,777,920,360.97
Credit business		
Individual	829,911,582.98	758,296,288.57
Institution	52,333,649.49	19,013,901.71
Subtotal	882,245,232.47	777,310,190.28
<b>Total</b>	<b>12,571,797,812.48</b>	<b>10,555,230,551.25</b>

### 28. Employee benefits payable

#### (1) Categories

Item	31 December 2020	Increase	Decrease	31 December 2021
Short-term benefits	558,361,317.06	1,227,232,420.55	1,072,694,206.05	712,899,531.56
Post-employment benefit – defined contribution plans	3,012,356.72	121,748,362.95	69,939,888.58	54,820,831.09
Dismissal benefit	558,864.39	981,204.55	1,127,417.95	412,650.99
<b>Total</b>	<b>561,932,538.17</b>	<b>1,349,961,988.05</b>	<b>1,143,761,512.58</b>	<b>768,133,013.64</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 28. Employee benefits payable (continued)

#### (2) Short-term benefits

Item	31 December 2020	Increase	Decrease	31 December 2021
Wages, bonuses, allowances and subsidies	456,297,497.60	1,058,440,020.76	928,603,843.00	586,133,675.36
Welfare	34,212.67	29,643,062.44	29,627,238.00	50,037.11
Social insurance contribution	1,295.00	44,573,981.78	44,459,230.30	116,046.48
Including: Medical insurance	510.35	33,129,623.21	33,015,532.84	114,600.72
Work-related injury insurance	334.55	617,539.05	617,392.36	481.24
Maternity insurance	195.10	622,043.31	621,603.25	635.16
Supplementary medical insurance	255.00	10,195,349.35	10,195,604.35	
Others		9,426.86	9,097.50	329.36
Housing funds		48,144,122.67	48,144,122.67	
Labor union and employee education costs	102,028,311.79	46,431,232.90	21,859,772.08	126,599,772.61
<b>Total</b>	<b>558,361,317.06</b>	<b>1,227,232,420.55</b>	<b>1,072,694,206.05</b>	<b>712,899,531.56</b>

#### (3) Post-employment benefit — defined contribution plans

Item	31 December 2020	Increase	Decrease	31 December 2021
Basic pension	83,998.29	61,034,057.26	61,061,006.91	57,048.64
Unemployment insurance	4,609.78	2,628,894.38	2,630,387.52	3,116.64
Enterprise annuity insurance	2,923,748.65	58,085,411.31	6,248,494.15	54,760,665.81
<b>Total</b>	<b>3,012,356.72</b>	<b>121,748,362.95</b>	<b>69,939,888.58</b>	<b>54,820,831.09</b>

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 2021, 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 2021

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

### 29. Taxes payable

Item	31 December 2021	31 December 2020
Enterprise income tax	54,615,252.06	114,101,377.09
Individual income tax	53,853,381.05	9,375,343.19
Value added tax	10,754,713.60	5,327,159.86
Urban maintenance and construction tax	988,889.28	1,262,668.74
Educational surcharge	730,725.07	899,695.79
Property tax	378,945.02	396,512.17
Land holding tax	59,419.92	59,419.92
Others	239,633.74	181,907.79
<b>Total</b>	<b>121,620,959.74</b>	<b>131,604,084.55</b>

### 30. Accounts payable

Item	31 December 2021	31 December 2020
Open-end fund liquidation	107,259,863.08	52,036,482.97
Securities liquidation	1,618,809.53	1,584,687.23
Bank custody fee	5,298,606.20	4,289,034.57
Others	29,416,941.71	7,964,367.83
<b>Total</b>	<b>143,594,220.52</b>	<b>65,874,572.60</b>

### 31. Contract liabilities

Item	31 December 2021	31 December 2020
Expense and commission advance receipt	6,321,674.96	13,434,590.75
Trade advance receipt	550,458.72	13,061,090.66
<b>Total</b>	<b>6,872,133.68</b>	<b>26,495,681.41</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 32. Long-term borrowings

Categories	31 December 2021	31 December 2020
Credit borrowings		1,001,741.67
<b>Total</b>		<b>1,001,741.67</b>

### 33. Bonds payable

Item	Face value (10K)	Start Date	Maturity	Issuing amount	Coupon rate	31 December 2020 book balance	Increase	Decrease	31 December 2021 book balance
19 Central China C1	100,000	30 October 2019	3 years	100,000	4.90%	1,008,591,780.85	40,408,219.15	1,049,000,000.00	
19 Central China 01	200,000	26 March 2019	3 years	200,000	3.90%	2,059,237,739.24	18,762,260.76	2,078,000,000.00	
20 Central China C1 (Note 1)	150,000	23 April 2020	3 years	150,000	4.08%	1,542,420,821.93	61,200,000.02	61,200,000.00	1,542,420,821.95
21 Central China 01 (Note 2)	100,000	5 March 2021	3 years	100,000	4.03%		1,032,608,330.62		1,032,608,330.62
21 Central China C1 (Note 3)	110,000	22 October 2021	3 years	110,000	4.70%		1,110,196,388.84		1,110,196,388.84
<b>Total</b>	<b>660,000</b>			<b>660,000</b>		<b>4,610,250,342.02</b>	<b>2,263,175,199.39</b>	<b>3,188,200,000.00</b>	<b>3,685,225,541.41</b>

Note 1: According to the resolution of the Company's the first extraordinary Shareholders' meeting in 2019, the Company was approved by the Shanghai Stock Exchange issued the "Letter of Objection to The Listing and Transfer of Bonds issued by Non-Public Subordinated Companies of Central China securities Co., Ltd. (SSE Letter [2020] No. 544), the Company can non-public issue subordinated bonds with a total amount of not more than RMB3 billion to qualified investors. On 22 April 2020, the Company issued RMB1.5 billion of bonds with a maturity of 3 years and a coupon rate of 4.08%.

Note 2: According to the resolution of the Company's 2015 third interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors" (ZJXK [2019] No. 326), The Company is allowed to publicly issue corporate bonds with a total face value of no more than RMB3 billion to qualified investors. On 4 March 2021, the Company issued RMB1 billion of bonds with a maturity of 3 years and a coupon rate of 4.03%.

Note 3: According to the resolution of the Company's the first extraordinary Shareholders' meeting in 2019, the Company was approved by the Shanghai Stock Exchange issued the "Letter of Objection to The Listing and Transfer of Bonds issued by Non-Public Subordinated Companies of Central China securities Co., Ltd. (SSE Letter [2020] No. 544), the Company can non-public issue subordinated bonds with a total amount of not more than RMB3 billion to qualified investors. On 21 October 2021, the Company issued the first subordinated bonds of RMB1.1 billion with a term of 3 years and a coupon rate of 4.70%. Note: The effective date of the SSE letter is March 2021, but due to the impact of the epidemic, the Shanghai Stock Exchange extended the validity period of approval to December 2021 to support the fight against the epidemic.



# Notes to the Financial Statements

for the Year of 2021

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

### 34. Lease liabilities

Item	31 December 2021	31 December 2020
Lease liabilities	157,162,685.95	157,698,672.45
Including: less than 1 year	62,127,455.74	63,101,382.10
<b>Total</b>	<b>157,162,685.95</b>	<b>157,698,672.45</b>

Note: The items leased by the Company are mainly houses and buildings. The Group rents houses and buildings as office space, and office space leasing usually lasts for a period of 1 to 5 years.

### 35. Other liabilities

#### (1) Details

Item	31 December 2021	31 December 2020
Other payables	208,850,990.00	249,046,172.59
Receipts in advance	139,877,623.23	60,275,715.32
Futures risk reserve	28,591,019.48	25,085,590.18
Investor protection fund	22,289,893.73	4,346,572.63
Others	2,349,825.03	5,669,348.97
<b>Total</b>	<b>401,959,351.47</b>	<b>344,423,399.69</b>

#### (2) Other payables

Item	31 December 2021	31 December 2020
Equity transfer payable	102,200,000.00	105,205,000.00
Warranty Deposit (note 1)	1,782,900.00	92,651,296.00
Withholding supervision fees, rent, utilities, etc.	23,622,382.40	14,063,675.84
Temporary receipts	40,075,920.00	
Others	41,169,787.60	37,126,200.75
<b>Total</b>	<b>208,850,990.00</b>	<b>249,046,172.59</b>

Note 1: The book value of the pledged bulk commodity inventory set by the Company's subsidiaries for warehouse receipt pledge financing business is RMB2,256,766.10, and the book value of the pledged bulk commodity inventory set for after-sales repurchase financing business is RMB0.00.

# Notes to the Financial Statements

for the Year of 2021

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

### 35. Other liabilities (continued)

#### (3) Futures risk reserve

The Company's subsidiary, Central China Futures Co., Ltd. according to the "Provisional Regulations on the Financial Management of Commodity Futures Trading", calculates the futures risk reserve based on 5% of the net income of the futures brokerage business fee income minus the futures exchange fee and pays it to the current profit and loss. When the risk reserve is used to make up for losses due to its own reasons or when the risk loss that is difficult to recover risk losses, the balance of the futures risk reserve is offset.

### 36. Share capital

Item	31 December 2020	Issued	Bonus shares	Increase/decrease Shares transferred from reserves	Other	Subtotal	31 December 2021
Total share capital	4,642,884,700.00						4,642,884,700.00

### 37. Capital reserve

Item	31 December 2020	Increase	Decrease	31 December 2021
Premium on share capital	6,575,163,079.07			6,575,163,079.07
Other capital reserves	-244,540,261.39	27,466,131.91	56,228,366.13	-273,302,495.61
<b>Total</b>	<b>6,330,622,817.68</b>	<b>27,466,131.91</b>	<b>56,228,366.13</b>	<b>6,301,860,583.46</b>

Note: Changes in capital reserves-other capital reserves in the current period were formed due to the transfer of subsidiaries and associates this year.

# Notes to the Financial Statements

for the Year of 2021

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

### 38. Other comprehensive income

Item	31 December 2020	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 2021
				Less: Income tax	Total			
OCI to be reclassified subsequently to profit or loss	12,549,125.88	-790,763.55	12,016,437.66	614,274.64	-13,421,475.85	-13,421,475.85		-872,349.97
Including: the change of the fair value of FVTOCI	-54,619,229.53	14,507,196.80	11,160,811.09	836,596.43	2,509,789.28	2,509,789.28		-52,109,440.25
Credit impairment allowance of FVTOCI	53,231,219.86	-33,660.59	855,626.57	-222,321.79	-666,965.37	-666,965.37		52,564,254.49
Other comprehensive income convertible to profit or loss under the equity method	2,433,175.41	-2,405,906.43			-2,405,906.43	-2,405,906.43		27,268.98
Difference by foreign currency	11,503,960.14	-12,858,393.33			-12,858,393.33	-12,858,393.33		-1,354,433.19
<b>Total</b>	<b>12,549,125.88</b>	<b>-790,763.55</b>	<b>12,016,437.66</b>	<b>614,274.64</b>	<b>-13,421,475.85</b>	<b>-13,421,475.85</b>		<b>-872,349.97</b>

### 39. Surplus reserve

Item	31 December 2020	Increase	Decrease	31 December 2021
Statutory reserve	663,853,582.46	46,769,454.97		710,623,037.43
Discretionary reserve	174,504,665.33	23,384,727.49		197,889,392.82
<b>Total</b>	<b>838,358,247.79</b>	<b>70,154,182.46</b>		<b>908,512,430.25</b>

### 40. General risk reserve

Item	31 December 2020	Increase	Decrease	31 December 2021
The funds for general risk provision	782,419,033.04	64,831,637.09	18,874,049.38	828,376,620.75
The funds for transactional risk provision	659,099,780.36	46,769,454.97		705,869,235.33
<b>Total</b>	<b>1,441,518,813.40</b>	<b>111,601,092.06</b>	<b>18,874,049.38</b>	<b>1,534,245,856.08</b>

General risk reserves include the general risk reserves and transaction risk reserves provide by the Company and its subsidiaries. For details, please refer to Note IV. 28.

# Notes to the Financial Statements

for the Year of 2021

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

### 41. Retained earnings

Item	FY 2021	FY 2020
<b>Retained earnings at the closing of prior year</b>	<b>102,780,913.15</b>	88,232,726.32
Adjusted		
<b>Retained earnings at the beginning of the period</b>	<b>102,780,913.15</b>	88,232,726.32
Add: Net profit attributable to owners of the parent company	<b>513,210,337.25</b>	104,302,038.78
Less: Statutory reserve	<b>46,769,454.97</b>	20,182,639.89
Discretionary reserve	<b>23,384,727.49</b>	10,091,319.94
General risk reserve	<b>64,831,637.09</b>	39,297,252.23
Transaction risk reserve	<b>46,769,454.97</b>	20,182,639.89
Distribution of common stock dividends	<b>157,858,079.80</b>	
Others	<b>18,874,049.38</b>	
<b>Balance at the end of current period</b>	<b>295,251,945.46</b>	102,780,913.15

# Notes to the Financial Statements

for the Year of 2021

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

### 42. Net interest income

Item	FY 2021	FY 2020
Interest income	1,017,022,199.16	959,869,249.40
Including: Interest income from bank balances and clearing settlement funds	244,851,893.64	246,792,924.19
Interest income on margin accounts receivable	540,699,231.26	477,557,852.19
Interest income from financial assets held under resale agreements	80,633,423.43	82,777,504.62
Including: interest income from agreed repurchase	923,065.44	996,809.98
Interest income from stock-pledged repurchase	71,017,634.31	46,354,779.03
Interest income from financial assets measured at amortized cost	4,700,029.38	15,031,439.52
Interest income from financial assets at fair value through other comprehensive income	71,303,021.58	54,322,352.87
Interest income from loan	74,834,346.84	81,401,501.07
Interest income from entrusted loans		496,861.31
Others	253.03	1,488,813.63
<b>Interest expense</b>	<b>878,674,689.37</b>	<b>858,771,546.11</b>
Including: Interest expense of loans	16,824,922.61	46,006,968.10
Interest expense of short-term financing instruments payable	124,439,414.26	40,983,987.06
Interest expense of due to banks and other financial institutions	60,198,833.27	77,148,662.74
Including: interest expense of refinancing interest	29,744,335.78	30,440,555.57
Interest expense of financial assets sold under repurchase agreements	314,223,872.18	263,724,123.51
Interest expense of accounts payable to brokerage clients	40,063,204.19	37,816,799.16
Interest expense of bonds payable	301,919,366.87	363,302,104.60
Including: interest expense of subordinated bonds	147,031,829.42	267,812,580.47
Interest expense of bond lending	10,271,094.68	15,528,329.95
Others	10,733,981.31	14,260,570.99
<b>Net interest income</b>	<b>138,347,509.79</b>	<b>101,097,703.29</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 43. Net fee and commission income

