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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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Central China Securities Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022. This interim results announcement, containing the full text of the 2022 interim 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 interim results, and has been considered and approved by the tenth meeting of the Seventh Session of the Board and has been reviewed by the audit committee under the Board of the Company.

The printed version of the Company's 2022 interim 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) around late-September 2022.

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

Henan, the PRC  
22 August 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 the 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 2022 interim financial statements of the Group are unaudited. The interim financial statements set out in this report were prepared pursuant to the China Accounting Standards for Business Enterprises and have been reviewed by Da Hua Certified Public Accountants (Special General Partnership).

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

The 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 between plans, forecasts and commitments and be aware of the 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.

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

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

## MATERIAL RISK ALERT

The Company's business and assets are mainly concentrated in 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 Section 3 "Management Discussion and Analysis V. Other Disclosure (I) Potential risks" of this report.

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## DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

Interim report published 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:

Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
Group	the Company and its subsidiaries
Board	the board of Directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	supervisor(s) of the Company
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
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 interim report
SSE	the Shanghai Stock Exchange
SSE Composite Index	composite stock price index of the SSE
SZSE	the Shenzhen Stock Exchange
SZSE Component Index	component stock price index of the SZSE
Wind Info	Shanghai Wind Information Co., Ltd. (上海萬得信息技術股份有限公司)
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 2022 to 30 June 2022
end of the Reporting Period/ end of the Period	30 June 2022
PRC or China	the People's Republic of China
State Council	the State Council of the PRC (中華人民共和國國務院)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Ministry of Finance	the Ministry of Finance of the PRC (中華人民共和國財務部)
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)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
STAR Market	science and technology innovation board of the SSE
New Third Board or NEEQ	National Equities Exchange and Quotations
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 and Chemical Group Co., Ltd. (中國平煤神馬控股集團有限公司)
Anyang Economic Development	Anyang Economic Development Group Co., Ltd. (安陽經濟開發集團有限公司)
Jiangsu SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)

## 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)
Kaiyuan Private Equity	Henan Kaiyuan Private Equity Fund Management Co., Ltd. (河南開元私募基金管理有限公司)
Central China Blue Ocean	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)
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	Renminbi, the lawful currency of the PRC, with the basic unit of "yuan"
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
%	per cent.

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. INFORMATION ABOUT THE COMPANY

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

#### Registered capital and net capital

Unit: Yuan Currency: RMB

	At the end of the Reporting Period	At the end of last year
Registered capital	4,642,884,700.00	4,642,884,700.00
Net capital	8,025,060,794.61	9,100,531,842.63

#### Qualifications for each individual business of the Company

1. Securities brokerage
2. Securities investment consulting
3. Financial advisory services relating to securities trading and securities investment activities
4. Proprietary trading of securities
5. Financial advisory services for merger, acquisition and restructuring of listed companies
6. Securities asset management
7. Entrusted investment management business
8. Stock lead underwriting business
9. Entrusted on-line securities business
10. Sponsorship of offering and listing of securities
11. Proxy sale of open-end securities investment funds
12. "SSE 50ETF" participant broker
13. Buyout repurchase of T-bonds on the SSE
14. IPO book-building and placement



## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

15. Sponsorship of shareholder structure reform
16. Warrant trading
17. Clearing participants of the China Securities Depository and Clearing Corporation Limited
18. Foreign exchange business
19. National inter-bank lending and borrowing business
20. Primary dealer of Integrated Electronic Platform of Fixed-income Securities of the SSE
21. Qualified investor of block trading system
22. Trading in the inter-bank bond market
23. Intermediary introduction business for futures companies
24. Agency system host securities dealer business
25. Sponsoring broker of 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 business
37. Securities refinancing and lending business
38. Shanghai-Hong Kong Stock Connect business on the SSE

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

39. Market-making business on the 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	Zhao Jinqi
Address	9F, Pingmei Shenma Financial Capital Operation Centre, Intersection of Ruyi West Road and Ruyi River 4th West Street, Jinshui District, Zhengzhou City, Henan Province, China (Postcode: 450018)	9F, Pingmei Shenma Financial Capital Operation Centre, Intersection of Ruyi West Road and Ruyi River 4th West Street, Jinshui District, Zhengzhou City, Henan Province, China (Postcode: 450018)
Tel	0371-69177590 (Acceptance hours: 9:00-11:30, 13:00-17:00 on trading days)	0371-69177590 (Acceptance hours: 9:00-11:30, 13:00-17:00 on trading days)
Fax	0371-86505911	0371-86505911
Email address	zyzqdm@ccnew.com	zyzqzd@ccnew.com

### III. BASIC PROFILE

Registered address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China
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	investor@ccnew.com
Principal place of business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspaper designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the 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 this report of the Company	9F, Pingmei Shenma Financial Capital Operation Centre, Intersection of Ruyi West Road and Ruyi Hexi 4th Street, Jinshui District, Zhengzhou City, Henan Province, China

### V. SHARES OF THE COMPANY

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

### VI. OTHER RELEVANT INFORMATION

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
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

### VII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

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

#### (I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	January-June 2022	January-June 2021	Increase/Decrease as compared with the corresponding period of last year (%)
Operating income	<b>787,674,140.44</b>	2,336,041,148.75	-66.28
Profit before tax	<b>-169,320,560.65</b>	307,052,034.04	-155.14
Net profits attributable to owners of the parent	<b>-125,442,881.07</b>	228,961,700.48	-154.79
Net profits attributable to owners of the parent after deducting non-recurring profit or loss	<b>-130,788,292.85</b>	221,131,715.65	-159.14
Net cash flows from operating activities	<b>2,626,128,925.24</b>	-1,282,743,968.59	N/A
Other comprehensive income	<b>30,381,476.29</b>	1,881,081.67	1,515.11
	<b>30 June 2022</b>	31 December 2021	Increase/Decrease as at the end of the period as compared to the end of last year (%)
Total assets	<b>54,692,772,290.54</b>	53,748,323,524.71	1.76
Total liabilities	<b>40,752,271,831.24</b>	39,604,243,601.31	2.90
Accounts payable to brokerage clients	<b>14,716,321,579.88</b>	12,571,797,812.48	17.06
Equity attributable to owners of the parent	<b>13,483,278,632.78</b>	13,681,883,165.28	-1.45
Total equity	<b>13,940,500,459.30</b>	14,144,079,923.40	-1.44
Share capital (shares)	<b>4,642,884,700.00</b>	4,642,884,700.00	—
Net assets per share attributable to owners of the parent (RMB/share)	<b>2.90</b>	2.95	-1.69

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (II) Principal financial indicators

Principal financial indicators	January-June 2022	January-June 2021	Increase/Decrease as compared with the corresponding period of last year (%)
Basic earnings per share (RMB/share)	-0.03	0.05	-160.00
Diluted earnings per share (RMB/share)	-0.03	0.05	-160.00
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	-0.03	0.05	-160.00
Weighted average return on net assets (%)	-0.92	1.70	Decrease by 2.62 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	-0.96	1.64	Decrease by 2.60 percentage points
	30 June 2022	31 December 2021	Increase/Decrease as at the end of the period as compared to the end of last year (%)
Gearing ratio (%)	65.13	65.65	Decrease by 0.52 percentage point