#### (1) Details

Item	FY 2021	FY 2020
Securities brokerage services net income	722,184,615.47	702,390,449.73
— Securities brokerage services income	938,102,542.89	901,944,748.51
— Funds received as agent of stock exchange	873,331,959.37	849,557,071.59
Leasing of trading unit seats	185,702.18	489,128.51
Sales agent of financial products	64,487,543.89	51,559,606.38
— Securities brokerage services expense	215,917,927.42	199,554,298.78
— Funds received as agent of stock exchange	215,830,631.47	199,399,805.52
Sales agent of financial products	55,091.74	30,611.75
Futures brokerage business net income	123,551,409.22	88,254,594.49
— Futures brokerage business income	186,802,331.83	125,000,223.60
— Futures brokerage business expense	63,250,922.61	36,745,629.11
Investment bank business net income	635,907,867.58	206,756,722.44
— Investment bank business income	644,656,912.82	217,653,553.36
— Securities underwriting business	577,416,845.10	114,957,161.13
Sponsor business of securities	21,642,673.67	29,729,145.23
Financial advisory business	45,597,394.05	72,967,247.00
— Investment bank business expenses	8,749,045.24	10,896,830.92
— Securities underwriting business	4,414,185.24	9,313,489.57
Sponsor business of securities	751,014.78	567,107.20
Financial advisory business	3,583,845.22	1,016,234.15
Asset management business net income	37,289,783.89	47,316,049.98
— Asset management business income	37,397,073.12	47,758,408.04
— Asset management business expense	107,289.23	442,358.06
Fund management business net income	11,940,569.81	13,254,217.54
— Fund management business income	18,940,480.98	13,254,217.54
— Fund management business expense	6,999,911.17	
Investment consulting business net income	73,962,961.66	81,561,242.32
— Investment consulting business income	73,962,961.66	81,561,242.32
— Investment consulting business expense		
Other fee and commission net income	31,971,254.88	32,665,010.33
— Other fee and commission income	31,971,254.88	32,811,519.76
— Other fee and commission expense		146,509.43
<b>Total</b>	<b>1,636,808,462.51</b>	<b>1,172,198,286.83</b>
<b>Including: total fee and commission income</b>	<b>1,931,833,558.18</b>	<b>1,419,983,913.13</b>
<b>total fee and commission expense</b>	<b>295,025,095.67</b>	<b>247,785,626.30</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 43. Net fee and commission income (continued)

#### (2) Net income from financial advisory business

Item	FY 2021	FY 2020
Net income from mergers and acquisitions financial advisory business — domestic listed company	4,943,396.23	18,537,735.84
Net income from mergers and acquisitions financial advisory business — others	866,037.73	1,499,999.99
Others	36,204,114.87	51,913,277.02
<b>Total</b>	<b>42,013,548.83</b>	<b>71,951,012.85</b>

#### (3) Income from agency sales of financial assets

Item	FY 2021		FY 2020	
	Total sales	Income from handling charges and commissions	Total sales	Income from handling charges and commissions
Funds	8,037,222,981.02	64,487,543.89	6,506,725,198.64	51,559,606.38
<b>Total</b>	<b>8,037,222,981.02</b>	<b>64,487,543.89</b>	<b>6,506,725,198.64</b>	<b>51,559,606.38</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 44. Investment income

#### (1) By categories

Item	FY 2021	FY 2020
Long-term equity investments income calculated by equity method	52,636,085.81	53,783,145.31
Deposital income of long-term equity investment	31,527,095.80	135,461,265.95
Financial instruments investment income	504,231,764.71	417,408,393.21
Including: Income generated during holding period	386,332,380.21	552,723,899.77
Including: Financial assets at fair value through profit or loss	833,364,501.56	764,610,338.43
Financial liabilities at fair value through profit or loss	-447,032,121.35	-211,886,438.66
Disposal income of financial instruments	117,899,384.50	-135,315,506.56
Including: Financial assets at fair value through profit or loss	216,856,716.72	-74,667,012.96
Financial assets at fair value through other comprehensive income	8,066,690.95	10,380,784.48
Derivative financial instruments	-84,891,659.76	-118,841,465.29
Financial liabilities at fair value through profit or loss	-22,132,363.41	47,812,187.21
<b>Total</b>	<b>588,394,946.32</b>	<b>606,652,804.47</b>

#### (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 2021
Classified into financial assets measured at fair value through profit or loss	Holding period income	833,364,501.56
	Deposital income	216,856,716.72
Designated as financial assets measured at fair value through profit or loss	Holding period income	
	Deposital income	
Classified into financial liabilities measured at fair value through profit or loss	Holding period income	-447,032,121.35
	Deposital income	-22,132,363.41
Designated as financial liabilities measured at fair value through profit or loss	Holding period income	
	Deposital income	



# Notes to the Financial Statements

for the Year of 2021

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

### 45. Gains on changes in fair value

Item	FY 2021	FY 2020
Financial assets at fair value through profit or loss Including: designated as financial assets measured at fair value through profit or loss	480,105,778.89	-30,313,666.81
Financial liabilities at fair value through profit or loss Including: designated as financial liabilities measured at fair value through profit or loss	6,097,092.65	-9,215,030.06
Derivative financial instruments	3,283,109.56	-8,995,479.58
<b>Total</b>	<b>489,485,981.10</b>	<b>-48,524,176.45</b>

### 46. Other operating income

Item	FY 2021	FY 2020
Commodity sales income	1,542,937,699.11	1,244,565,859.25
Penalty interest income from stock pledge business	8,452,385.62	13,747,986.54
Rental income	2,702,045.88	2,872,125.98
Others	2,940,760.91	3,317,511.08
<b>Total</b>	<b>1,557,032,891.52</b>	<b>1,264,503,482.85</b>

### 47. Gains from assets disposal

Item	FY 2021	FY 2020
Non-current asset disposal income	69,744.36	-20,777.16
Including: fixed asset disposal income	69,744.36	-20,777.16
<b>Total</b>	<b>69,744.36</b>	<b>-20,777.16</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 48. Other income

#### (1) Detail of other income

Item	FY 2021	FY 2020
Government grants	9,130,585.76	10,742,594.24
<b>Total</b>	<b>9,130,585.76</b>	<b>10,742,594.24</b>

#### (2) Description of major government grants included in other income

- ① According to the Financial Support Qualification Notice of Pudong New Area (Pufu Finance [2017] No. 0082), the Company complies with the relevant provisions of "The Financial Support Measures for promoting the Development of financial Industry in Pudong New Area during the 13th Five-Year Plan period" and is qualified to enjoy the financial support of Pudong New Area. The financial support fund of RMB6,089,000.00 allocated by The Financial Services Bureau of Pudong New Area of Shanghai in 2021 has been included in other income according to the relevant provisions of accounting standards.
- ② According to the notice released by Ministry of Human Resources and Social Security, Ministry of Finance, National Development and Reform Commission, Ministry of Industry and Information Technology, "The notice of Unemployment Insurance Supporting Enterprises to Stabilize Employment" (Ren She Bu Fa · [2019] No. 23), in 2021, the Company and its subsidiaries received a government grants of RMB1,126,856.29 for job stabilization, which was included in other income according to the relevant provisions of accounting standards.
- ③ In accordance with the relevant provisions of Notice released by the Ministry of Finance, The State Administration of Taxation and The People's Bank of China, "The Notice On Further Strengthening the Management of Tax Withholding and Collection" (Cai Hang [2019] No. 11), the Company and its subsidiaries received RMB1,732,429.47 of individual income tax commission refund from the government in 2021 and it was included in other income according to the relevant provisions of accounting standards.

### 49. Taxes and surcharges

Item	FY 2021	FY 2020
City maintenance and construction tax	10,244,658.25	9,175,747.94
Educational surcharges	7,829,214.10	6,576,545.43
Others	3,957,274.01	3,623,017.80
<b>Total</b>	<b>22,031,146.36</b>	<b>19,375,311.17</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 50. Business and administrative expenses

Item	FY 2021	FY 2020
Employee benefits	1,349,961,988.05	933,714,457.22
Depreciation of right-of-use assets	76,100,281.34	75,348,822.39
Electronic equipment operating fees	41,221,527.48	45,233,347.00
Amortization of intangible assets	37,932,085.40	31,145,351.42
Depreciation of fixed assets	37,707,679.54	7,811,652.08
Communication fees	29,340,249.64	17,212,389.01
Consulting fees	29,057,276.13	32,922,568.19
Intermediary service fee	20,722,753.66	15,984,081.27
Member fees	18,820,477.38	18,440,320.11
Amortization of long-term deferred expenses	17,893,421.01	13,465,692.06
Business entertainment expenses	16,213,352.81	15,615,489.85
Traveling expenses	14,715,810.11	12,038,255.41
Securities investors protection funds	14,169,433.62	12,623,148.95
Property management fee	12,574,654.30	13,585,931.11
Others	87,531,511.60	88,943,326.70
<b>Total</b>	<b>1,803,962,502.07</b>	<b>1,334,084,832.77</b>

Note: The business and administrative expenses for the current period include audit fees of RMB4,974,620.14, which including audit services fees of RMB4,129,881.09 and other non-audit service fees of RMB844,739.05.

### 51. Expected credit losses

Item	FY 2021	FY 2020
Provision for bad debts	35,547,143.66	6,441,529.85
Provision for impairment of financial assets at amortized costs	159,497,764.32	21,475,768.72
Provision for impairment of financial assets at fair value through other comprehensive income	-889,287.16	70,774,304.74
Loan loss provision	11,479,740.61	59,653,102.85
Entrusted loan loss provision	-7,853,390.40	9,612,488.41
Provision for impairment of margin accounts receivable	1,532,974.86	8,226,439.80
Provision for impairment of financial assets held under resale agreements	174,598,287.50	166,368,476.54
Others		2,408,888.39
<b>Total</b>	<b>373,913,233.39</b>	<b>344,960,999.30</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 52. Other assets impairment losses

Item	FY 2021	FY 2020
Provision for impairment of inventory	2,483,593.75	24,645,128.84
Impairment loss of long-term equity investments	268,789.24	5,530,697.19
Impairment loss of goodwill		1,665,500.52
<b>Total</b>	<b>2,752,382.99</b>	<b>31,841,326.55</b>

### 53. Other operating costs

Item	FY 2021	FY 2020
Cost of commodity sold	1,506,521,199.17	1,223,165,735.20
Investment property depreciation	807,981.73	815,580.92
Others	327,971.52	242,027.21
<b>Total</b>	<b>1,507,657,152.42</b>	<b>1,224,223,343.33</b>

### 54. Non-operating income

#### (1) Details

Item	FY 2021	FY 2020	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	36,033.78	2,516.80	36,033.78
Government grants	3,702,933.31	4,446,320.46	3,702,933.31
Others	14,997,414.63	1,411,615.78	14,997,414.63
<b>Total</b>	<b>18,736,381.72</b>	<b>5,860,453.04</b>	<b>18,736,381.72</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 54. Non-operating income (continued)

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

- (1) According to the relevant provisions of the "Notice of the People's Government of Tianhe District, Guangzhou on Printing and Distributing Several Policy Opinions on Promoting High-quality Economic Development in Tianhe District" (STFG [2020] No. 3) the Company received an incentive fund of RMB1,200,000.00 from the Tianhe District Commerce and Finance Bureau in 2021 for the establishment of regional headquarters of financial institutions in Tianhe District. According to the relevant accounting standards, it is required to be included in non-operating income.
- (2) In accordance with the relevant provisions of "The Notice on Further Promoting the Development Policies and Measures of the Qingdao Wealth Management and Financial Comprehensive Reform Pilot Zone" (QZBF [2018] No.18) issued by the General Office of the Qingdao Municipal People's Government, the Company received the policy incentive funds of RMB1,850,393.36 from the local government of Laoshan District, Qingdao in 2021. According to the relevant accounting standards, it was included in non-operating income

#### (3) Notes of others included in non-operating income:

Others mainly represent the default penalty paid by the counterparty of the spot contracts in basis trading due to default.

### 55. Non-operating expenses

Item	FY 2021	FY 2020	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	1,611,982.80	1,416,680.46	1,611,982.80
Donations and sponsorship expenditures	8,096,459.00	5,548,811.00	8,096,459.00
Others	1,344,658.66	3,680,453.18	1,344,658.66
<b>Total</b>	<b>11,053,100.46</b>	10,645,944.64	11,053,100.46

### 56. Income tax expenses

#### (1) Income tax expenses

Item	FY 2021	FY 2020
Current income tax expenses	196,135,407.28	156,173,707.05
Deferred income tax expenses	-28,939,914.57	-114,262,405.27
<b>Total</b>	<b>167,195,492.71</b>	41,911,301.78

# Notes to the Financial Statements

for the Year of 2021

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

### 56. Income tax expenses (continued)

#### (2) Reconciliation of accounting profit to income tax expenses

Item	FY 2021
Profit before tax	718,215,361.99
Tax at the applicable tax rate	179,553,840.50
Effect of different tax rates applicable to subsidiaries	21,456,648.01
Effect of prior income tax reconciliation	-7,688,266.84
Effect of non-taxable incomes	-84,500,717.92
Effect of non-deductible costs, expenses and losses	7,685,993.57
Effect of utilization of deductible losses not previously recognized	
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	41,651,140.26
Others	9,036,855.13
<b>Income tax expenses</b>	<b>167,195,492.71</b>

### 57. Earnings per share

Item	FY 2021	FY 2020
Net profit attributable to owners of the parent company	513,210,337.25	104,302,038.78
Non-recurring net profit and loss attributable to owners of the parent company	22,855,326.04	8,579,668.46
Net profit attributable to owners of the parent company after deducting non-recurring gains and losses	490,355,011.21	95,722,370.32
Weighted average number of ordinary shares outstanding	4,642,884,700.00	4,191,493,200.00
<b>Basic earnings per share</b>	<b>0.11</b>	<b>0.02</b>
<b>Basic earnings per share after deducting non-recurring gains and losses</b>	<b>0.11</b>	<b>0.02</b>

As of 31 December 2021 and 31 December 2020, 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 2021

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

### 58. Items of the cash flow statement

#### 1) Other cash received related to operating activities

Item	FY 2021	FY 2020
Liquidation	55,257,502.41	
Non-operating income	27,830,933.70	15,188,914.70
Other operating income	1,557,032,891.52	1,264,503,482.85
Loans	74,834,346.84	219,464,346.95
Inventory changes	178,645,534.01	
Changes in margin receivables	53,487,692.74	
Others	69,520,464.33	7,700,390.07
<b>Total</b>	<b>2,016,609,365.55</b>	<b>1,506,857,134.57</b>

#### 2) Other cash payments related to operating activities

Item	FY 2021	FY 2020
Inventory		113,286,307.99
Increase in refundable deposits	57,378,977.09	349,703,814.84
Payment of business and administrative expenses	298,336,216.86	247,367,702.44
Other operating costs	1,506,849,169.72	1,223,407,762.41
Others	123,680,796.68	164,887,579.18
<b>Total</b>	<b>1,986,245,160.35</b>	<b>2,098,653,166.86</b>

#### 3) Other cash payments related to financing activities

Item	FY 2021	FY 2020
Cash payments for acquiring minority shareholders' equity		28,000,000.00
Cash payments to repay lease liabilities	78,788,455.53	77,920,515.87
Others	94,840,433.19	27,534,113.64
<b>Total</b>	<b>173,628,888.72</b>	<b>133,454,629.51</b>

# Notes to the Financial Statements

for the Year of 2021

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

### 59. Supplementary information on consolidated cash flow statement

#### (1) Supplementary information on consolidated cash flow statement

Item	FY 2021	FY 2020
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	551,019,869.28	102,119,090.37
Add: Expected credit loss	373,913,233.39	344,960,999.30
Provision for impairment of other assets	2,752,382.99	31,841,326.55
Depreciation of investment properties and fixed assets	29,865,257.86	33,738,149.11
Right-of-use asset depreciation	76,100,281.34	75,348,822.39
Amortization amount of intangible assets	37,932,085.40	31,145,351.42
Amortization of long-term prepaid expenses	12,574,654.30	13,585,931.11
Losses on disposal of fixed assets, intangible assets and other long-term assets (or revenue: "-")	1,506,204.66	1,434,940.82
Gains and losses on changes in fair value (or revenue: "-")	-489,485,981.10	48,524,176.45
Interest expenses	443,183,703.74	459,039,225.10
Exchange losses (or revenue: "-")	-1,578,376.60	3,348,221.20
Investment losses (or revenue: "-")	-168,232,923.52	-268,978,988.13
Decrease in deferred income tax assets (or increase: "-")	-53,461,717.88	-120,245,657.79
Increase in deferred income tax liabilities (or decrease: "-")	24,521,803.31	5,983,252.52
Decrease of operating receivable (or increase: "-")	-1,601,883,580.40	892,744,752.34
Increase of operating payable (or decrease "-")	-195,140,806.06	-283,786,470.45
Net cash flow from operating activities	-956,413,909.29	1,370,803,122.31
<b>2. Significant investing and financing business not related to cash receipts and payments:</b>		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets rented in under finance leases		
<b>3. Net increase/(decrease) in cash and cash equivalents</b>		
Closing balance of cash	14,870,067,135.88	13,312,322,291.24
Less: Opening balance of cash	13,312,322,291.24	11,805,475,726.56
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash equivalent and cash	1,557,744,844.64	1,506,846,564.68



# Notes to the Financial Statements

for the Year of 2021

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

### 59. Supplementary information on consolidated cash flow statement (continued)

#### (2) Cash and cash equivalents

Item	31 December 2021	31 December 2020
Cash	<b>14,870,067,135.88</b>	13,312,322,291.24
Including: Cash on hand	<b>98,430.36</b>	185,324.40
Bank deposits available for payment	<b>12,224,208,660.72</b>	10,924,832,764.95
Other cash	<b>88,602,006.84</b>	9,142,683.42
Clearing settlement funds	<b>2,557,158,037.96</b>	2,378,161,518.47
Cash equivalents		
Including: bond investment maturing within three months		
Cash and cash equivalents at the end of the period	<b>14,870,067,135.88</b>	13,312,322,291.24

#### 60. Assets with restricted ownership or use rights

Item	Book value as of 31 December 2021	Reasons
Cash and bank balances	<b>15,174,127.73</b>	Risk reserve account for asset management business
	<b>12,216,894,246.31</b>	Pledged for repurchase financing, pledged for bond lending
Financial assets at fair value through profit or loss	<b>18,849,600.00</b>	Restricted by bulk trading
	<b>14,531,200.47</b>	Securities lending
	<b>208,110,954.86</b>	Share Reduction and Restriction
Inventory	<b>2,256,766.10</b>	Pledge for warehouse financing

# Notes to the Financial Statements

for the Year of 2021

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

### 61. Entrusted asset management business

Item	Collective asset management business	Single asset management business	Special asset management business
Product quantity at the end of the period	29.00	5.00	2.00
Number of customers at the end of the period	26,168.00	5.00	5.00
Including: individual customers	26,123.00		
Institutional clients	45.00	5.00	5.00
Entrusted funds at the beginning of the period	4,743,456,975.63	3,446,864,014.02	591,854,372.22
Including: Own capital investment	25,400,068.05		304,476,073.61
Individual clients	1,973,254,923.58		
Institutional clients	2,744,801,984.00	3,446,864,014.02	287,378,298.61
Entrusted funds at the end of the period	5,631,365,502.34	2,256,105,150.42	451,888,652.41
Including: Own capital investment	10,000,149.71		279,614,073.61
Individual clients	2,583,062,017.22		
Institutional clients	3,038,303,335.41	2,256,105,150.42	172,274,578.80
Initial cost of main entrusted assets at the end of the period	4,935,222,521.37	2,929,646,627.40	270,790,931.66
Including: Stocks	15,587,349.23	15,855,916.94	
National debt			
Other bonds	2,503,721,705.82	2,691,792,710.46	
Funds	17,604,119.91	221,998,000.00	70,931.66
Trust plans	2,385,500,000.00		
Others	12,809,346.41		270,720,000.00
Net income of asset management business in the current period	26,841,389.25	10,299,395.41	148,999.23

# Notes to the Financial Statements

for the Year of 2021

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

### 62. Foreign currency

Item	Amount of original currency as of 31 December 2021	Exchange rate	RMB amount as of 31 December 2021
Cash and bank balances			
Including: USD	7,924,975.50	6.3757	50,527,266.31
EUR	230,166.47	7.2197	1,661,732.89
HKD	243,215,885.16	0.8176	198,853,307.71
CAD	760.04	5.0046	3,803.70
AUD	47,229.56	4.6220	218,295.03
JPY	132,544.62	0.0554	7,344.96
THB	0.16	0.1912	0.03
Clearing settlement funds			
Including: USD	1,365,902.95	6.3757	8,708,587.41
HKD	10,396,410.24	0.8176	8,500,105.01
JPY	94,697.30	0.0554	5,247.65
MYR	651.00	1.5266	993.82
GBP	49.27	8.6064	424.04
EUR	19,482.27	7.2197	140,656.12
Refundable deposits			
Including: USD	70,000.00	6.3757	446,299.00
HKD	500,000.00	0.8176	408,800.00
Accounts receivable			
Including: HKD	19,422,348.60	0.8176	15,879,712.22
USD	3,274,375.19	6.3757	20,876,433.90
JPY	522,500.00	0.0554	28,946.50
MYR	18,584.00	1.5266	28,370.33
GBP	1,688.33	8.6064	14,530.44
Other receivables			
Including: HKD	10,962,029.28	0.8176	8,962,555.14
USD	200,001.08	6.3757	1,275,146.89
Accounts payable to brokerage clients			
Including: USD	6,736,254.82	6.3757	42,948,339.83
HKD	32,095,923.72	0.8176	26,241,627.26
EUR	39,862.88	7.2197	287,798.03
JPY	655,040.00	0.0554	36,289.22
MYR	18,584.00	1.5266	28,370.33
GBP	1,688.33	8.6064	14,530.44
Short-term loans			
Including: HKD	301,095,808.93	0.8176	246,175,933.38
Accounts payable			
Including: HKD	581,572.20	0.8176	475,493.43
Other payables			
Including: HKD	129,824,207.71	0.8176	106,144,272.22
USD	155.67	6.3757	992.51

# Notes to the Financial Statements

for the Year of 2021

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

### 63. Overseas business entities

The consolidated statements of the Company from January 2021 to December 2021 include overseas subsidiaries such as Central China International Financial Holdings Co., Ltd., Central China International Securities Co., Ltd., Central China International Futures Co., Ltd., Central China International Investment Co., Ltd., Central China International Financing Co., Ltd., Central China International Holdings Co., Ltd., Central China International Financial Group Ltd., and Wending Zhongyuan Co., Ltd. The assets and liabilities in the foreign currency balance sheet are exchanged at the spot exchange rate on the balance sheet date (HK\$1: RMB0.8176); the owner's equity items, except for the "undistributed profits", are exchanged at the spot exchange rate when the business occurs; the income and expense items in the income statement are exchanged at the approximate exchange rate of the spot exchange rate on the transaction date (the average exchange rate of the current period is HK\$1: RMB0.829996). 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. Disposal of subsidiaries

#### (1) Single disposal of investment in subsidiaries and lose control

Subsidiaries	Equity disposal price	Equity disposal rate (%)	Equity disposal method	Date of lose control	Determination basis for the point of lose control	The difference between the disposal price and the share of the subsidiary's net assets at the consolidated financial statement level corresponding to the disposal investment
Henan Central China Micro-Lending Co., Ltd.	162,261,400.00	15.00	Paid transfer	2021/12/31	Henan Provincial Local Financial Supervision and Administration Bureau approved	-5,091,636.74

Subsidiaries	Proportion of remaining equity on the date of lose control (%)	Book value of remaining equity on the date of lose control	Fair value of remaining equity at the date of lose control	Gain or loss from remeasurement of remaining equity at fair value	Determination method and main assumptions of fair value of remaining equity on the date of lose control	Amount transferred from other comprehensive income related to origin subsidiaries equity investment to investment profit and loss
Henan Central China Micro-Lending Co., Ltd.	50.00	557,843,455.80	573,067,750.00	15,224,294.20	According to the evaluation report	

# Notes to the Financial Statements

for the Year of 2021

## VII. CHANGES IN THE SCOPE OF CONSOLIDATION

### 2. Changes in the scope of consolidation due to other reasons

In 2021, some structured entities that were included in the scope of consolidation in the previous period were liquidated in the current period and will no longer be included in the scope of consolidation, as follows:

No	Structured entities	Liquidation end date
1	Central China Securities Huimin No. 1 Collective Asset Management Plan	25 November 2021
2	Alliance 17 Collective Asset Management Plan	30 September 2021
3	Zhongjing No. 1 collective asset management plan	30 September 2021

## VIII. EQUITY IN OTHER ENTITIES

### 1. Equity in subsidiaries

#### (1) Composition of enterprise groups

Name of subsidiary	Main places of business	Places of registration	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Central China Futures Co., Ltd.	Zhengzhou	Zhengzhou	Futures brokerage	51.36		Acquisition
Yuxin Investment Management (Shanghai) Co. Ltd	Zhengzhou	Shanghai	Investment management		51.36	Investment establishment
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Zhengzhou	Beijing	Private equity investment fund management	100.00		Investment establishment
Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.	Zhengzhou	Luoyang	Equity investment management		60.00	Investment establishment
Central China Blue Ocean Investment Management Co., Ltd.	Zhengzhou	Xuchang	Alternative investment	100.00		Investment establishment
Central China Equity Exchange Co., Ltd.	Zhengzhou	Zhengzhou	Regional equity market	35.00		Investment establishment
Central China International Financial Holdings Co., Ltd.	Hong Kong	Hong Kong	Investment holding	100.00		Investment establishment
Central China International Holdings Co., Ltd.	Hong Kong	British Virgin Islands	Holding company		100.00	Investment establishment
Central China International Financial Group Ltd.	Hong Kong	Cayman Islands	Holding company		100.00	Investment establishment
Central China Financing International Co., Ltd.	Hong Kong	Hong Kong	Investment bank		100.00	Acquisition
Central China International Securities Co., Ltd.	Hong Kong	Hong Kong	Securities brokerage		100.00	Investment establishment
Central China International Investment Co., Ltd.	Hong Kong	Hong Kong	The securities investment		100.00	Investment establishment
Central China International Futures Co., Ltd.	Hong Kong	Hong Kong	Futures brokerage		100.00	Investment establishment
Wending Zhongyuan Co., Ltd.	Hong Kong	British Virgin Islands	Other		100.00	Investment establishment

# Notes to the Financial Statements

for the Year of 2021

## 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 three other investors. Through this agreement, the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd.

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

As of 31 December 2021, as the executive partner of the partnership, the Company and its subsidiaries owned Henan Zhongyuan Science and Innovation Venture Capital Fund (Limited Partnership), Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership), Henan Zhongzheng Kaiyuan Yucai Agricultural Venture Capital Fund (Limited Partnership) and Anyang Purun High-tech Industry Investment Fund (Limited Partnership). The Company can control them. Therefore, the above four partnerships are included in the scope of consolidation.

According to the provisions of the Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements, the Company regards the Company as the manager, participates with its own funds, bears significant variable returns related to product income, and meets the definition of “control” in the newly revised accounting standards for business enterprises in 2014, a total of 1 collective asset management plan products is included in the scope of consolidated statements.

As of 31 December 2021, the details of important structured entities included in the consolidation scope are as follows:

Structured Entities Name	Proportion of Shares		Direct/Indirect Investment
	Total Share/ Registered Capital	Held by the Company on 31 December 2021	
Tianyuan 1 Collective Asset Management Plan	11,156,838.36	40.78%	Indirect
Henan Central China Science and Innovation Venture Capital Fund	500,000,000.00	50.00%	Indirect
Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership)	110,000,000.00	15.00%	Indirect
Henan Zhongzheng Kaiyuan Yucai Agricultural Venture Capital Fund (Limited Partnership)	100,000,000.00	20.00%	Indirect
Anyang Purun High-Tech Industry Investment Fund (Limited Partnership)	100,000,000.00	13.00%	Indirect

# Notes to the Financial Statements

for the Year of 2021

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 1. Equity in subsidiaries (continued)

#### (2) Important non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit and loss attributable to minority shareholders in the current period	Dividends declared to be distributed to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period	Remarks
Central China Futures Co., Ltd.	48.64	9,677,442.14	6,741,919.80	216,740,687.83	
Central China Equity Exchange Co., Ltd.	65.00	73,769,481.88	14,088,200.00	287,522,175.52	

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

Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a concerted action agreement with three other investors. Through this agreement, the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd.