### Notes on principal accounting data and financial indicators

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

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Unit: Yuan Currency: RMB

Item	30 June 2022	31 December 2021
Net capital	8,025,060,794.61	9,100,531,842.63
Net assets	13,985,765,118.77	14,055,597,217.02
Sum of various risk capital provisions	3,327,175,447.78	3,613,024,828.10
Total on-and-off balance sheet assets	40,236,782,718.13	41,382,722,652.76
Risk coverage ratio (%)	241.20	251.88
Capital leverage ratio (%)	18.47	18.48
Liquidity coverage ratio (%)	187.59	170.42
Net stable funding ratio (%)	161.02	140.92
Net capital/net assets (%)	57.38	64.75
Net capital/liabilities (%)	33.18	36.00
Net assets/liabilities (%)	57.83	55.60
Proprietary equity securities and its derivatives/net capital (%)	4.29	6.77
Proprietary non-equity securities and its derivatives/net capital (%)	295.44	253.05
Amount of margin financing (securities lending inclusive)/net capital (%)	100.78	99.39

Note: During the Reporting Period, the Company's major risk control indicators, such as net capital, are in compliance with the regulatory requirements.

### VIII. ITEMS AND AMOUNTS OF NON-RECURRING PROFIT OR LOSS

Unit: Yuan Currency: RMB

Items of non-recurring profit or loss	Amount	Note
Profit or loss from disposal of non-current assets	-504,184.40	
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	7,946,109.93	Mainly due to the government subsidies
Other non-operating income/expenses other than the above items	53,617.40	
Less: amount of impact of income tax	1,873,885.73	
amount of impact of minority shareholders' equity (after tax)	276,245.42	
Total	5,345,411.78	

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

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

In the first half of 2022, the international situation continued to undergo profound and complex changes, and the world economy remained in a period of deep adjustment, especially under the impact of many factors such as the intensification of geopolitical games triggered by the outbreak of the Russia-Ukraine conflict, the change in monetary policy expectations triggered by high inflation in developed economies, and energy and food supply shocks. Domestically, the repeated pandemics overlaid with the uncertainty of the external situation, and the downward pressure on the economy continued to increase. As stabilising growth becoming the main policy theme, the State Council deployed a package of measures to stabilise the economy, further boosting the confidence of market players and stabilising economic fundamentals. The China Securities Regulatory Commission maintained the stable operation of the capital market in four areas, namely, increasing support for direct financing, implementing the extension policy, optimising regulatory work arrangements and playing the role of industry bodies, and effectively withstood the impact of the recurring domestic COVID-19 pandemics and the turbulent international situation in the first half of the year. China's capital markets showed great resilience.

During the Reporting Period, the overall volatility of the A-share market, especially the overall market decline from January to April 2022, had an impact on various businesses of securities companies, and the operating results of the securities industry were negatively affected. However, in the medium to long term, the fundamentals of China's sustained economic upturn remain unchanged, the direction of reform to develop a multi-level capital market and increase the proportion of direct financing remains unchanged, the strength and speed of reform in the direction of the comprehensive registration system and the construction of a multi-level capital market system are unprecedented, and the function of the capital market in serving the high-quality development of the real economy is gradually enhanced, which continues to expand new space for the development of the securities industry. At the same time, competition in the brokerage industry has intensified and profound changes have taken place in the way of development, placing higher requirements on the comprehensive strength and professionalism of securities firms, as well as the synergistic development of various businesses.

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

In the first half of 2022, the Company took high-quality party building as its leader, adhered to the keynote of making steady progress, actively responded to the adverse impact caused by the recurrence of the pandemic, took multiple measures to stabilize the scale, expand incremental volume and focus on breakthroughs, and promoted the core business to upgrade and show new performance. The wealth management line focused on assets and profit generation, expanded new business, prevented losses, accelerated technology empowerment, strengthened staff restructuring, and practiced refined management; the investment banking line established a good brand and achieved good results, ranking 24th in terms of IPO main underwriting value and 22nd in terms of IPO main underwriting revenue; the fixed income proprietary investment business accurately captured market opportunities, effectively avoided credit risks, and actively expanded new business of notes and bonds sales, leading to solid growth in income; ZDKY Venture Capital, Central China Blue Ocean and Kaiyuan Private Equity have increased their investment in real enterprises and entered the list of "specialized, advanced, special and new loan (專精特新貸)" investment partners of the Department of Industry and Information Technology of Henan Province; The blockchain construction innovation pilot work of the Equity Exchange Co. was approved by the CSRC, and the establishment of a specialized, advanced, special and new board was actively planned to help the development of small and medium-sized enterprises in the province; Central China Futures achieved double growth in the scale of customer deposits and the number of institutional accounts, entered the top 20 in the industry in terms of capital management scale, and the special soda ash industry service was awarded the only "Excellent Demonstration Project (優秀示範項目)" by the Zhengzhou Commodity Exchange. Although the Company suffered an overall loss in the first half of 2022, it has gradually shaken off the negative impact of the sharp shocks in the capital market and has shown a good trend of stabilisation and recovery after efforts.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

On 29 June 2022, Henan Provincial Government issued the Implementation Plan for Promoting the Multiplication of Listed Enterprises in Five Years in Henan Province (《河南省推進企業上市五年倍增行動實施方案》), in which it was clearly proposed that the role of Central China Securities as a main local securities company should be brought into play, and the “trinity” financial service model of investment banking, investment, investment and lending linkage should be implemented, and “specialized, advanced, special and new (專精特新)” boards in Equity Exchange Co. (a subsidiary of the Company) should be established to organize the listing incubation and cultivation of innovative small and medium-sized enterprises”, so as to provide opportunities for the further development of the Company’s business, such as investment, investment banking and wealth management.

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

Focusing on the business strategy of “strengthening investment banking business and making excellent investments”, the Company continued to deepen the reform of investment banking. Relying on the presence of the Company’s more than 100 branches in core cities such as Beijing, Shanghai, Guangzhou and Shenzhen, and various cities in Henan Province, the Company has ranked among the top in the industry in some core indicators of investment banking business. On this basis, the Company actively explored the implementation of the “trinity” financial service model of investment, investment banking, investment and lending linkage, i.e. Central China Securities selected a number of promising enterprises, especially technology-based enterprises, and invested in them through equity investment by the science and technology fund and investment companies under the Company, and drove social capital to follow, while attracting loans from commercial banks. When the conditions permitted, the Company would actively support the listing of the enterprises and their entry into the capital market to achieve benign development. The model has been innovated and implemented in many places in Henan Province, with favourable results, and was written into the Implementation Plan for Promoting the Multiplication of Listed Enterprises in Five Years in Henan Province (《河南省推進企業上市五年倍增行動實施方案》) for implementation in the province.

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

The Company is a securities company with A+H dual capital access, which has a certain brand, social influence, abundant and convenient financing channels to rapidly improve its capital strength and replenish its working capital. The second private placements of A-shares of the Company has been considered and approved by the Board of Directors, the Supervisory Committee and the General Meeting, and it is proposed to raise not more than RMB7 billion (inclusive) through a non-public issuance of not more than 1,392,865,410 A-shares (inclusive) to specific targets.