#### (3) Main financial information of important non-wholly owned subsidiaries

The main financial information of these subsidiaries is the amount before mutual offset between enterprises in the Company, but after adjustment of fair value and unified accounting policies on the merger date:

Item	Ending balance/Current amount	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	1,998,238,078.41	510,565,352.87
Total liabilities	1,562,801,697.20	65,892,944.72
Operating income	1,620,634,370.08	165,888,004.18
Net profit	19,894,829.97	113,491,510.58
Total comprehensive income	19,894,829.97	113,491,510.58
Cash flow from operating activities	484,649,224.57	-27,355,490.17

# Notes to the Financial Statements

for the Year of 2021

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 1. Equity in subsidiaries (continued)

#### (3) Main financial information of important non-wholly owned subsidiaries (continued)

Item	Opening balance/Previous period	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	1,909,882,870.38	383,792,372.43
Total liabilities	1,480,481,319.14	29,948,274.86
Operating income	1,354,079,151.89	86,890,028.71
Net profit	18,121,553.88	27,069,279.52
Total comprehensive income	18,121,553.88	27,069,279.52
Cash flow from operating activities	-107,950,595.16	-39,512,190.67

### 2. Rights and interests in joint ventures and associates

#### (1) Summary financial information of unimportant joint ventures and associates

Item	Ending balance/ Current period	Opening balance/ Previous period
Total book value of investment in associates	1,659,879,203.08	1,067,276,173.44
The total of the following items calculated according to the shareholding ratio		
Net profit	52,636,085.81	53,783,145.31
Other comprehensive income	-2,405,906.43	181,829.12
Total comprehensive income	50,230,179.38	53,964,974.43

#### (2) Unconfirmed commitments related to joint venture investment

The Company has no commitments that need to be disclosed.

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

The Company has no contingencies that need to be disclosed.



# Notes to the Financial Statements

for the Year of 2021

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

### 3. Equity in structured entities not included in the scope of consolidated financial statements

The structured entities initiated and established by the Company that are not included in the scope of consolidated financial statements mainly include collective asset management plans, single asset management plans, special asset management plans, and partnerships. The nature and purpose of these structured entities are mainly to manage investors' assets and charge management fees. Their financing method is to issue investment products to investors. The rights and interests enjoyed by the Company in these structured entities not included in the scope of consolidated financial statements mainly include the income from directly holding investments or collecting management fees through managing these structured entities. The variable return related to product income enjoyed by the Company is not significant, so such structured entities are not consolidated.

As of 31 December 2021, the total assets of the collective asset management plan managed by the Group that are not included in the scope of the consolidated financial statements are RMB 8,098,607,820.82, the total assets of the single asset management plan are RMB 205,767,891.49, the total assets of the special asset management plan are RMB 439,935,508.01, and the total assets of the partnership are RMB 1,075,744,001.12.

As of 31 December 2021, the Group's equity in structured entities not included in the scope of consolidated financial statements is classified as trading financial assets, debt investment, and management fees and commissions receivable included in accounts receivable. The relevant book value and maximum risk exposure are as follows:

Items	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss	2,173,401,808.84	1,328,580,602.71
Debt investment and receivables	490,195,882.80	487,750,503.80
Total	2,663,597,691.64	1,816,331,106.51

# Notes to the Financial Statements

for the Year of 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS

The Group's risk management objective is to uphold the risk management concept of matching capital, risk and income, so as to bear appropriate risks, achieve the optimal balance of business scale, profitability and risk tolerance, and bring sustained and stable profit returns to shareholders. The Group's risk management strategy aims to identify and evaluate various risks faced by the Group, set an appropriate risk tolerance level, timely and reliably measure and monitor risks, and ensure that risks are controlled within an acceptable range.

The main risks faced by the Group include: credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risk. The Group has adopted risk management policies and procedures to identify and assess these risks, established appropriate risk indicators, risk limit levels, risk policies and internal control procedures, and continuously monitored and managed risks through the information system.

The organizational structure of risk management is divided into four levels, including (i) The board of directors and the board of supervisors; (ii) Risk control committee, audit committee and management; (iii) Compliance management headquarters, legal affairs headquarters, risk management headquarters and audit headquarters; and (iv) Departments, branches and subsidiaries.

### Level 1: Board of directors and board of supervisors

The Board of Directors is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and specifying the direction and scope of the Company's risk control work, and authorizing relevant management departments to exercise the executive power.

The board of supervisors assumes the responsibility of overseeing the overall risk management, with the core of supervising the Company's business and management business in compliance with laws and regulations and overseeing the Company's finances, including monitoring the performance of risk control duties of the Company's directors, senior management and relevant responsible persons, safeguarding the Company's assets, and minimizing financial and legal risks the Company faces in carrying out its business operations, so as to protect the legal rights and interests of the Company and its shareholders.

### Level 2: Risk Control Committee, Audit Committee and Managers

Risk Control Committee, Audit Committee and Managers are the second level of the Company's risk control framework, and are responsible for preparing the comprehensive annual report on risk control; reviewing risk control strategies and significant risk control solutions; reviewing judgment criteria for major decisions, significant risks, major events and key business processes and the risk evaluation report for major decision-making; reviewing risk control evaluation report submitted by the Risk Management Department; reviewing the organization structure and roles and responsibilities for risk control, as well as other matters as delegated by the Board of Directors. The managers assume primary responsibility for overall risk management, formulate and adjust the Company's risk management system; establish and improve the Company's comprehensive risk management business management structure, clarify the division of responsibilities of comprehensive risk management functional departments, business departments and other departments in risk management, establish an effective check-and-balance and mutually coordinated operating mechanism between departments; formulate specific implementation plans for risk appetite, risk tolerance, and major risk limits to ensure their effective implementation; the main point of risk oversight and timely analysis of the reasons, and processed under the authority of the board of directors; regularly assess the Company's overall risk management and all kinds of important risk situations, risk management to solve the problems in the report to the Board; establish a performance appraisal system covering the effectiveness of risk management; establish a complete information technology system and data quality control mechanism.

# Notes to the Financial Statements

for the Year of 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

Level 3: Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters

At the third level of the Company's risk control framework is the collaborative comprehensive risk management arrangement through which the Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters work together to manage risks.

The main responsibilities of the Compliance Management Headquarters: assisting the Chief Compliance Officer to formulate and implement compliance policies, systems and procedures; tracking changes in laws, regulations and standards, making management recommendations to the senior management in a timely manner, and supervising relevant departments to evaluate, modify and improve relevant systems and business processes; conducting compliance review on internal management system, major decisions, new products and new business plans; providing compliance consulting advice to the Company's management and various branches and subsidiaries, and supervising and inspecting the compliance of their business and management activities; organizing compliance training and publicity to cultivate the Company's compliance culture; organizing the implementation of information isolation and conflict of interest prevention management requirements; assisting the Chief Compliance Officer to take the lead in organizing of money laundering risk management; organizing the monitoring and management of employees' securities investment behavior and abnormal customer transactions; organizing compliance assessment and accountability to enhance the effectiveness of compliance management; performing the compliance reporting obligations to the Board of Directors, the Board of Supervisors, senior management, regulatory authorities and self-regulatory organizations as required.

The main responsibilities of the Legal Affairs Headquarters: under the leadership of the Company's board of directors and the board of supervisors, assist the Company's managers to build a legal management system and legal risk prevention mechanism, participate in the Company's major economic business, provide legal opinions for major business decisions, and be responsible for Company contract management, litigation and arbitration management and asset preservation, responsible for the selection, management, and evaluation of the Company's legal consultants and selection of litigation lawyers, and provide legal support and consulting services for the Company's business management and the business development of various departments and branches, and organize the development legal education and training, organize and implement the prevention of illegal fund-raising, guide and coordinate affiliated enterprises to carry out legal risk prevention.

Risk Management Headquarters carries out risk control business in accordance with risk control objectives and policies laid down by the Board of Directors; provides recommendations to the Risk Management Committee for improving the Company's risk control environment in terms of risk control policies, objectives, corporate governance structure and internal controls; formulates risk management rules and procedures for the Company, supports the review of risk management rules and procedures, measures, risk management processes and risk control indicators developed by each business and management departments, and continuously supplements, improves and updates risk control policies to help establish sound comprehensive corporate risk control mechanisms across the Company; identifies, assesses, and monitors various risks in business operations and transactions, and on this basis, establish and improve the cycle processing and feedback process of risk policy, risk identification, risk assessment and measurement, risk control, risk monitoring, risk reporting and analysis; regularly inspect, monitor, and evaluate the implementation of risk control systems and procedures by various departments, branches and subsidiaries, and if necessary, conduct regular or irregular inspections on the implementation of risk control, and deal with the risks found in a timely manner and implement relevant reporting procedures; establish communication and cooperation in risk control with various departments, branches and subsidiaries.

# Notes to the Financial Statements

for the Year of 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

### 1. Credit risk

Credit risk refers to the risk of losses due to defaults by financing parties, counterparties or issuers. The Company's credit risks mainly come from financial assets which include bank balances, clearing settlement funds, financial assets at fair value through other comprehensive income, financial assets held under resale agreements, financial assets at amortized costs, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited, with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or China Securities Depository and Clearing Corporation Limited the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Company invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 31 December 2021 and 31 December 2020, the collateral value of the Group's customers is sufficient to resist the credit risk of financing business.

The Group's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Group may use 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.

# Notes to the Financial Statements

for the Year of 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (continued)

The Group's debt investment projects are carried out through customer loans<sup>2</sup> and entrusted loans. The credit risk management of such projects includes project establishment, due diligence, internal review, investment decision-making, and follow-up management. The Group assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Loans and advances to customers are approved by the authorized approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have an impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks.

The Group invests in financial products, trust plans, asset management plans with a proper approval process.

Control of credit risk from securities financing business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the accounting standards of China Accounting Standards for Business Enterprises 22.

#### (1) Expected credit loss measurement

Since the first implementation of the new financial instrument standards on 1 January 2018, for financial assets measured at amortized cost (including margin accounts receivable, financial assets held under resale agreements, financial instruments measured at amortized cost) and financial assets instruments at fair value through other comprehensive income. The Company uses general methods to measure its expected credit losses, models and assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behavior (for example, the likelihood of customer default and associated losses). The Company uses a simple method to measure the expected credit losses of accounts receivable and other receivables. According to the simple method, the Company measures the loss provision based on the expected credit losses of the entire duration.

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".

<sup>2</sup> As stated in Note I(II)Business nature and main business activities of the Company and in Note VII. CHANGES IN THE SCOPE OF CONSOLIDATION, the Company lost control over Henan Central China Micro-Lending Co., Ltd. by disposing part of its equity in 2021. The date of loss of control was 31 December 2021. The Company's main operating activities in 2021 still include micro-credit loans, the company's overall risk management work still includes customer loan-related risk management.

# Notes to the Financial Statements

for the Year of 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (continued)

#### (1) Expected credit loss measurement (continued)

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

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

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

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

The ECL 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.
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. For margin loan financing, the Company determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and the type of securities.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

#### (3) Judgment criteria of significant increase in credit risk

The Company evaluates the financial instruments at each financial statement date after considering whether SICR has occurred since initial recognition. An ECL allowance for financial assets is recognized according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking. The Company considers a financial instrument to have experienced SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

# Notes to the Financial Statements

for the Year of 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (continued)

#### (3) Judgment criteria of significant increase in credit risk (continued)

For margin financing business, if the collateral coverage ratio is lower than the liquidation threshold, it indicates that the value of the collateral or the quality of the third-party guarantee significantly decreases. The Company believes that the credit risk of such financing business has increased significantly.

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 2021, the Company has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements, and no longer compared whether the credit risk on the balance sheet date increased significantly compared with that at the time of initial recognition.

#### (4) Definition of credit-impaired assets

The Company considers whether a financial instrument is credit-impaired according to IFRS 9 based on criteria, which is consistent with the internal credit risk management practice. The consideration includes quantitative criteria and qualitative criteria. The Company defines a financial instrument as credit-impaired, which is fully aligned with the definition of in default, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For margin financing and securities lending business or securities-backed lending business, mandatory liquidation measures are adopted, and the value of collateral cannot cover the financing amount;
- The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor is in significant financial difficulty;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the debtor's financial difficulty;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructure.

When a financial asset is considered to be credit-impaired, it may be from multiple events, not due to a separately identifiable event.

# Notes to the Financial Statements

for the Year of 2021

## 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 consistent index of macroeconomic climate index. Using regression analysis, the Company has determined the historical relationship between these economic indicators and default probability, default exposure and default loss rate, and determined the expected default probability, default exposure and default loss rate by predicting future economic indicators.

In addition to the base economic scenario, the Company also identifies other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 1 January 2021 and 31 December 2021, for all portfolios the Company concluded that 3 scenarios appropriately captured the non-linearities of economic variable. The scenario weightings are determined by a combination of statistical analysis and experts' judgement, taking account of the range of possible outcomes represented by each scenario.

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. The Company measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stage 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

#### (6) Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variable in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments impact the assessment of SICR and the measurement of ECL.

#### (7) Collateral and other credit enhancements

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



# Notes to the Financial Statements

for the Year of 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk (continued)

#### (8) Maximum credit risk exposure

The Group's financing business customers have considerable asset quality. Over 90% of the Margin accounts receivable and bond reverse repurchase business maintain guarantee ratios above the liquidation line, and there is sufficient collateral information to indicate that the assets are not expected to default.

The maximum credit risk exposure of the Group is as follows:

Expressed in RMB'0000

Item	31 December 2021	31 December 2020
Cash and bank balances	1,233,203.04	1,095,113.10
Clearing settlement funds	255,821.91	237,910.01
Margin accounts receivable	814,801.71	740,075.71
Refundable deposits	80,225.61	74,487.87
Accounts receivable	9,805.59	16,932.35
Financial assets held under resale agreements	97,287.01	205,596.49
Financial assets at fair value through profit or loss	2,116,797.57	2,029,715.88
Financial assets measured at amortized cost	26,345.25	45,616.89
Financial assets at fair value through other comprehensive income	17,018.40	208,880.51
Other assets	4,748,348.74	132,664.80
<b>Total</b>	<b>5,093,481.13</b>	<b>4,786,993.61</b>

# Notes to the Financial Statements

for the Year of 2021

## 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 2021:

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Loans and entrusted loans				
Margin accounts receivable	816,058.05	847.54	5,594.39	822,499.98
Financial assets at fair value through other comprehensive income	45,843.10	39,658.64	11,540.91	97,042.65
Financial assets measured at amortized costs	1,128.20		56,686.49	57,814.69
Financial assets held under resale agreements	76,729.67		64,711.40	141,441.07
<b>Subtotal</b>	<b>939,759.02</b>	<b>40,506.18</b>	<b>138,533.19</b>	<b>1,118,798.39</b>
Less: Provision for impairment	2,551.47	15.13	80,755.16	83,321.76
<b>Total</b>	<b>937,207.55</b>	<b>40,491.05</b>	<b>57,778.03</b>	<b>1,035,476.63</b>

### 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 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 2. Liquidity risk (continued)

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

Expressed in RMB'0000

Non-derivative financial liabilities	31 December 2021							Total
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	
Short-term loans		24,623.37		1,027.23				25,650.60
Short-term financing instruments payable				397,651.30	305,849.32			703,500.62
Due to banks and other financial institutions		290,267.62						290,267.62
Financial liabilities at fair value through profit or loss		24,930.73			72,186.37			97,117.10
Financial assets sold under repurchase agreements		1,055,323.73						1,055,323.73
Accounts payable to brokerage clients	126,678.38	1,130,501.41						1,257,179.78
Bonds payable			124,518.49	108,766.63	157,997.92			391,283.04
Accounts payable							14,359.42	14,359.42
Long-term borrowings								
Other liabilities							23,114.09	23,114.09
<b>Total</b>	<b>126,678.38</b>	<b>2,525,646.86</b>	<b>124,518.49</b>	<b>507,445.16</b>	<b>536,033.60</b>		<b>37,473.51</b>	<b>3,857,796.00</b>

Continued:

Non-derivative financial liabilities	31 December 2020							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		31,644.25						31,644.25
Short-term financing instruments payable		8,655.70	79,686.52	334,574.57				422,916.79
Due to banks and other financial institutions		249,466.89	120,847.99					370,314.88
Financial liabilities at fair value through profit or loss		77,898.63			57,724.03			135,622.66
Financial assets sold under repurchase agreements		1,200,820.87	19,829.62					1,220,650.49
Accounts payable to brokerage clients	87,081.66	968,441.40						1,055,523.06
Bonds payable					493,795.39			493,795.39
Accounts payable							6,587.46	6,587.46
Long-term borrowings					106.11			106.11
Other liabilities							25,339.27	25,339.27
<b>Total</b>	<b>87,081.66</b>	<b>2,536,927.74</b>	<b>220,364.13</b>	<b>334,574.57</b>	<b>551,625.53</b>		<b>31,926.73</b>	<b>3,762,500.36</b>

# Notes to the Financial Statements

for the Year of 2021

## 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 exchange rate risk, interest rate risk and price risk, etc. Since the Company's main positions are self-operated investments, the price risk and interest rate risk of stocks and derivatives have a greater impact on the investment business.

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

#### (1) Exchange rate risk

The fluctuation of exchange rate will bring certain exchange risk to the Group. As of 31 December 2021, the Group's foreign currency assets converted into RMB accounted for 2.09% of total assets and foreign currency liabilities converted into RMB accounted for 1.18% of total liabilities. Due to the low proportion of foreign currency in the Group's asset liability and income structure, the Group believes that exchange rate risk has little impact on operation.

#### (2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the financial status and cash flow of the Group due to changes in market interest rates. The interest-earning assets of the Group affected by changes in market interest rates are mainly bank deposits, clearing settlement funds, refundable deposits, and debt investments.

The Group utilizes sensitivity analysis as the main tool for monitoring interest rate risk. Under the assumption that other variables remain unchanged, sensitivity analysis is adopted to measure the possible impact on total profits and shareholder equity when changes in interest rates occur. The Group's bond investment is mainly based on a steady buy-and-hold strategy and a spread arbitrage strategy. 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 2021

## 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 2021						Total
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Cash and bank balances	1,233,193.20					9.84	1,233,203.04
Clearing settlement funds	255,821.91						255,821.91
Margin accounts receivable	814,801.71						814,801.71
Derivative financial assets						5.46	5.46
Refundable deposits						80,225.61	80,225.61
Accounts receivable						9,805.59	9,805.59
Financial assets held under resale agreements	23,303.82	99.63	73,135.81	747.75			97,287.01
Financial assets at fair value through profit or loss	12,084.04	6,272.39	60,126.91	1,264,008.23	536,568.63	571,731.72	2,450,791.92
Financial assets at amortized costs	22,924.10	3,421.15					26,345.25
Financial assets at fair value through other comprehensive income	10,425.34		24,458.23	62,159.08			97,042.65
Other assets						15,155.12	15,155.12
Subtotal of financial assets	2,372,554.12	9,793.17	157,720.95	1,326,915.06	536,568.63	676,933.34	5,080,485.27
Short-term loans	24,597.73		1,021.45				25,619.18
Short-term financing instruments payable			396,377.73	306,849.47			703,227.20
Due to banks and other financial institutions	290,074.23						290,074.23
Financial liabilities at fair value through profit or loss	24,930.73			72,186.37			97,117.10
Financial assets sold under repurchase agreements	1,054,847.23						1,054,847.23
Accounts payable to brokerage clients	1,130,501.40					126,678.38	1,257,179.78
Derivative financial liabilities						46.54	46.54
Bonds payable		111,019.64	103,260.83	154,242.08			368,522.55
Accounts payable						14,359.42	14,359.42
Long-term borrowings							
Other liabilities						23,114.09	23,114.09
Subtotal of financial liabilities	2,524,951.32	111,019.64	500,660.01	533,277.92		164,198.43	3,834,107.32
Interest rate sensitivity gap	-152,397.20	-101,226.47	-342,939.06	793,637.14	536,568.63	512,734.91	733,643.04

# Notes to the Financial Statements

for the Year of 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Market risk (continued)

#### (2) Interest rate risk (continued)

Continued:

Item	31 December 2020						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	1,095,094.57					18.53	1,095,113.10
Clearing settlement funds	237,910.01						237,910.01
Margin accounts receivable	60,815.68	211,904.24	467,355.79				740,075.71
Derivative financial assets							
Refundable deposits						74,487.87	74,487.87
Accounts receivable						16,932.35	16,932.35
Financial assets held under resale agreements	126,178.03	441.47	73,955.86	5,021.13			205,596.49
Financial assets at fair value through profit or loss	34,198.68	15,747.64	458,734.50	1,147,611.52	297,037.16	305,927.75	2,259,257.25
Financial assets at amortized costs	43,497.64	1,120.40	599.56	399.29			45,616.89
Financial assets at fair value through other comprehensive income	5,122.99	11,068.17	182,048.99	10,640.36			208,880.51
Other assets	2,911.85	7,546.79	59,521.86	2,602.62	1,365.29	38,988.56	112,936.97
Subtotal of financial assets	1,605,729.45	247,828.71	1,242,216.56	1,166,274.92	298,402.45	436,355.06	4,996,807.15
Short-term loans	31,597.76						31,597.76
Short-term financing instruments payable	8,641.78	79,201.92	327,622.08				415,465.78
Due to banks and other financial institutions	249,362.49	120,079.33					369,441.82
Financial liabilities at fair value through profit or loss	77,898.63			57,724.03			135,622.66
Financial assets sold under repurchase agreements	1,200,220.82	19,810.00					1,220,030.82
Accounts payable to brokerage clients	968,441.40					87,081.66	1,055,523.06
Derivative financial liabilities						5.80	5.80
Bonds payable				461,025.03			461,025.03
Accounts payable						6,587.46	6,587.46
Long-term borrowings				100.17			100.17
Other liabilities						25,339.27	25,339.27
Subtotal of financial liabilities	2,536,162.88	219,091.25	327,622.08	518,849.23		119,014.19	3,720,739.63
Interest rate sensitivity gap	-930,433.43	28,737.46	914,594.48	647,425.69	298,402.45	317,340.87	958,726.65

# Notes to the Financial Statements

for the Year of 2021

## IX. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Market risk (continued)

#### (3) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity, securities, investment funds, convertible bonds, derivatives and collective asset management plans whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the higher volatility of the domestic stock markets.

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

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

Item	31 December 2021		31 December 2020	
	Profit	Other	Profit	Other
	before tax	comprehensive income	before tax	comprehensive income
Increase by 10%	34,499.74	9,704.27	23,385.33	20,888.05
Decrease by 10%	-34,499.74	-9,704.27	-23,385.33	-20,888.05

#### 4. Operational risk

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

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

# Notes to the Financial Statements

for the Year of 2021

## 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 Chief Compliance Officer organizes the Compliance Management Headquarters to pay close attention to major events in the capital market and securities industry, such as the full implementation of the registration system, the establishment of the Beijing Stock Exchange, the prevention and mitigation of financial risks, and the cultural construction of the securities industry, and continuously track and evaluate the latest laws, regulations and supervision trends to provide improvement suggestions for the senior management and all units; based on compliance review and consultation, implements a multi-level audit mechanism, strictly controls the entry points and builds a solid compliance bottom line; taking compliance supervision and inspection as the starting point and compliance risk as the orientation, actively discovers, timely prevents and controls; takes compliance monitoring as a tool and uses financial technology to enhance the level of informatization and specialization of compliance management; guided by the construction of compliance culture, carries out normalized and continuous publicity and training, expands the coverage and deepens the key links that are prone to compliance risks, and further improves the active compliance awareness of all employees; incorporates the compliance of professional behaviors into the scope of staff performance appraisal, optimizes and improves appraisal indicators, and strictly implements compliance assessment requirements; seriously implements the compliance accountability mechanism to effectively play the role of warning system.

### 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 2021

## 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 2016) issued by the China Securities Regulatory Commission and effective on 1 October 2016, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%.

## 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 2021 according to three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest of the three levels of important input values used in fair value measurement. The three levels are defined as follows:

Level 1: it refers to the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;

Level 2: it refers to the directly or indirectly observable input value of relevant assets or liabilities in addition to the input value of level 1;

The second level input values include: 1) quotation of similar assets or liabilities in the active market; 2) Quotation of the same or similar assets or liabilities in the inactive market; 3) Other observable input values other than quotation, including observable interest rate and yield curve, implied volatility and credit spread during normal quotation interval; 4) Input values for market validation, etc.

Level 3: it is the unobservable input value of related assets or liabilities.

# Notes to the Financial Statements

for the Year of 2021

## 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	4,363,417,192.04	18,110,822,442.43	2,033,679,544.41	24,507,919,178.88
(1) Bond investment	3,565,713,724.18	15,145,564,488.72	133,295,673.61	18,844,573,886.51
(2) Equity investment	513,927,753.07	293,783,063.07	620,339,564.19	1,428,050,380.33
(3) Public fund	283,775,714.79	1,628,117,388.40		1,911,893,103.19
(4) Others		1,043,357,502.24	1,280,044,306.61	2,323,401,808.85
Derivative financial assets	54,610.00			54,610.00
Financial assets at fair value through other comprehensive income	458,431,053.14	396,586,360.40	115,409,134.24	970,426,547.78
<b>Total Assets</b>				
Financial liabilities at fair value through profit or loss			971,171,013.72	971,171,013.72
Derivative financial liabilities	465,376.83			465,376.83
<b>Total liabilities</b>	465,376.83		971,171,013.72	971,636,390.55

### 3. Basis for determining the market price of the first level fair value measurement project

The fair value of financial instruments traded in an active market shall be determined according to the market quotation on the date of financial report. If quotations are obtained from exchanges and dealers on a timely and regular basis, and such quotations reflect actual and regular market transactions based on fair negotiation, a market is deemed to be active. The fair value is determined by the closing price on the financial reporting date. Such instruments are included in the first level. The instruments included in the first level mainly include the Trading Securities of Shanghai Stock Exchange and Shenzhen Stock Exchange listed as trading financial assets and other debt investments.

### 4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted

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

#### Bond investment:

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

# Notes to the Financial Statements

for the Year of 2021

## 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)

#### Equity investment:

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

#### Public fund:

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

#### Others:

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

# Notes to the Financial Statements

for the Year of 2021

## X. FAIR VALUE (CONTINUED)

### 4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted (continued)

Others: (continued)

The following table lists the relevant valuation techniques and input parameters of the main financial instruments at the second level:

Financial instruments	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Impact of unobservable input parameters on fair value
Trading financial assets				
Bonds				
Interbank market bond	Second level	Quotation of valuation system of bond registration and settlement institutions	Not applicable	Not applicable
Stocks				
Shares of the National SME share transfer system	Second level	Based on the closing price on the balance sheet date and adjusted according to the valuation technology	Not applicable	Not applicable
Public fund				
Public fund	Second level	Net asset value of the fund on the balance sheet date	Not applicable	Not applicable
Others				
Collective asset management products, fund financial products, private equity funds and bank financial products	Second level	Net value of products corresponding to their share or using valuation Technology	Not applicable	Not applicable
Other debt investment				
Bond				
Interbank market bond	Second level	Quotation of valuation system of bond registration and settlement institutions	Not applicable	Not applicable

### 5. For the items measured at fair value at the third level of continuous and non-continuous, the valuation techniques and the qualitative and quantitative information of important parameters are adopted

#### (1) Valuation technology and input value description

If one or more main input parameters are not determined based on observable market data, the tool is included in Level 3. For unlisted equity investment, bond investment, trust products and financial liabilities, the Company uses valuation technology to determine their fair value, including discounted cash flow method and market comparison method. Its fair value is measured by important unobservable parameters, such as liquidity discount, volatility and market multiplier. The fair values of unlisted equity investments, bond investments, other investments and financial liabilities are not significantly sensitive to the reasonable changes of these unobservable inputs.

For year 2021, the valuation technology used by the Group for the above continuous level 3 fair value measurement has not changed.

# Notes to the Financial Statements

for the Year of 2021

## 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
Trading financial assets				
—Bank financial products —Asset management products of securities companies	The third level	—Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	—Expected future cash flow; —Expected recovery date; —The discount rate corresponding to the expected risk level;	—The higher the future cash flow, the higher the fair value; —The earlier the payment date, the higher the fair value; —The lower the discount rate, the higher the fair value;
—Trust plan	The third level	—Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	—Expected future cash flow; —Expected recovery date; —The discount rate corresponding to the expected risk level;	—The higher the future cash flow, the higher the fair value; —The earlier the payment date, the higher the fair value; —The lower the discount rate, the higher the fair value;
—Private placement bonds, corporate bonds and convertible bonds	The third level	—Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level; —Option pricing model;	—Expected future cash flow; —Expected recovery date; —The discount rate corresponding to the expected risk level; —Stock price volatility	—The higher the future cash flow, the higher the fair value; —The earlier the payment date, the higher the fair value; —The lower the discount rate, the higher the fair value; —The greater the fluctuation of stock price, the higher the fair value;

# Notes to the Financial Statements

for the Year of 2021

## X. FAIR VALUE (CONTINUED)

### 5. For the items measured at fair value at the third level of continuous and non-continuous, the valuation techniques and the qualitative and quantitative information of important parameters are adopted (continued)

#### (2) Unobservable input value information (continued)

Financial assets/ financial liabilities	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Relationship between unobservable input parameters and fair value
—Unlisted equity	The third level	—Adopt the comparable company method to select comparable companies in the same industry similar to the important financial indicators of the target company, and calculate the PE, PB and PS of comparable companies; Considering the liquidity discount, estimate the expected exit date of equity, calculate the volatility of comparable companies, and use the option model to calculate the liquidity discount of comparable companies	—Expected recovery date —Stock price volatility	—The earlier the expected recovery date, the higher the fair value; —The greater the fluctuation of stock price, the higher the fair value;
—Trading financial liabilities	The third level	—Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	—Expected future cash flow —Expected payment date —Discount rate corresponding to expected risk level	—The higher the future cash flow, the higher the fair value; —The earlier the payment date, the higher the fair value; —The lower the discount rate, the higher the fair value;
—Derivative financial instruments	The third level	—The option pricing model is used for valuation, and the main input parameter is the volatility of the underlying instrument.	—Volatility of the underlying instrument	—The higher the volatility of the underlying instrument, the higher the fair value.