#### (III) Advantage of “base area”

As a Henan Provincial legal person securities company and the main carrier for the development of Henan’s capital market, 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 several businesses ranking at the top in terms of regional market share. In the Implementation Plan for Promoting the Multiplication of Listed Enterprises in Five Years in Henan Province (《河南省推進企業上市五年倍增行動實施方案》) issued by Henan Province, it was clearly proposed that the role of Central China Securities as a main local securities company should be brought into play, which has created good business development opportunities for the Company.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### III. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

#### 1. Securities brokerage business

##### Market environment

In the first half of 2022, the major indexes of the domestic capital market were basically in a downward trend due to events at home and abroad. The SSE Composite Index closed at 3,398.62 points, down 6.63% from the end of last year, the SZSE Component Index 12,896.20 points, down 13.20% from the end of last year, and the ChiNext Index 2,810.60 points, down 15.41% from the end of last year. The stock-based trading hit RMB124.50 trillion in the first half of 2022, representing a year-on-year increase of 7.63%. Against the backdrop of intensifying industrial competition and the declining commission rate of the industry channel, the proportion of traditional securities brokerage income has continued to decline, while the proportions of investment advisory income and agency sale of financial products income have continued to increase. Meanwhile, amid the fast-growing mobile Internet, brokers are investing more in financial technology. As a result, the “online customer acquisition” and the “online wealth management” methods have gone further and the securities brokerage business is becoming more “centralized, online, and intelligent.” [Source: Wind Info]

##### Business measures and performance

In the first half of 2022, the Company’s securities brokerage business focussed on customer operation. Empowered by digitalisation and driven by management, it built a more diversified marketing system, explored a new operation mode of Internet customer acquisition, improved Internet service carrying capacity, and increased marketing service support. It accelerated the digital transformation of business processes, streamlined business processes, and promoted the online and formal operation of employees’ WeChat to improve customer service experience; by strengthening product research ability, relying on the commission sale of financial products and deepening advisory investment services, we have made great progress in the development and services of high-net-worth customers and professional investors, enhanced the competitiveness of the company’s brokerage business as “ballast stone (壓艙石)” of the Company’s profits.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company's transaction volume of stock and fund totalled RMB835.003 billion, representing a 3.35% market share; the sales of products available on the financial service platform amounted to RMB4.993 billion, up 34.78% from the same period of last year; the sales of financial products totalled RMB5.341 billion, down 23.54% from the last year. At the end of the Reporting Period, the total number of securities brokerage customers of the Company was 2.5011 million, an increase of 17.99% from the end of the last year. The Company ranked 26th among the 129 registered investment advisors. The number of customers participating in online brand activities such as "Good Start" (開門紅) and "618" saw a CAGR of 78%. The number of customers of the "Caishengbao (財升寶)" APP has exceeded 1 million, and the comprehensive ranking of online operation indicators such as the number of daily and monthly active users has been ranking 24th comfortably among brokers. [Source: Qianfan. analysis.cn and gsdata.cn]

### Outlook

In the second half of 2022, the Company's brokerage business will strive to overcome the adverse impact imposed by market conditions in the first half of the year by focussing on the "trinity" new model of serving the real economy and the intensified efforts in integrated online and offline channels. The Company will continue to promote the application of artificial intelligence and big data online, strengthen the precision and data-based marketing and services, and expand the market based on customer operation; improve the professional ability and service level of investment customers offline, and make full use of regional and channel advantages to continuously enhance the one-stop comprehensive financial service ability of branches; take the introduction of high-quality private trust products as an opportunity to expand high net worth financial management customers; actively expand the commission sales of public funds, promote the management investment advisory business of public funds, increase the proportion of financial products sales income, and continue to explore the path of wealth management transformation suitable for our own development.

## 2. Credit business

### Market environment

In the first half of 2022, affected by the fluctuations in the capital market, the balance of margin lending and securities lending in Shanghai and Shenzhen stock markets was approximately RMB1.6 trillion, down 12.49% as compared to the end of last year. Driven by the new rules and other regulatory policies, the stock-pledged repurchase business in the market contracted and the pledge risk was mitigated visibly. [Source: Wind Info]

### Business measures and performance

In the first half of 2022, in terms of margin financing and securities lending business, the Company, by launching the marketing service activities themed "maintaining stability, promoting growth, and improving quality and efficiency", continued to enrich the content of margin trading services, strengthened new opening and activation incentives, and focussed on the expansion of high net worth customers for a higher proportion of net worth customers. In terms of stock-pledged repurchase business, the Company strengthened the synergistic effect by further improving the operation process and comprehensive risk control system of credit-like business with its own characteristics, so as to continuously resolve the default by recovering defaulted project funds of RMB23.344 million. Based on the overall resources of the Company, it carried out new business prudently by completing more than 20 projects due diligence and 5 new initial transactions.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the Company's margin financing and securities lending accounts increased by 1,777, up 50.47% as compared with the same period of last year, and the margin lending balance was RMB6.97 billion, down 5.76% year on year. The outstanding balance of stock-pledged repurchase was RMB2.276 billion, up 10.48% from the beginning of 2022. Among others, the on-balance sheet principal of the margin accounts to be repurchased in the stock-pledged repurchase business was RMB1.598 billion, up 1.70% year on year, with an average maintenance guarantee ratio of 185.88%; that for the off-balance sheet was RMB679 million, flat as the same period of last year.

### Outlook

In the second half of 2022, with respect to its margin financing and securities lending services, the Company will continue to improve business processes and market-based pricing mechanisms and expand its margin financing and securities lending customer base by tapping into customers' demand with differentiated services. This will improve customer satisfaction and guide customers to use the instruments for financing and securities lending to steadily expand the business. In terms of the stock-pledged repurchase business, the Company will, on the basis of continuously resolving the default risk of the stock, adhere to the business positioning of service collaboration. That means great efforts in the process control of customer access, credit pricing, post-loan management and risk recovery, so as to steadily and prudently push forward the expansion and realize the sound and steady development of the business.

### 3. Investment banking business

#### Market environment

The ongoing reform to the comprehensive registration system gives new impetus to the capital market for supporting science and technology innovation and developing the real economy, and further expands the depth and breadth of investment banking business of brokerage firms. In terms of equity financing, in the first half of 2022, 171 enterprises completed their initial offering either on the SSE or SZSE, raising a total of RMB311.937 billion, representing a year-on-year increase of 45.77%. The proceeds raised from the refinancing of the listed companies amounted to RMB398.117 billion, representing a year-on-year decrease of 28.04%. With the establishment of the Beijing Stock Exchange in 2021, 19 new companies were listed in 2022, raising proceeds of RMB2.879 billion and of RMB1.997 billion from the refinancing, presenting brokerage firms, particularly small and medium-sized ones with new business opportunities. 79 companies were newly quoted on the New Third Board, raising a total of RMB12.664 billion on the New Third Board through private placement, representing a year-on-year increase of 42.81%. In terms of debt financing, the growth rate of bond issuance slowed down compared to previous years. The total amount of bonds issued by various institutions was RMB31.49 trillion, representing a year-on-year increase of 6.49%. [Source: Wind Info]