# Notes to the Financial Statements

for the Year of 2021

## X. FAIR VALUE (CONTINUED)

### 6. The movement of Level 3 financial instruments

Item	1 January 2021	Increase	Decrease	31 December 2021
Financial assets at fair value through profit or loss	1,286,539,048.95	747,140,495.46		2,033,679,544.41
Financial liabilities as at fair value through profit or loss	577,240,268.93	393,930,744.79		971,171,013.72
Financial assets at fair value through other comprehensive income	115,409,134.24			115,409,134.24

Continued:

Item	1 January 2020	Increase	Decrease	31 December 2020
Financial assets at fair value through profit or loss	1,209,210,826.77	77,328,222.18		1,286,539,048.95
Financial liabilities as at fair value through profit or loss	399,760,116.86	177,480,152.07		577,240,268.93
Financial assets at fair value through other comprehensive income		115,409,134.24		115,409,134.24
Derivative financial assets	11,265,850.93		11,265,850.93	
Derivative financial liabilities	44,320.00		44,320.00	

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

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

# Notes to the Financial Statements

for the Year of 2021

## 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 2021, Henan Investment Group Co., Ltd. (hereinafter referred to as Henan Investment Group) directly or indirectly holds the voting shares of the Company, accounting for 20.99% of the total shares of the Company (Note 1), and is the controlling shareholder of the Company. The basic information of Henan investment group is as follows:

Name of parent company	Enterprise type	Place of registration	Nature of business	Legal representative	Uniform social credit code
Henan Investment Group	State-owned enterprise	Zhengzhou City	Investment management	Liu Xinyong	914100001699542485

Note 1: As of the end of the reporting period, Henan Investment Group held 822,983,847 A shares of the Company, 46.733 million H shares of the Company directly through its wholly-owned subsidiary Dahe Paper (Hong Kong) Co., Ltd. and 104.977 million H shares of the Company through Hong Kong Stock Connect, with a total of 974,693,847 shares of the Company, accounting for 20.99% of the total share capital of the Company.

(1) The actual controller of the Company is Henan Provincial Department of Finance.



# Notes to the Financial Statements

for the Year of 2021

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

### 2. Joint ventures and associates of the Company

For important joint ventures or associates of the Company, see note VIII.2 Rights and interests in joint ventures and associates.

The associated enterprises are as follows:

Name of joint venture or associated enterprise	Relationship with the Company
Henan Central China Micro-Lending Co., Ltd.	Associates of subsidiaries
Minquan County Innovation Industry Investment Fund (Limited Partnership)	Associates of subsidiaries
Henan Dahe Cailifang Media Holding Co., Ltd	Associates of subsidiaries
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd	Associates of subsidiaries
Luoyang Desheng Biotechnology Co., Ltd	Associates of subsidiaries
CSI Jiaotong Fund Management Co., Ltd.	Associates of subsidiaries
Henan Toudi Culture Communication Co., Ltd.	Associates of subsidiaries
Zhengzhou Dahe Zhixin Technology Co., Ltd.	Associates of subsidiaries
Luohe Huarui Yongci Materials Co., Ltd.	Associates of subsidiaries

# Notes to the Financial Statements

for the Year of 2021

## 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
Zhongyuan Trust Co., Ltd.	Ultimately controlled by the same controlling party	91410000169953018F
Henan Huirong Human Resources Capital Group Co., Ltd.	Ultimately controlled by the same controlling party	91410105MA3X6PQ842
Henan Asset Fund Management Co., Ltd.	Ultimately controlled by the same controlling party	91410100MA456R9R3R
Henan Xinchuan Software Co., Ltd.	Ultimately controlled by the same controlling party	91410100MA3X691D21
Henan Tiandi Hotel Co., Ltd.	Ultimately controlled by the same controlling party	91410100594892586U
Chengfa Environment Co., Ltd.	Ultimately controlled by the same controlling party	91410000711291895J
Henan Ancai Gaoke Co., Ltd.	Ultimately controlled by the same controlling party	9141000070678656XY
Shenzhen Guoyu Gaohua Investment Management Co., Ltd.	Ultimately controlled by the same controlling party	914403003267120593
Henan Asset Management Co., Ltd.	Ultimately controlled by the same controlling party	91410000MA448PJU6H
Henan Venture Investment Co., Ltd.	Ultimately controlled by the same controlling party	914100007425233538
Henan Technology Investment Co., Ltd.	Ultimately controlled by the same controlling party	91410000169955769X
Bohai Industrial Investment Fund Management Co., Ltd.	Non-controlling shareholder	911200007178678241
Anyang Gangtie Group Co., Ltd.	Non-controlling shareholder	91410000706780942L
Angang Group International Trade Co., Ltd.	Subsidiaries of non-controlling shareholders	91410500172267086K
Anyang Gangtie Co., Ltd.	Subsidiaries of non-controlling shareholders	914100007191734203
Henan Yicheng New Energy Co., Ltd.	Joint venture of affiliated enterprise groups	914102002681294387
Zhongyuan Bank Co., Ltd.	Joint venture of affiliated enterprise groups	9141000031741675X6
Bank of Zhengzhou Co., Ltd.	Joint venture of affiliated enterprise groups	914100001699995779
Hongyi Investment Management (Henan) partnership (limited partnership)	Joint venture of affiliated enterprise groups	91410100MA9G4DKW4X
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
Henan Huaqi Energy Conservation and Environmental Protection Venture Capital Co., Ltd.	Joint venture of affiliated enterprise groups	91410000071384697T
Zhengzhou Zhongyuan International Aviation Holding Development Co., Ltd.	Joint venture of affiliated enterprise groups	91410100MA40XF1874

# Notes to the Financial Statements

for the Year of 2021

## 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 2021	FY 2020
Bohai Industrial Investment Fund Management Co., Ltd.	1,284,187.09	170,704.58
Henan investment group and its subsidiaries and associates	95,114.44	246,038.79
Angang Group International Trade Co., Ltd.	20,406.07	4,202.49
Directors, supervisors and senior managers of the Company and Henan investment group and their close family members	42,968.94	36,496.87

#### (2) Loans from related parties

Name of related party	31 Dec 2021/FY 2021		31 Dec 2020/FY 2020	
	Loan balance	Interest income	Loan balance	Interest income
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd		1,686,997.16	45,000,000.00	5,075,164.97

# Notes to the Financial Statements

for the Year of 2021

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

### 4. Related party transactions (continued)

#### (3) Related transaction balance

Name of related party	Current account	Transaction content	31 December 2021	31 December 2020
Henan Investment Group Co., Ltd.	Accounts receivable	Income from asset management business	1,967,868.64	1,309,786.65
Luoyang Desheng Biotechnology Co., Ltd.	Accounts receivable	Financial advisory fee	200,000.00	450,000.00
Anyang Gangtie Co., Ltd.	Agent for buying and selling securities	Futures Brokerage	1,921,146.96	
Angang Group Co., Ltd.	Agent for buying and selling securities	Futures Brokerage	3,710,593.59	
Henan Asset Fund Management Co., Ltd.	Financial assets at fair value through profit or loss	Private equity investment fund	20,416,783.22	
Henan Central China Micro-Lending Co., Ltd.	Accounts payable	Trust plan	16,017,647.72	
Henan Xinchuan Software Co., Ltd.	Intangible assets	Purchase intangible assets	252,359.88	
Henan Investment Group and its subsidiaries and associates	Agent for buying and selling securities	Securities Brokerage	17,932,558.30	11,323,588.02
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	4,185,687.79	773,380.47
Bohai Industrial Investment Fund Management Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	2,436,691.26	4,471,290.10
Anyang Gangtie Group Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	0.35	2,154.97
Anyang Gangtie Co., Ltd.	Agent for buying and selling securities	Securities Brokerage	387,782.11	28,118.49

# Notes to the Financial Statements

for the Year of 2021

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

### 4. Related party transactions (continued)

#### (3) Related transaction balance (continued)

Continued:

Name of related party	Current account	Transaction content	31 December 2021	31 December 2020
Investment group associates	Financial assets at fair value through profit or loss	Financial product		7,000,000.00
Investment group associates	Bank deposit	Bank balance	4,068,998.40	377,648,985.84
Investment group associates	Other assets	Expenses	132,075.47	302,672.95
Investment group associates	Financial assets held under resale agreements	Outright repo		40,292,940.03
Investment group associates	Bonds payable	Subscription of corporate bonds	305,822,609.89	164,524,887.67

#### (4) Other related party transactions

Name of related party	Transaction content	FY 2021	FY 2020
Chengfa Environment Co., Ltd.	Underwriting income		3,628,661.86
Henan Investment Group Co., Ltd.	Income from underwriting and sponsorship, financial advisory fees, asset management business, etc.	1,413,503.76	1,435,827.08
Henan Dahe Finance Cube Media Holdings Co., Ltd.	Expenses	1,631,301.42	546,383.63
Bohai Industrial Investment Fund Management Co., Ltd.	Financial advisory fee income		372,539.60
Luoyang Desheng Biotechnology Co., Ltd.	Income from supervision fees and financial advisory fees		141,509.43
CSI Jiaotong Fund Management Co., Ltd.	Expenses		97,000.00
Henan Huirong Human Resource Capital Group Co., Ltd.	Expenses	19,630.56	89,067.58
Henan Tiandi Hotel Co., Ltd.	Expenses		40,321.58
Henan Toudi Culture Communication Co., Ltd.	Expenses		19,801.98
Zhengzhou Dahe Zhixin Technology Co., Ltd.	Custody fee income		9,749.92
Anyang Gangtie Group Co., Ltd.	Pledge registration fee	43,867.92	
Angang Group International Trade Co., Ltd.	Income from the sale of goods	34,125,663.74	
Henan Xinchuan Software Co., Ltd.	Expenses	4,277.29	

# Notes to the Financial Statements

for the Year of 2021

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

### 4. Related party transactions (continued)

#### (4) Other related party transactions (continued)

Continued:

Name of related party	Transaction content	FY 2021	FY 2020
Investment group associates	Income from bank deposits and financial products	3,977,378.23	3,947,913.14
Investment group associates	Interest expense of pledged repurchase	402,394.09	434,840.05
Investment group associates	Bond investment income	29,641.92	1,498,186.40
Investment group associates	Interest income from buyout repurchase	15,899.51	163,908.08
Investment group associates	Income from financial advisory fees and underwriting income	4,739,622.38	3,773,584.90
Investment group associates	Bank loan interest expenses and interest expense on subordinated debt payable	7,825,637.69	4,626,525.28

#### (5) Counter guarantee for subsidiaries

As of 31 December 2021, the Company provided counter guarantee for Central China International Financial Holdings Co., Ltd. to Zhengzhou branch of China Merchants Bank Co., Ltd., with an accumulated counter guarantee amount of HKD310,000,000.00 (equivalent to RMB273,896,000.00), and the counter guarantee period shall not exceed 12 months.

#### (6) Benefits of directors, supervisors and employees

##### 1) Benefits of key management personnel

Key management personnel include members of the board of directors, the board of supervisors and other senior managers. For the year 2021, the benefits (before tax) paid and payable by the Company to key management personnel is as follows:

Expressed in RMB'0000

Item	FY 2021	FY 2020
Benefits of key management personnel (before tax)	1,839.60	1,809.12

# Notes to the Financial Statements

for the Year of 2021

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

### 4. Related party transactions (continued)

#### (6) Benefits of directors, supervisors and employees (continued)

##### 2) Remuneration of directors and supervisors

The remunerations (after tax) paid and payable by the Company to directors and supervisors in 2021 are as follows:

Name	Remuneration	Wages, allowances and other allowances	Pension	Discretionary bonus	Total
<b>Executive director</b>					
Jian Mingjun		438,029.69	43,824.00	533,770.31	1,015,624.00
Chang Junsheng		533,931.01	25,344.00		559,275.01
<b>Non-executive director</b>					
Yuan Zhiwei	113,460.00				113,460.00
Ning Jincheng	105,000.00				105,000.00
Yu Xugang	210,000.00				210,000.00
Zhang Dongming	210,000.00				210,000.00
Zeng Song	113,460.00				113,460.00
Chen Zhiyong	105,000.00				105,000.00
Lu Benson Cheng	35,136.00				35,136.00
Zhang Xiaoqi	30,720.00				30,720.00
Wang Lixin	30,720.00				30,720.00
<b>Supervisor</b>					
Lu Zhili		401,001.66	38,755.20	655,262.70	1,095,019.56
Xiao Yichen		390,466.94	25,291.20	154,405.87	570,164.01
Zhang Lu		431,740.74	29,568.00	445,642.42	906,951.16
Zhang Huamin	1,121,100.00				1,121,100.00
Ba Guanhua		32,273.33	3,885.20		36,158.53
Xu Changyu		28,731.07	2,921.60		31,652.67
Xiang Siying	100,800.00				100,800.00
Xia Xiaoning	112,920.00				112,920.00

Note: The 2021 remuneration of the above directors and supervisors has not yet been finalized, but it is expected that the unaccrued remuneration will not have a significant impact on the Group's 2021 financial statements

# Notes to the Financial Statements

for the Year of 2021

## XI. RELATED PARTIES AND RELATED TRANSACTIONS (CONTINUED)

### 4. Related party transactions (continued)

#### (6) Benefits of directors, supervisors and employees (continued)

#### 3) Five highest paid individuals

In 2021, the five highest paid individuals of the Company have no directors and supervisors. The remunerations paid and payable (after tax) are as follows:

Item	FY 2021	FY 2020
Wages, allowances and other allowances	4,964,308.76	2,237,985.88
Pension	201,009.60	147,787.20
Discretionary bonus	26,350,201.43	11,532,816.66
Total	31,515,519.79	13,918,589.74

#### 4) Loans and advances to key management personnel

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

## XII. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### (1) Capital commitments

The Company has entered into a contract but has not confirmed the capital commitment in the financial statements as follows:

Item	31 December 2021	31 December 2020
Contracted but not paid	625,798,267.64	32,184,984.30
Total	625,798,267.64	32,184,984.30

In addition to the above undertakings, as of 31 December 2021, the Company has no other major commitments that should be disclosed.