#### Business measures and performance

In the first half of 2022, the Company conducted investment banking business with a combination of measures to concentrate its efforts in the Henan market while promoting the issuance progress of several projects approved by the Issuance Examination Committee Meeting of the CSRC. The Company implemented the "trinity" financial service mechanism, focusing on increasing project reserves and promoting the implementation of high-quality projects, to improve the quantity and quality of projects. The Company further explored the strengths of local resources of branches, strengthened the investment banking training of branches, and enhanced the capabilities and compliance awareness of branches and employees in investment banking business. In addition, the Company controlled the project compliance risk and completed the revision of a series of policies such as internal control management measures for investment banking business and due diligence management measures for sponsorship, underwriting and M&A financial advisory business.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company completed one IPO lead underwriting project, with the equity lead underwriting amount on the SSE and SZSE totaling RMB1.296 billion; completed seven corporate bond projects, with the debt lead underwriting amount totaling RMB2.073 billion; acted as the sponsor in one IPO project which was approved by the Issuance Examination Committee Meeting of the CSRC and two refinancing projects. As of the end of the Reporting Period, the Company ranked 24th in terms of the amount of IPO lead underwriting and 22nd in terms of the revenue of IPO lead underwriting. [Source: Wind Info]

### Outlook

In the second half of 2022, in terms of the investment banking business, the Company will seize the favorable conditions for promoting the implementation of the Five-Year Multiplication Action of Henan Province to Promote the Listing of Enterprises by leveraging the stellar performance and influence of investment banking in recent two years. The Company will continue to deepen the implementation of the “trinity” financial service model, concentrate its efforts in the Henan market, increase project reserves to enhance business coverage and market share in Henan Province. Seizing the opportunity of the rapid development of the Beijing Stock Exchange, the Company will increase the staff strength and coordinated management of business teams in the investment banking line, and strengthen industry research and the ability to undertake and underwrite projects, to serve the national market more precisely.

## 4. Investment management business

### (1) Asset management

#### *Market environment*

With the termination of the transition period of the new capital management regulations, the competitive landscape of the capital management industry is being reconstructed at a faster pace, presenting brokerage capital management with new opportunities and challenges. The securities companies accelerated the layered layout of their asset management business by setting up asset management subsidiaries, applying for the qualification as publicly-offered fund manager and accelerating the transformation of the collective investment schemes into publicly-offered funds, among other ways. Going forward, the securities companies will continue to insist on active management as the core and explore distinctive and differentiated core competitiveness by integrating their respective resources, to provide our customers with a multi-layered, high-quality product systems. As of the end of the Reporting Period, the securities and futures operators managed RMB15.40 trillion worth of privately offered funds in total (excluding the National Social Security Fund and enterprise annuity funds). By product classification, the size of single asset management plans accounted for 52.27%. By management mode, fixed income products took the lion's share of the four categories of equity, fixed income, commodities and financial derivatives, and hybrid products in both number and size. [Source: the AMAC]

#### *Business measures and performance*

In the first half of 2022, the Company prioritized enhancing active management capabilities and further strengthening the professional competence of investment and research and focusing on deepening achievement transformation of investment and research in respect of the asset management business. Strengthening team building and talent training, the Company deepened the research and layout of various business divisions. Focusing on areas such as FOF business as well as fixed income and other business, the Company explored the possibility of diversified competition.

As of the end of the Reporting Period, the total assets under management of the Company amounted to RMB3.538 billion, including six collective investment schemes in the amount of RMB3.233 billion, one separately managed asset management plan in the amount of RMB47 million and one specialized asset management plan in the amount of RMB259 million.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### *Outlook for the second half of 2022*

In the second half of 2022, the Company will pursue market-oriented asset management. Combining internal training and external introduction, the Company will accelerate the cultivation of investment research teams and consolidate the foundation for development talents. In addition, the Company will actively develop diversified investment strategies, strengthen FOF, fixed income, index and quantitative products creation and build the basic product system, to meet the needs of investors with different risk reference.

### **(2) Private fund management**

The Company carried out its private fund management business through ZDKY Venture Capital, a subsidiary of the Company, and its subsidiaries.

### *Market environment*

In the first half of 2022, affected by factors such as pandemic resurgences and changes in the capital market environment, the equity market activity showed a downward trend, and the private equity investment industry was at the bottom for consolidation. In terms of fundraising, the fundraising structure of the equity investment market was polarized, with large infrastructure and policy-oriented funds frequently established. The proportion of fundraising for equity investment funds dipped, with the number and amount of new funds raised reaching 2,701 units and RMB772.455 billion respectively, down 7.2% and 10.3% year on year. In terms of investment, the equity investment market decelerated significantly in the first half of 2022, with the number and amount of investment cases dropping by 31.9% and 54.9% year on year, particularly in the Internet, chain and retail, food and beverage fields. On the contrary, the investment in automotive, new energy, etc. grew against the trend, with the proportion of large cases over RMB1 billion declining from 1.89% to 1.02%, and concentrated in the semiconductor, automotive, IT and clean technology fields. In terms of withdrawal, a total of 1,295 withdrawals were made in the equity investment market in the first half of the year, representing a year-on-year decrease of 50.0%. [Source: Zero2IPO Data]

### *Business measures and performance*

In the first half of 2022, ZDKY Venture Capital continued with the Company's "trinity" financial service strategy. Relying on the advantages of being the second batch of cooperative institutions for "specialized, advanced, special and new loan" of the Department of Industry and Information Technology of Henan Province, the Company focused on conducting due diligence on a number of enterprises around technology industry, new energy, new materials, modern service industry and other sectors. The Company completed the investment in Zhengzhou Newbase Auto Electronics Co., Ltd., Origin Dynamics Intelligent Robot Co.,Ltd. and high-quality enterprises in the province, while pooling social funds, attracting commercial bank loans and breaking the bottleneck of enterprise funds. The Company responded to the business needs of advanced investment institutions, provincial mother funds, local governments and large enterprises, and planned and established new funds around mixed reform of state-owned enterprises, M&As, and special industries. Furthermore, the Company carried out post-investment management and strengthened the linkage with investment to boost its growth. The Company steadily promoted the withdrawal of stock projects and completed the liquidation and withdrawal of several projects.

During the Reporting Period, ZDKY Venture Capital and its subsidiaries completed seven equity investment projects with an investment amount of RMB69.8960 million. As of the end of the Reporting Period, ZDKY Venture Capital and its subsidiaries managed 13 private funds with a scale of RMB4.5995 billion.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### *Outlook for the second half of 2022*

In the second half of 2022, ZDKY Venture Capital will sustain its efforts in the Henan market, with the focus on promoting the implementation of provincial science and innovation fund II, state-owned enterprises' mixed reform fund, electronic industry fund and other funds. ZDKY Venture Capital will deepen cooperation with renowned investment institutions in key areas such as advanced manufacturing, digital economy, biomedicine, new energy and materials, modern agriculture, etc., and develop high-quality projects, to gradually form a virtuous cycle of "investment — value-added withdrawal — reinvestment". In addition, ZDKY Venture Capital will attract outstanding teams and increase the number of enterprises and investors in the Guangdong-Hong Kong-Macao Greater Bay Area with Guangzhou and Shenzhen as the core, and collaborate with the Company in the high-quality development of the investment banking and investment business in the Greater Bay Area.