### 2. Significant contingencies

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



# Notes to the Financial Statements

for the Year of 2021

## XIII. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Significant non adjustment events

#### (1) Public issuance of corporate bonds to professional investors

January, 2022, the Company received the China Securities Regulatory Commission's "Approval for the Registration of Central China Securities Co., Ltd.'s Public Issuance of Corporate Bonds to Professional Investors" (Zheng Jian Xu Ke [2022] No. 39), agreeing that the Company issue professional investment bonds to professional investors. The Company publicly issues corporate bonds in installments, with a face value balance of not more than RMB2 billion. On 24 February 2022, the issuance of 22 Central China 01 (code: 185321) bonds was completed, with an actual issuance scale of RMB 2 billion and a coupon rate of 3.2%. It will be listed on the Shanghai Stock Exchange on 8 March 2022.

#### (2) Shareholders bid collectively to reduce the shares

The Company's shareholder Bohai Industry Investment Fund Management Co., Ltd. (hereinafter referred to as "Bohai Industry Fund") holds 431,738,551 unrestricted shares of the Company as of 31 December 2020, accounting for approximately 9.30% of the Company's total share capital. The source of the shares is the stock converted from the Company's equity before the listing through the initial public offering, and the restriction on sales was lifted on 3 January 2018. Bohai Industry Fund intends to reduce the number of shares of the Company that not more than 92,857,694 shares through a centralized bidding method from the date of disclosure of the reduction announcement, that is, within 6 months after 15 trading days from 6 January 2021, and in any consecutive 90 days, the total number of shares to be reduced does not exceed 1% of the total number of shares of the Company. The Company received a notice from Bohai Company on 26 July 2021. From 27 January 2021 to 26 July 2021, Bohai Company reduced its holdings of 92,857,694 shares of the Company through centralized bidding, about 2% of the Company's total shares. The holding reduction plan time period expires, and the holding reduction plan ends. As of 26 July 2021, Bohai Company held 296,530,857 unrestricted tradable shares of the Company, approximately 6.39% of the Company's total shares.

As of 30 July 2021, Bohai Industrial Fund held 292,430,857 unrestricted tradable shares of the Company, about 6.30% of the Company's total share capital. Bohai Industrial Fund plans to reduce the number of shares of the Company through centralized bidding within 6 months after the disclosure of the reduction announcement, which is 15 trading days from 30 July 2021. And within any consecutive 90-day period, the total number of shares held shall not exceed 1% of the total number of shares of the Company, and the reduction price shall be determined according to the market price. The Company received a notice from Bohai Company on 18 February 2022. From 20 August 2021 to 18 February 2022, Bohai Company reduced its holdings of 92,008,057 shares of the Company through centralized bidding, accounting for approximately 1.98% of the Company's total shares. As of 19 February 2022, the time period for the reduction plan will expire and the reduction plan will end.

# Notes to the Financial Statements

for the Year of 2021

## XIII. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

### 1. Significant non adjustment events (continued)

#### (3) Central China Blue Ocean Investment Management Co., Ltd. publicly listed and transferred equities of Henan Central China Micro-Lending Co., Ltd.

On 15 October 2021, the thirty-fifth meeting of the sixth board of directors of the Company reviewed and approved the "Proposal on the Second Transfer of Central China Blue Ocean's Partial Equity Interests in Central China Micro-Lending", agreeing that Central China Blue Ocean will transfer its 11% of the equity of Central China Micro-Lending by public listing, and authorizes the management of the Company to handle all the work in the process of transferring the equity. On 20 December 2021, Central China Blue Ocean and Luohe Financial Holding Co., Ltd. signed the "State-owned Property Rights Transaction Contract". The above matters still need the approval of the Henan Provincial Local Financial Supervision and Administration Bureau. On 10 March 2022, the Henan Provincial Local Financial Supervision and Administration Bureau issued the "Henan Provincial Local Financial Supervision and Administration Bureau's Reply on the Change of Henan Central China Micro-lending Co., Ltd." (Yujinjian [2022] No. 56), agreeing to the aforementioned equity interest transfer matters.

### 2. Profit distribution

The Company's profit distribution plan for the second half of 2021 reviewed at the sixth meeting of the seventh session of the Board of Directors is: a cash dividend of RMB0.21 (tax inclusive) for every 10 shares. As of 31 December 2021, the Company has a total share capital of 4,642,884,700 shares. Based on this calculation, the total proposed cash dividend of RMB97,500,578.70 (tax included), plus the cash dividend of RMB78,929,039.90 (tax included) already distributed in the first half of 2021, the cumulative amount of cash dividend for this year of RMB176,429,618.60 (tax included) was distributed. The Company does not convert the capital reserve to increase the share capital, and does not issue bonus shares. This plan is still subject to the 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.

## XIV. OTHER SIGNIFICANT EVENTS

### 1. Annuity plan

Central China Securities Co., Ltd. participate in the enterprise annuity plan established by the Company according to the relevant policies of the national enterprise annuity system on the basis of participating in the basic social endowment insurance. The expenses required for the Company's annuity shall be jointly paid by the enterprise and the employees. The total contribution of the Company shall be 8% of the total salary of the employees in the previous year, and the individual contribution of the employees shall be 2% of the total salary of the employees in the previous year.

# Notes to the Financial Statements

for the Year of 2021

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Segment information

#### (1) Determination basis and accounting policies of reporting segments

The Company determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The operating segment of the Company refers to the component that meets the following conditions at the same time:

- a) This component can generate income and expenses in daily activities;
- b) The management can regularly evaluate the operating results of this component to decide to allocate resources to it and evaluate its performance;
- c) Be able to obtain the financial status, operating results, cash flow and other relevant accounting information of the component.

The Company determines the reporting segment based on the operating segment, and the operating segment meeting one of the following conditions is determined as the reporting segment:

- a) The segment income of the operating segment accounts for 10% or more of the total segment income;
- b) The absolute amount of segment profit (loss) of the segment accounts for 10% or more of the greater of the total profit of all profitable segments or the absolute amount of the total loss of all deficit segments.

When the total amount of external transaction revenue of the operating segment of the reporting segment determined according to the above accounting policies does not account for 75% of the total consolidated revenue, increase the number of reporting segments, and include other operating segments not as reporting segments into the scope of reporting segments according to the following provisions until the proportion reaches 75%:

- a) Determine the operating segment that the management believes the disclosure of the operating segment information is useful to the users of accounting information as the reporting segment;
- b) The business segment is merged with one or more other business segments with similar economic characteristics and meeting the conditions for business segment merger as a reporting segment.

The transfer price between segments shall be determined with reference to the market price, and the assets and related expenses jointly used with each segment shall be distributed among different segments according to the proportion of income.

# Notes to the Financial Statements

for the Year of 2021

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Segment information (continued)

#### (2) The Company determines the factors considered by the reporting segment and the types of products and services of the reporting segment

According to the different business types, the Company's reporting segments are mainly divided into: securities brokerage business segment, proprietary business segment, investment banking business segment, credit business segment, investment management business segment, futures business segment, overseas business segment, headquarters and other business segment.

#### (3) Segment financial information

Expressed in RMB'0000

Item	Securities brokerage business	Proprietary trading business	Investment banking business	Credit business	Closing balance/current amount		Overseas business	Headquarters and others <sup>3</sup>	Offset	Total
					Investment management business	Futures business				
<b>1. Operating income</b>	91,665.02	57,838.21	61,868.98	46,632.32	21,709.16	162,063.44	-17,642.25	21,130.29	-3,180.32	442,084.85
Net fee and commission income	77,184.60		61,888.86	2,724.26	3,752.68	14,038.54	881.98	3,479.28	-269.35	163,680.85
Investment income (or less: losses)		92,348.26			-39,696.72	-6,087.98	-300.73	15,374.90	-2,798.24	58,839.49
Gains on changes in fair value (or less: losses)		5,262.66			56,596.13	-103.94	-15,421.76	2,615.51		48,948.60
Gains on foreign exchange (or less: losses)	-4.34						176.74	-14.56		157.84
Other operating income	249.19	659.66		849.69	2.13	154,543.75	25.40	422.06	-128.56	156,623.32
Net interest income	14,235.57	-40,432.37	-19.88	43,058.37	1,054.94	-326.93	-3,003.88	-746.90	15.83	13,834.75
<b>2. Operating cost</b>	63,731.61	14,674.90	49,475.06	20,469.45	20,834.21	161,047.31	7,600.86	53,258.19	-20,059.95	371,031.64
<b>3. Operating profit</b>	27,933.41	43,163.31	12,393.92	26,162.87	874.95	1,016.13	-25,243.11	-32,127.90	16,879.63	71,053.21
<b>4. Total Asset</b>	1,092,555.03	2,204,043.37	2,595.87	1,015,711.75	518,217.53	199,823.81	112,297.48	805,675.53	-576,088.02	5,374,832.35
<b>5. Total liabilities</b>	1,191,798.15	1,407,292.14	20,134.87	16,577.94	129,248.27	156,280.17	46,540.67	1,038,920.33	-46,368.18	3,960,424.36
<b>6. Supplementary information</b>										
(1) Depreciation and amortization	5,381.99	1,639.14	1,220.05	20.25	45.94	493.10	1,142.64	5,712.03	-88.71	15,566.43
(2) Capital expenditure	10,206.41	2,485.69	1,628.38	17.72	242.90	1,034.81	6.93	6,797.53	-356.79	22,063.58

The accounting policies of each operating segment of the Company are the same as those described in "Significant accounting policies and estimates".

<sup>3</sup> As stated in Note I/2 Business nature and main business activities of the Company and Note VII Changes in the scope of consolidation, in 2021, the Company lost control over Henan Central China Micro-Lending Co., Ltd. by disposing part of its equity. The date of loss of control is December 31, 2021. In 2021, the Company's main business activities still include micro loan, profits and losses related to micro loan in the segment information in 2021 are still listed in "Headquarters and others".

# Notes to the Financial Statements

for the Year of 2021

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

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

#### (1) Public beneficial donations

Item	FY 2021	FY 2020
Charitable donations	8,096,459.00	5,548,811.00
<b>Total</b>	<b>8,096,459.00</b>	<b>5,548,811.00</b>

#### (2) Margin business

The Group's margin business scale is as follows, on 31 December 2021 and 31 December 2020:

Item	31 December 2021	31 December 2020
Margin accounts receivable	8,224,999,802.94	7,476,331,076.06
Short selling business	14,531,200.47	6,015,764.80
<b>Total</b>	<b>8,239,531,003.41</b>	<b>7,482,346,840.86</b>

#### (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 2021	Fair value on 31 December 2020
National debt	427,403,652.00	977,436,370.00
Policy-based financial debt		892,869,520.00
Local government debt	103,563,900.00	461,811,840.00
<b>Total</b>	<b>530,967,552.00</b>	<b>2,332,117,730.00</b>

As of 31 December 2021, among the bonds obtained by the Company through inter-bank and exchange market borrowing, the fair value of bonds that were pledged or transferred for the sale of repurchase business was RMB 480.3465 million.

# Notes to the Financial Statements

for the Year of 2021

## 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 2021, the Company has deposited customer transaction settlement funds in commercial banks with depository qualifications, in compliance with the "Customer Transaction Settlement Fund Management Measures" (China Securities Regulatory Commission Order No. 3), and comply with relevant regulations such as the third-party depository of customer transaction settlement funds and the requirements for the security of customer transaction settlement funds. The Company strictly guarantees the safety of customer funds, the problem of misappropriation of client funds does not exist.

#### (5) Assets and liabilities measured at fair value

Item	31 December 2020	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	31 December 2021
1. Financial assets at fair value through profit or loss (without derivative financial asset)	22,592,572,498.77	480,105,778.89			24,507,919,178.87
2. Derivative financial asset		1,357,626.00			54,610.00
3. Financial assets measured at fair value through other comprehensive income	2,088,805,149.07		3,346,385.71	-889,287.16	970,426,547.78
4. Investment in other equity instruments					
<b>Subtotal</b>	<b>24,681,377,647.84</b>	<b>481,463,404.89</b>	<b>3,346,385.71</b>	<b>-889,287.16</b>	<b>25,478,400,336.65</b>
Investment properties					
Productive biological assets					
Others					
<b>Total</b>	<b>24,681,377,647.84</b>	<b>481,463,404.89</b>	<b>3,346,385.71</b>	<b>-889,287.16</b>	<b>25,478,400,336.65</b>
financial liabilities at fair value through profit or loss	1,356,226,583.04	6,097,092.65			971,171,013.72
Derivative financial liabilities	57,980.91	1,925,483.56			465,376.83
<b>Total financial liabilities</b>	<b>1,356,284,563.95</b>	<b>8,022,576.21</b>			<b>971,636,390.55</b>

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

# Notes to the Financial Statements

for the Year of 2021

## 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 December 2021				
	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Designated as financial instruments at fair value through other comprehensive income	The change of fair value through profit or loss	
				Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss
Cash and bank balances	12,332,030,422.75				
Clearing settlement funds	2,558,219,120.46				
Margin accounts receivable	8,148,017,143.05				
Derivative financial assets				54,610.00	
Refundable deposits	802,256,089.47				
Accounts receivable	98,055,900.27				
Financial assets held under resale agreements	972,870,075.44				
Financial assets at fair value through profit or loss				24,507,919,178.87	
Financial assets measured at amortized cost	263,452,484.68				
Financial assets at fair value through other comprehensive income		970,426,547.78			
Other assets					
<b>Total</b>	<b>25,174,901,236.12</b>	<b>970,426,547.78</b>	<b>—</b>	<b>24,507,973,788.87</b>	

# Notes to the Financial Statements

for the Year of 2021

## 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 2021					
	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Designated as financial instruments at fair value through other comprehensive income	The change of fair value through profit or loss		
				Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Cash and bank balances	10,951,131,021.90					
Clearing settlement funds	2,379,100,088.00					
Margin accounts receivable	7,400,757,113.38					
Derivative financial assets						
Refundable deposits	744,878,747.69					
Accounts receivable	169,323,523.34					
Financial assets held under resale agreements	2,055,964,889.83					
Financial assets at fair value through profit or loss				22,592,572,498.77		
Financial assets measured at amortized cost	456,168,931.89					
Financial assets at fair value through other comprehensive income		2,088,805,149.07				
Other assets	879,830,915.70					
<b>Total</b>	<b>25,037,155,231.73</b>	<b>2,088,805,149.07</b>		<b>22,592,572,498.77</b>		



# Notes to the Financial Statements

for the Year of 2021

## 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 December 2021			
	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	256,191,822.27			
Derivative financial liabilities		465,376.83		
Short-term financing instruments payable	7,032,271,969.93			
Due to banks and other financial institutions	2,900,742,263.92			
Financial liabilities at fair value through profit or loss		971,171,013.72		
Financial assets sold under repurchase agreements	10,548,472,328.09			
Accounts payable to brokerage clients	12,571,797,812.48			
Accounts payable	143,594,220.52			
Bonds payable	3,685,225,541.41			
Long-term borrowings				
Other liabilities	50,880,913.21			
<b>Total</b>	<b>37,189,176,871.83</b>	<b>971,636,390.55</b>		