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

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

#### *Market environment*

In the first half of 2022, affected by the complex international political and economic situation and the domestic pandemic resurgences, the secondary market was under mounting pressure, the pace of the equity investment market slowed down significantly, and the amount of fundraising and investment in the primary market dropped compared to the same period last year. As national policies on stabilizing the economy paid off and the pandemic was brought under control, market confidence was gradually rekindled, and investment activities were expected to pick up. In the medium to long term, with the full rollout of the registration system in China, the investment cycle was markedly shortened, facilitating the development of the equity investment business of alternative investment companies.

#### *Business measures and performance*

In the first half of 2022, Central China Blue Ocean continued deepening the cooperation with well-known investment institutions in China, improved the grade of projects, optimized the investment structure and enhanced the investment scale. Central China Blue Ocean became a partner institution of "specialized, advanced, special and new loan" in Henan Province, and increased the presence of high-quality projects in the province. Along with the Company's investment banks and partner financial institutions, Central China Blue Ocean empowered outstanding real enterprises in the province through the "trinity" service model.

During the Reporting Period, Central China Blue Ocean made five new investments with a total scale of RMB82 million, including two equity investments with a scale of RMB15 million and three financial product investments with a scale of RMB67 million. There were eight withdrawal investment projects of various types, with a recovered investment amount of RMB57 million. As of the end of the Reporting Period, Central China Blue Ocean recorded a total of 53 existing investment projects with a total scale of RMB2.894 billion. These projects were distributed in a variety of fields such as biomedicine, big consumption, new materials, environmental science, etc. Some of the projects invested by funds cooperating with well-known investment institutions were approved by the Issuance Examination Committee Meeting of the CSRC.

### *Outlook for the second half of 2022*

In the second half of 2022, Central China Blue Ocean will, based on the "trinity" strategy, enhance the investment and cultivation of high-quality enterprises in the province, and contribute to the provincial economic development, industrial structure optimization and upgrading; maintain close cooperation with well-known investment institutions in the industry, jointly invest in high-quality projects nationwide, improve the scale of investment and profitability, and learn advanced experience and methods to improve their professional ability; optimize the compensation mechanism to attract and retain talents, set up teams in the Yangtze River Delta and Greater Bay Area, where there are abundant high-quality projects, so as to further enhance the ability of independent investment, and deploy local high-quality projects; strengthen the post-investment management, develop targeted policies for each project, cooperate with the investment bank of the Company to enhance the capital empowerment of the invested enterprises, jointly speed up the pace of listing of the enterprise, improve the efficiency of capital turnover, and realize the double harvest of economic and social benefits.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Proprietary trading

#### *Market environment*

In the first half of 2022, equity investments, which were affected by a confluence of factors including global macroeconomics, fell first and then recovered. The SSE Composite Index, the SZSE Component Index and the ChiNext Index fell 6.63%, 13.20% and 15.41%. The bond market, affected by the cuts to required reserve ratios, the USD rate hike, rising commodities and the seesaw of stocks and bonds, fell after rise. The yield on the ten-year treasury bond swayed down, and the ChinaBond Aggregate Index (Full Price) decreased by 0.29%. [Source: Wind Info]

#### *Business measures and performance*

In the first half of 2022, in the equity investment business, we responded to the significant fluctuations in the SSE and the SZSE by optimizing our investment strategy and realizing the double-wheel drive of our own investment and entrusted investment. In terms of proprietary investment business, we stayed focused on the fundamentals of listed companies and integrating the advantages of our resources. From January to March 2022, we downscaled investment for certain loss-aversion. From April to June 2022, we controlled our position through entrusted investment and fixed income investment business to provide room for the subsequent market rebound and return. In fixed income investment business, we expanded the overall return of fixed income investment based on the market condition of cuts to required reserve ratios in January 2022. In the market environment featuring low bond yields, asset shortage and frequent public opinions on credit during the period March to June 2022, we adjusted our bond investment strategy to downsize the credit bond investment in our business units, so as to hedge the credit risk of certain credit bonds. We expanded the bond sales business of the notes business to increase revenue sources.

During the reporting period, the proprietary trading business achieved an operating revenue of RMB148.7445 million.

#### *Outlook for the second half of 2022*

In the second half of 2022, in respect of equity investment, we will introduce over-the-counter derivatives and quantitative trading teams and shift from a purely subjective long equity investment strategy to a risk-neutral trading-based investment strategy that takes into account allocation and capital intermediation business, to form a multi-channel stable income source. In fixed income business, we will invest more in bond market research, refine the investment in interest rate bonds, moderately explore credit premium, and enhance the profitability of high liquidity varieties through small band high frequency trading. We will expand new varieties of bond proprietary business, carry out business such as standard bond forwards, bond sales and “fixed income+” to increase profit points. Continuing to build fixed income investment business systems, we will ramp up the integration of business and technology, and strengthen risk control capabilities and operational systems. In addition, we will expand interbank financing to increase the amount of corporation overdraft funds required for settling fixed-income business and broaden the path for further development of fixed-income business.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 6. Futures business

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

#### Market environment

In the first half of 2022, affected by the pandemic and international geopolitical complexities and changes, the global commodity market and financial market turmoil intensified, the international economic and financial environment became increasingly complicated and challenging, adding to uncertainty, and the cumulative volume and turnover of the national market declined to some extent. During the Reporting Period, the cumulative trading volume in China's futures market was 3.046 billion lots, representing a year-on-year decrease of 18.04%; the transaction amount in China's futures market was RMB257.48 trillion, representing a year-on-year decrease of 10.08%. On 20 April 2022, the Thirty-fourth Meeting of the Standing Committee of the Thirteenth National People's Congress considered and adopted the Law of the People's Republic of China on Futures and Derivatives (《中華人民共和國期貨和衍生品法》), filling the gap in promoting the rule of law in the capital market, as a policy of the Party Central Committee for the future high-quality development of the futures market. The law created favorable conditions for the further opening up of China's futures market and establishing an international pricing center. [Source: China Futures Association]

#### Business measures and performance

In the first half of 2022, Central China Futures steadily promoted the coordinated development of its three main business, i.e. futures brokerage business, futures asset management and risk management. Based on the guidelines of "serving the industry and developing institutions" and focusing on industry risk management and professional services, the futures brokerage business promoted the development of industrial customers, institutional customers and other high-end customers, realizing significant increase of the number of institutional customers. The futures asset management business steadily expanded the scale of fixed income products, formed a strategy line of enhancing fixed income, quantizing equity, and improving CTA and FOF, and achieved a steady growth of product management scale. The risk management subsidiary provided customers with risk management products and services by comprehensively using futures, options, swaps and other financial derivatives, shifted its business development focus from basis trading business to market making business, actively participated in the "insurance + futures" project of the futures exchange and continuously improved its ability to serve the real economy.

During the Reporting Period, the futures brokerage business won 1,257 new customers and served a total of 332.40 million customers, of which institutional clients increased by 21.51% year on year. The total number of transactions was 11.8987 million lots, representing a year-on-year decrease of 5.27%, and the total transaction amount was RMB1,358.939 billion, representing a year-on-year increase of 31.42%. Central China Futures had 42 existing asset management plans with AUM net value of RMB4.607 billion, representing a year-on-year increase of 77.33%. The total amount of purchase of goods by Yuxin Investment amounted to RMB28 million, representing a year-on-year decrease of 92%; its total revenue from the sales of goods was RMB59 million, representing a year-on-year decrease of 94%; and its revenue from market-making business was RMB27 million, representing a year-on-year increase of 24%.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### Outlook

In the second half of 2022, positioned as a futures and derivatives service provider, Central China Futures will accelerate the integration of technology and business, promote the construction of an online and standardized system for retail customer service, and improve the customer service experience by enriching relevant strategies. The futures brokerage business will, adhering to the industry guidance, build a high-quality R&D product output system, improve the quality of industrial services, achieve breakthrough growth of customer margin, and strive for market share in Henan. The futures asset management business will improve the investment and research ability, increase the proportion of equity and derivatives products, achieve characteristic development under the background of the net value transformation of the asset management industry, and strive to achieve the steady growth of management scale and income. Under the background of capital increase of futures companies, the risk management business will strengthen resource allocation ability, focus on developing market making business and open up new profit growth points of OTC derivatives to achieve good returns.

### 7. Overseas business

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

#### Market environment

In the first half of 2022, the Hong Kong capital market was sluggish due to the impact of the Covid-19 pandemic, the Russia-Ukraine conflict, the declining USD bonds in real estate and so on. The competition in shrinking stock market became fiercer, and the three major indexes fell together. However, the Hong Kong stock market rebounded in the late second quarter of 2022. The Main Board raised a total of HK\$112.7 billion in all categories, completed 26 IPOs, and raised a total of HK\$524.2 billion from listed bonds. In the first half of 2022, the Hang Seng Index fell 6.6% and the Hang Seng TECH Index fell 14.1%, delivering a medium performance in the global market. [Source: Wind Info, Hong Kong Stock Exchange]

#### Business measures and performance

In the first half of 2022, the Company implemented the strategy of “stability as the top priority and prudent operation” for the development of the overseas business, and steadily promoted various business such as securities, investment banking, investment and futures. Eying the development of high net worth clients and institutional clients, the Company optimized the allocation of investment structure, promoted the linkage of business segments, and explored potential business opportunities. The Company’s compliance risk control system continued to be improved and the market-based professional team was built, the management level of Central China International was further enhanced, and the business development ability, market competitiveness and popularity were improved. In particular, the Company seized the opportunity to issue the first A+H listed provincial brokerage USD bonds in 2022, raising USD100 million funds supporting the future development.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, more than 8,300 accounts were opened in the securities brokerage business of Central China International, the market value of customers' positions in Hong Kong stocks and bonds was approximately HK\$4.037 billion, and the cumulative transaction amount was approximately HK\$1.333 billion. The balance of margin financing business was HK\$165 million, an increase of 103% compared with the end of the previous year. Over 200 accounts were opened in the futures brokerage business with a total turnover of approximately 1.3539 million. Three compliance advisors and one independent financial advisor were engaged in the investment banking business. The sponsorship and financial advisory projects in other reserves are in progress. The DCM team participated in nine primary bond market projects and assisted companies in raising approximately USD1.795 billion, a 125% increase in the number of projects compared to the full year of 2021. Central China Securities improved to 69<sup>th</sup> place in Bloomberg's ranking of Chinese USD bond underwriting value from 152<sup>nd</sup> place in 2021. The Company conducted the investment business prudently and redoubled efforts to recover stock projects.

### Outlook

In the second half of 2022, Central China International will implement the development idea of "steady asset allocation, vigorous expansion of investment banking business. The Company will form a fixed income source through prudent asset allocation and accelerate business" transformation. Focusing on the development and acquisition of high net worth customers, major shareholders of listed companies and institutional customers, the securities brokerage business actively expanded trading margin. The investment banking business strengthened the linkage of domestic and foreign businesses, enhanced the development of overseas investment banking business in Henan market, and actively promoted the launch of potential investment banking projects. Central China International implemented policies based on the categories of risk projects, and continued to strengthen the risk mitigation efforts and damage reduction work. It took "stability as the top priority" for new assets, carried out the allocation of new assets in an orderly manner by grasping the rhythm of the interest hike cycle, increased the scale of public bond assets mainly composed of investment grade bonds, and bonds issued by financial institutions and central enterprises, and promoted the development of DCM business through fixed income project investment.

## 8. Others

### (1) Regional equity market business

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

#### Market environment

In the first half of 2022, the CSRC issued the Letter on Promoting Pilot Blockchain Construction in Regional Equity Markets (CSRC Letter [2022] No. 141) (《關於推進區域性股權市場區塊鏈建設試點工作的函》)(證監辦函[2022]141號), encouraging regional equity markets across the country to seek pilot blockchain construction. The CSRC also issued the "Opinions on the Construction of "Specialized, Advanced, Special and New" Boards in Regional Equity Markets (Draft for Comments) (hereinafter to be referred as "Opinion"), which clarified the conditions for the establishment of such boards and the scope of enterprises entering the "specialized, advanced, special and new" board. In addition to providing policy support, the Opinions explicitly requested the support from local governments for the construction of such boards from various aspects. The work report of Henan Provincial Government pointed out that the key work in 2022 includes "enhancing the function of Equity Exchange Co." The General Office of Henan Provincial People's Government issued the Notice on Further Relieving Enterprises to Promote Stable and Healthy Economic Development (《關於進一步做好惠企紓困工作促進經濟平穩健康發展的通知》), which proposed a series of measures to support the high-quality development of "specialized, advanced, special and new" SMEs and the establishment of "specialized, advanced, special and new" boards in the Equity Exchange Co. The General Office of Henan Provincial People's Government printed and issued the Five-Year Multiplication Action of Henan Province to Promote the Listing of Enterprises (《河南省推進企業上市五年倍增行動方案》), which proposed to "encourage enterprises to be listed and non-listed joint-stock companies to list and raise funds and host equity in the Equity Exchange Co." The above policies are conducive to the further development of business in Henan's regional equity markets.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### *Business measures and performance*

In the first half of 2022, the Equity Exchange Co. actively promoted the pilot work of blockchain construction innovation, which had been formally included in the blockchain construction pilots of China Securities Regulatory Commission; planned to set up the “specialized, advanced, special and new board”, actively worked with Henan Local Financial Supervision and Administration Bureau, Henan Securities Regulatory Bureau, Henan Provincial Department of Industry and Information Technology to promote the establishment of the “specialized, advanced, special and new board”; gave full play to the role of “Beijing Stock Exchange (NEEQ) Henan Service Base”, improved the cultivation and incubation function, and promoted the transfer of one enterprise to STAR Market; deepened the roadshow services, assisted Pingdingshan and Zhengzhou High-tech Zones in holding two offline enterprise roadshow activities, and promoted the integration of investment and financing; provided comprehensive financial services in 16 counties and districts of Luoyang, included more than 170 high-quality enterprises into reserve and actively promoted the listing display; realized the standardization of registration business audit, and continuously improved the registration trusteeship service; officially launched the “Yuzhihui” enterprise online training platform, carried out six enterprises online training through the “master class” on the platform to enhance the financial intelligence services.