# Notes to the Financial Statements

for the Year of 2021

## 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 2021			
	The change of fair value through profit or loss			
			According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
	Financial assets measured at amortized cost	Classified as financial assets at fair value through profit or loss		
Short-term loans	315,977,554.88			
Derivative financial liabilities		57,980.91		
Short-term financing instruments payable	4,154,657,809.90			
Due to banks and other financial institutions	3,694,418,222.23			
Financial liabilities at fair value through profit or loss		1,356,226,583.04		
Financial assets sold under repurchase agreements	12,200,308,194.73			
Accounts payable to brokerage clients	10,555,230,551.25			
Accounts payable	65,874,572.60			
Bonds payable	4,610,250,342.02			
Long-term borrowings	1,001,741.67			
Other liabilities	29,432,162.81			
<b>Total</b>	<b>35,627,151,152.09</b>	<b>1,356,284,563.95</b>		

# Notes to the Financial Statements

for the Year of 2021

## 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	Opening amount	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	Closing amount
<b>Financial assets</b>					
1. Trading financial assets	856,883,301.34	-154,317,636.12			655,655,885.88
2. Loan and account receivable	43,785,058.55			321,623.45	36,827,993.39
3. Debt investments	41,123,594.69			23,124,738.12	114,180,424.71
<b>Subtotal of financial assets</b>	<b>941,791,954.58</b>	<b>-154,317,636.12</b>		<b>23,446,361.57</b>	<b>806,664,303.98</b>

## 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 2021			31 December 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	5,509,728,953.95	213,448,720.01	5,296,280,233.94	4,126,432,553.95		4,126,432,553.95
<b>Total</b>	<b>5,509,728,953.95</b>	<b>213,448,720.01</b>	<b>5,296,280,233.94</b>	<b>4,126,432,553.95</b>		<b>4,126,432,553.95</b>

#### (2) Investment in subsidiaries

Investee	31 December 2020	Increase	Decrease	31 December 2021	Provision for impairment in the current period	Balance of impairment provision
Central China Futures Co., Ltd.	188,061,592.08			188,061,592.08		
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	700,530,961.87			700,530,961.87		
Central China International Financial Holdings Co., Ltd.	859,340,000.00	663,296,400.00		1,522,636,400.00	213,448,720.01	213,448,720.01
Central China Blue Ocean Investment Management Co., Ltd.	2,256,000,000.00	720,000,000.00		2,976,000,000.00		
Central China Equity Exchange Co., Ltd.	122,500,000.00			122,500,000.00		
<b>Total</b>	<b>4,126,432,553.95</b>	<b>1,383,296,400.00</b>		<b>5,509,728,953.95</b>	<b>213,448,720.01</b>	<b>213,448,720.01</b>

# Notes to the Financial Statements

for the Year of 2021

## XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 2. Net interest income

Item	FY 2021	FY 2020
<b>Interest income</b>	<b>916,567,743.30</b>	840,710,707.82
Including: interest income from cash and bank balances and clearing settlement funds	219,258,200.52	220,736,495.73
Interest income from margin accounts receivable	531,690,562.15	464,576,155.58
Interest income from financial assets held under resale agreements	80,476,510.30	81,991,995.95
Including: interest income from agreed repurchase	923,065.44	996,809.98
Interest income from stock pledge repurchase	71,017,634.31	46,354,779.03
Interest income from financial assets at fair value through other comprehensive income	70,560,447.33	54,322,352.87
Others	14,582,023.00	19,083,707.69
<b>Interest expense</b>	<b>827,328,907.93</b>	794,467,457.03
Including: interest expense of short-term financing instruments payable	94,608,515.35	27,018,835.31
Interest expense of due to banks and other financial institutions	60,198,833.27	77,148,662.74
Including: refinancing interest expense	29,744,335.78	30,440,555.57
Interest expense on financial assets sold under repurchase agreements	310,977,651.89	263,204,806.08
Interest expense of accounts payable to brokerage clients	39,948,175.35	37,816,790.81
Interest expense of bonds payable	301,919,366.87	363,302,104.60
Including: interest expense of subordinated bonds	147,031,829.42	267,812,580.47
Interest expense of bond lending	10,271,094.68	15,528,329.95
Others	9,405,270.52	10,447,927.54
<b>Net interest income</b>	<b>89,238,835.37</b>	46,243,250.79

# Notes to the Financial Statements

for the Year of 2021

## XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 3. Net fee and commission income

#### (1) Details

Item	FY 2021	FY 2020
Securities brokerage services net income	716,344,816.88	686,071,935.92
— Securities brokerage services income	931,901,666.30	885,194,369.73
— Funds received as agent of stock exchange	866,304,715.56	831,526,528.34
Leasing of trading unit seats	228,065.17	1,031,189.08
Sales agent of financial products	64,487,543.89	51,559,606.38
— Securities brokerage services expense	215,556,849.42	199,122,433.81
— Funds received as agent of stock exchange	215,469,553.47	198,967,940.55
Sales agent of financial products	55,091.74	30,611.75
Investment bank business net income	631,244,447.05	200,925,249.51
Investment bank business income	639,524,915.86	211,653,833.40
— Securities underwriting business	576,943,747.38	114,957,161.13
Sponsor business of securities	18,530,188.67	23,965,274.32
Financial advisory business	44,050,979.81	72,731,397.95
— Investment bank business expenses	8,280,468.81	10,728,583.89
— Securities underwriting business	4,175,773.45	9,313,489.57
Sponsor business of securities	613,207.53	400,000.00
Financial advisory business	3,491,487.83	1,015,094.32
Asset management business net income	25,029,916.17	39,325,418.37
— Asset management business income	25,137,205.40	39,353,812.03
— Asset management business expense	107,289.23	28,393.66
Investment consulting business net income	68,787,678.69	81,559,355.53
— Investment consulting business income	68,787,678.69	81,559,355.53
— Investment consulting business expense		
Other fee and commission net income	31,371,063.10	30,268,783.91
— Other fee and commission income	31,371,063.10	32,811,519.76
— Other fee and commission expense		2,542,735.85
<b>Total</b>	<b>1,472,777,921.89</b>	<b>1,038,150,743.24</b>
<b>Including: total fee and commission income</b>	<b>1,696,722,529.35</b>	<b>1,250,572,890.45</b>
<b>Total fees and commission expense</b>	<b>223,944,607.46</b>	<b>212,422,147.21</b>

# Notes to the Financial Statements

for the Year of 2021

## XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 4. Investment income

#### (1) Classification details

Item	FY 2021	FY 2020
Long-term equity investments income calculated by cost method	15,693,080.20	77,307,500.00
Financial instruments investment income	917,264,177.78	553,945,936.58
Including: Income generated during holding period	770,347,874.32	695,140,291.04
Including: Financial assets at fair value through profit or loss	791,129,965.19	719,988,683.69
Financial liabilities at fair value through profit or loss	-20,782,090.87	-24,848,392.65
Disposal income of financial instruments	146,916,303.46	-141,194,354.46
Including: Financial assets at fair value through profit or loss	176,531,064.62	-83,989,378.75
Financial assets at fair value through other comprehensive income	8,066,690.95	10,380,784.48
Derivative financial instruments	-15,549,088.70	-121,617,242.72
Financial liabilities at fair value through profit or loss	-22,132,363.41	54,031,482.53
<b>Total</b>	<b>932,957,257.98</b>	<b>631,253,436.58</b>

#### (2) Detailed statement of investment income of trading financial instruments

Trading financial instruments		FY 2021
Financial assets classified as financial assets measured at fair value through profit or loss	Income during holding period	791,129,965.19
	Income from disposal	176,531,064.62
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	-20,782,090.87
	Income from disposal	-22,132,363.41
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 2021

## XV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 5. Business and administrative expenses

Item	FY 2021	FY 2020
Employee benefits	1,211,760,242.22	829,080,934.22
Depreciation of right-of-use assets	58,319,162.96	56,650,750.59
Securities investors protection funds	37,707,679.54	7,811,652.08
Amortization of intangible assets	36,177,836.12	29,767,221.31
Electronic equipment operating fees	31,701,000.70	35,398,233.30
Advertising expenses	27,865,195.71	16,396,249.01
Depreciation of fixed assets	26,711,373.01	30,181,550.19
Communication fees	16,249,311.43	15,826,770.89
Member fees	15,719,537.36	15,204,571.94
Consulting fees	15,649,437.68	12,106,802.02
Business entertainment expenses	12,777,064.29	10,077,114.18
Traveling expenses	12,407,616.92	10,840,414.36
Amortization of long-term deferred expenses	11,819,574.01	12,573,176.57
Property management fee	8,384,841.32	8,035,558.53
Rental fee	6,511,606.78	5,776,033.67
Water and electricity	6,164,378.39	6,854,700.01
Audit fee	3,674,754.70	5,985,660.37
Legal and professional fees	3,661,672.05	4,215,428.29
Others	33,611,702.52	36,664,382.40
<b>Total</b>	<b>1,576,873,987.71</b>	<b>1,149,447,203.93</b>

# Notes to the Financial Statements

for the Year of 2021

## 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 2021	FY 2020
<b>1. Adjusting net profit to cash flow from operating activities:</b>		
Net profit	467,694,549.68	201,826,398.89
Plus: expected credit losses	168,069,536.77	263,120,359.08
Provision for impairment of other assets	213,448,720.01	
Accumulated depreciation of investment properties and fixed assets	27,821,612.32	31,299,387.64
Depreciation of right of use assets	58,319,162.96	56,650,750.59
Amortization of intangible assets	36,177,836.12	29,767,221.31
Amortization of long-term deferred expenses	11,819,574.01	12,573,176.57
Loss on disposal of fixed assets, intangible assets and other long-term assets (income is represented with "-")	1,536,091.43	1,413,215.22
Profit or loss from changes in fair value (income expressed with "-")	-76,803,683.45	88,807,494.18
Interest expense	402,841,301.93	397,411,742.61
Exchange losses (gains expressed with "-")	189,029.17	646,160.05
Investment loss (income expressed with "-")	-94,320,218.48	-142,010,637.35
Decrease of deferred income tax assets (increase expressed with "-")	-23,877,204.44	-88,296,632.38
Increase in deferred income tax liabilities (decrease expressed with "-")		-3,207,641.13
Decrease in operating receivables (increase expressed with "-")	-1,518,104,721.09	191,011,569.97
Increase in operating payables (decrease expressed with "-")	104,774,624.15	-82,028,931.77
Net cash flow from operating activities	-220,413,788.91	958,983,633.48
<b>2. Major investment and financing activities not involving cash receipts and payments:</b>		
Debt to capital		
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	13,041,401,477.73	11,500,913,337.34
Less: opening balance of cash	11,500,913,337.34	9,849,533,204.97
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,540,488,140.39	1,651,380,132.37



# Notes to the Financial Statements

for the Year of 2021

## 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	20,420,575.16	
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)	12,833,519.07	
Other non-operating income and expenses other than the above items	5,556,296.97	
Other profit and loss items conforming to the definition of non-recurring profit and loss		
Less: income tax impact	11,092,326.41	
Influence amount of minority shareholders' equity (after tax)	4,862,738.75	
Total	22,855,326.04	

### 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	3.78	0.11	0.11
Net profit attributable to common shareholders of the Company after deducting non-recurring profits or losses	3.61	0.11	0.11

Central China Securities Co., Ltd.

25 March 2022

## SECTION 9 INFORMATION DISCLOSURE OF SECURITIES COMPANY

### I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

#### (I) Administrative licensing of branches offices and securities branches during the Reporting Period

Newly established branch offices	Newly established securities branches	Relocated branch offices	Relocated securities branches
0	0	2	6

#### 1. Administrative licensing of the relocation of branch offices during the Reporting Period

No.	Name of branch office before relocation	Name of branch office after relocation	New address	License obtained on
1	Central China Securities Pingdingshan Branch Office	Central China Securities Pingdingshan Branch Office	28F, Building 1 & No.101 Store, Building 2, Jiatian Xintiandi, No. 26, Middle Section of Jianshe Road, Xinhua District, Pingdingshan City, Henan Province	31 December 2021
2	Central China Securities Luohe Branch Office	Central China Securities Luohe Branch Office	No.101, Building 7, Golden Huafu Junyuan, Huanghe Road, Yancheng District, Luohe City, Henan Province	19 October 2021

## SECTION 9 INFORMATION DISCLOSURE OF SECURITIES COMPANY

### 2. Administrative licensing of the relocation of securities branches during the Reporting Period

No.	Name of securities branch before relocation	Name of securities branch after relocation	New address	License obtained on
1	Central China Securities Zhengzhou Wei Wu Road Securities Branch	Central China Securities Zhengzhou Huanghe Road Securities Branch	2F, West Wing, No.11 Huanghe Road, Jinshui District, Zhengzhou City, Henan Province	16 December 2021
2	Central China Securities Xixia Century Avenue Securities Branch	Central China Securities Xixia Renmin Road Securities Branch	Intersection of Baiyu Road and Renmin Road, Xixia County, Nanyang City, Henan Province	29 June 2021
3	Central China Securities Xinxiang Xiangyang Road Securities Branch	Central China Securities Xinxiang East Renmin Road Securities Branch	No.1201 Store, Building 1, Tianan Mansion, No.166, (Middle) Muye Avenue, Hongmen Town, Hongqi District, Xinxiang City, Henan Province	3 December 2021
4	Central China Securities Changyuan Renmin Road Securities Branch	Central China Securities Changyuan Shanhai Avenue Securities Branch	No.116 Store, Building 11, Weihua Century City, Shanhai Avenue, Changyuan City, Xinxiang City, Henan Province	22 September 2021
5	Central China Securities Luyi Ziqi Avenue Securities Branch	Central China Securities Luyi Zhenyuan Avenue Securities Branch	No.428, Zhenyuan Avenue, Luyi County, Zhoukou City, Henan Province	21 December 2021
6	Central China Securities Jinan South Gongye Road Securities Branch	Central China Securities Jinan Yuhan Road Securities Branch	2F, South Building 1, No.89 Yuhan Road, Shizhong District, Jinan City, Shandong Province	11 June 2021

### II. Results of the classification of the Company by regulatory authority

The Company was rated “BBB” in the category “B” by the CSRC in the 2019 classification and evaluation of securities companies.

The Company was rated “A” in the category “A” by the CSRC in the 2020 classification and evaluation of securities companies.

The Company was rated “BBB” in the category “B” by the CSRC in the 2021 classification and evaluation of securities companies.