As of the end of the Reporting Period, the cumulative number of listed companies and enterprises under custody was basically flat with that of the previous year. The Equity Exchange Co. recorded an accumulative financing amount of RMB20.373 billion, representing an increase of 14.19% over the end of the previous year, and recorded 81.785 billion shares under custody, representing an increase of 23.34% over the end of the previous year.

### *Outlook*

In the second half of 2022, the Equity Exchange Co. will, positioned as serving startups and small and micro enterprises to achieve rapid development, develop into a “business card” for the Company to deeply integrate into the regional economy and practice social responsibility, based on the requirement of ensuring that the enterprises in the Reserve Board, Fund Board and “specialized, advanced, special and new” boards topping 2,000 as set forth in the Five-Year Multiplication Action of Henan Province to Promote the Listing of Enterprises (《河南省推進企業上市五年倍增行動實施方案》). We will further expand financing channels and reduce financing costs for enterprises, accelerate the construction of a service ecosystem for micro, small and medium-sized enterprises, set up the “specialized, advanced, special and new board”, improve the board for fund, enhance capital market services for specialized, advanced, special new enterprises, and help enterprises improve their financing skills and financial intelligence; further enhance the connection with private equity investment and venture capital institutions, strengthen the targeted services for fund sector; strengthen incubation services, promote the “Yuzhihui (育智匯)” enterprise training online platform, deepen roadshow services, enhance the connection with private investment institutions, and help enterprises to obtain financing, focusing on high-quality key enterprises; promote the pilot innovation of blockchain construction, promote application scenarios such as construction data reporting, policy sharing, and investment and financing integration, and improve the technology application; give full play to the role of the Shanghai Stock Exchange capital market service base in Henan Province and the Beijing Stock Exchange (NEEQ) service base in Henan Province, and help enterprises go public on appropriate boards.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

#### (I) Analysis on principal business

##### 1 Analysis of changes in relevant items in the financial statements

Unit: Yuan Currency: RMB

Item	January-June 2022	January-June 2021	Change (%)
Operating income	787,674,140.44	2,336,041,148.75	-66.28
Operating costs	958,688,511.85	2,030,792,428.20	-52.79
Net cash flows from operating activities	2,626,128,925.24	-1,282,743,968.59	N/A
Net cash flows from investment activities	125,516,051.87	293,403,392.62	-57.22
Net cash flows from financing activities	-1,584,208,278.56	2,398,114,092.38	-166.06

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

Item	January-June 2022	January-June 2021	Change (%)	The reason of the change
Net interest income	32,340,155.40	80,657,575.42	-59.90	Mainly due to the decrease in the interest income from loan in the current period
Investment bank business net income	119,991,988.96	266,920,574.17	-55.05	Mainly due to the decrease in the income from the securities underwriting business in the current period
Investment income (loss is indicated with "-")	638,875,165.61	311,515,840.03	105.09	Mainly due to the impact of changes in the profit or loss of the consolidated structured entity in the current period
Investment income from associates and joint ventures	15,450,238.48	54,397,626.13	-71.60	Mainly due to the decrease in investment fund income in the current period
Gains on changes in fair value (loss is indicated with "-")	-462,650,347.44	163,829,668.53	-382.40	Mainly due to the decrease in the income from the fair value change of financial assets at fair value through profit or loss in the current period
Gains on foreign exchange (loss is indicated with "-")	2,989,889.80	-281,103.30	N/A	Mainly due to the impact of exchange rate changes in the current period
Other operating income	61,024,708.53	1,050,096,626.23	-94.19	Mainly due to the decrease of income from bulk commodity trading in the current period
Gains from assets disposal (loss is indicated with "-")	19,339.36	7,895.89	144.93	Mainly due to the increase of income from disposal of fixed assets in the current period
Other income	5,782,392.81	8,766,067.75	-34.04	Mainly due to the decrease in government subsidies in the current period
Taxes and surcharges	6,313,221.74	10,750,231.66	-41.27	Mainly due to the decrease in VAT surcharge in the current period
Other assets impairment losses	3,653,275.68	1,272,342.22	187.13	Mainly due to the increase in the impairment loss of long-term equity investment in the current period
Other operating costs	57,480,238.49	1,027,242,517.95	-94.40	Mainly due to the decrease of income from bulk commodity trading in the current period
Non-operating expenses	898,235.67	401,354.04	123.80	Mainly due to the increase in expenses unrelated to the Company's daily activities in the current period
Income tax expenses	-38,902,747.98	74,614,019.98	-152.14	Mainly due to the decrease in the profit before tax in the current period
Other comprehensive income after tax	30,381,476.29	1,881,081.67	1,515.11	Mainly due to the increase in the translation differences of foreign currency financial statements in the current period

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, affected by various factors such as the international situation, the pandemic in China and the cyclicity of the Company's investment banking projects, the Group achieved operating revenue of RMB788 million, with a year-on-year decline of 66.28%. Among which, the futures business achieved revenue of RMB113 million, with a decline of RMB961 million, mainly due to the decline of the commodity sales income of Yuxin Investment, the subsidiary, during the period; the head office and others achieved revenue of RMB-60 million, with a decline of RMB181 million, mainly due to the decline of investment fund income of Equity Exchange Co. during the Reporting Period and the change of consolidating scope of the Group as compared with corresponding period of last year; the investment banking business achieved revenue of RMB120 million, with a decline of RMB141 million, mainly due to the decline of securities underwriting business income during the period; the proprietary business achieved revenue of RMB149 million, with a decline of RMB84 million, mainly due to the decline of equity investment income during the period; the investment management business achieved revenue of RMB46 million, with a decline of RMB83 million, mainly due to the decline of fund investment income of some subsidiaries during the period; the securities brokerage business achieved revenue of RMB294 million, with a decline of RMB53 million, mainly due to the decrease of income from the securities agency business and agency sales of financial products business during the period; the overseas business achieved revenue of RMB-75 million, with a decline of RMB50 million, mainly due to the decline in the change of fair value of financial products held by Central China International during the period; the credit business achieved revenue of RMB203 million, with a decline of RMB23 million, mainly due to the decline of interest income of stock pledge during the period.

During the Reporting Period, the Group recorded an operating cost of RMB959 million, with a year-on-year decline of 52.79%. Among which, other business cost amounted to RMB57 million, with a decline of RMB970 million, mainly due to the decline of the commodity sales cost of Yuxin Investment, the subsidiary, during the period; the business and administrative expenses amounted to RMB731 million, with a decline of RMB115 million, mainly due to the decline of staff costs during the period; the credit impairment loss amounted to RMB161 million, with an increase of RMB14 million, mainly because the Company evaluated the credit risk of each business in accordance with the principle of prudence and sufficient provision, and made impairment provision based on the expected loss model. The Company will continuously monitor the changes in the market value of collateral and the credit standing of financiers, and prudently evaluate the risks of securities-backed lending business. In case of any adverse factors such as the decline in the market value of collateral, the Company will make full provision for the impairment of the current period in strict accordance with the Accounting Standards for Business Enterprises and the accounting policies of the Company.

During the Reporting Period, the Group recorded a net profit attributable to shareholders of the parent company of RMB-125 million, with a year-on-year decline of 154.79%, mainly due to the year-on-year decline of the Company's investment business income in the primary and secondary markets as a result of the international situation, domestic epidemic and other factors; the year-on-year decline of the underwriting business income as a result of cyclicity of investment banking projects; and the credit impairment loss of the equity pledge business and other operations.

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

Reason for change of net cash flows from operating activities: the sales under repurchase business generated net inflow during the period while net outflow in the same period last year, and the customer fund deposit increased as compared with the same period of last year, resulting in the increase of cash inflow.

Reasons for change in net cash flows from investment activities: the cash received from investment recovery decreased as compared with the same period of last year; and the increase in expenditure on acquisition of long-term assets as compared with the same period of last year, resulting in the decrease of net cash inflow.

Reasons for change in net cash flows from financing activities: the cash payment for repayments of borrowings increased as compared with the same period of last year, resulting in the increase of cash outflow.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (II) Analysis of assets and liabilities

#### 1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	30 June 2022	Percentage of the amount at the end of the Period in total asset (%)	31 December 2021	Percentage of the amount at the end of the previous year in total asset (%)	Change comparing to the amount at the end of the previous year (%)	Description
Cash and bank balances	13,037,318,378.47	23.84	12,332,030,422.75	22.94	5.72	Mainly due to the increase of deposits from customers affected by market conditions at the end of the period
Clearing settlement funds	3,024,302,883.88	5.53	2,558,219,120.46	4.76	18.22	Mainly due to the increase of client's ordinary reserve funds at the end of the period
Margin accounts receivable	7,150,758,061.73	13.07	8,148,017,143.05	15.16	-12.24	Mainly due to the decrease of scale in margin accounts receivable at the end of the period
Derivative financial assets			54,610.00	0.00	-100.00	Mainly due to the decrease of stock options at the end of the period
Financial assets held under resale agreements	1,268,821,227.29	2.32	972,870,075.44	1.81	30.42	Mainly due to the increase of stock-pledged repurchase and bonds outright repurchase at the end of the period
Financial assets at fair value through profit or loss	25,198,152,501.15	46.07	24,507,919,178.87	45.60	2.82	Mainly due to the increase of investment in bills at the end of the period
Short-term loans	46,514,036.45	0.09	256,191,822.27	0.48	-81.84	Mainly due to the decrease of guaranteed loans at the end of the period
Short-term financing instruments payable	4,750,310,984.12	8.69	7,032,271,969.93	13.08	-32.45	Mainly due to the maturity of certain bonds and the decrease of the bonds at the end of the period
Due to banks and other financial institutions	1,602,575,388.89	2.93	2,900,742,263.92	5.40	-44.75	Mainly due to the decrease of due to banks at the end of the period
Derivative financial liabilities	1,008,526.45	0.00	465,376.83	0.00	116.71	Mainly due to the increase of commodity options at the end of the period
Financial assets sold under repurchase agreements	12,341,737,118.19	22.57	10,548,472,328.09	19.63	17.00	Mainly due to the increase of pledge sell repo business size at the end of the period
Accounts payable to brokerage clients	14,716,321,579.88	26.91	12,571,797,812.48	23.39	17.06	Mainly due to the increase of deposits from customers affected by market conditions at the end of the period
Employee benefits payable	482,701,026.45	0.88	768,133,013.64	1.43	-37.16	Mainly due to the decrease of salary payable at the end of the period
Accounts payable	89,382,671.72	0.16	143,594,220.52	0.27	-37.75	Mainly due to the decrease of open-end fund liquidation at the end of the period
Contract liabilities	9,071,913.51	0.02	6,872,133.68	0.01	32.01	Mainly due to the increase of expense and commission advance receipt at the end of the period
Bonds payable	4,842,923,526.37	8.85	3,685,225,541.41	6.86	31.41	Mainly due to the increase of long-term bonds issued at the end of the period



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2022, the total assets of the Group reached RMB54.693 billion, increasing by RMB944 million or 1.76% from that of the beginning of the year. Cash and bank balances, clearing settlement funds and refundable deposits paid accounted for 30.70% of the total assets; financial assets accounted for 47.90% of the total assets; margin accounts receivable accounted for 13.07% of the total assets; long-term equity investment accounted for 2.82% of the total assets; financial assets held under resale agreements accounted for 2.32% of the total assets; investment property, fixed assets, construction in progress and right-of-use assets accounted for 0.82% of the total assets; deferred income tax assets, intangible assets and other assets accounted for 2.37% of the total assets. The Company has good asset quality and liquidity and sound asset structure.

As of 30 June 2022, the total liabilities of the Group reached RMB40.752 billion, increasing by RMB1.148 billion or 2.90% from that of the beginning of the year. Accounts payable to brokerage clients (including acting trading securities of credit trading) accounted for 36.11% of the total liabilities; bonds payable and short-term financing payable accounted for 23.54% of the total liabilities; financial assets sold under repurchase agreements accounted for 30.28% of the total liabilities; due to banks and other financial institutions accounted for 3.93% of the total liabilities; bank loans accounted for 0.11% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities accounted for 2.77% of the total liabilities; employee benefits payable, taxes payable and other liabilities accounted for 3.26% of the total liabilities.

As of 30 June 2022, the equity attributable to shareholders of parent of the Group amounted to RMB13.483 billion, with a decline of RMB199 million or 1.45% from that of the beginning of the year.

As of 30 June 2022, the Gearing Ratio of the Group after deducting accounts payable to brokerage clients (including acting trading securities of credit trading) and securities underwriting brokerage deposits was 65.13%, with a decrease of 0.52 percentage point from that of the beginning of the year.

### 2. Overseas assets

The overseas assets amounted to RMB1.791 billion, accounting for 3.27% of the total assets.

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

Please refer to NOTE 59 “Assets with restricted ownership or use rights” in the “VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION” of this report.

### 4. Commitments and contingent liabilities

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

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (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 issuance of new 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 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 continues strengthening the management of financing channels and maintains a good financing capacity. As of 30 June 2022, the Company has been granted comprehensive credit lines of RMB30 billion by a number of banks, meeting the capital requirements for its business development.

For details of the debt financing instruments and liquidity of the Company in the first half of 2022, please refer to Notes 22, 23, 24, 26, 32 under VI. “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” in Section 8 “REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION” of this Report.

### (IV) Analysis of investments

#### Overall analysis on external equity investments

At the end of the Reporting Period, the Group has long-term equity investment of RMB1.541 billion, representing a decrease of RMB119 million or 7.14% as compared with the end of the previous year.

#### (1) Material equity investments

Please refer to Note 11 “Long-term equity investments” in the VI. “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 8 “REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION” of this report.

#### (2) Material non-equity investments

Please refer to (8) “Significant investment” in the XIII. “OTHER SIGNIFICANT EVENTS — 3. Other significant transactions and events that have an impact on investors’ decisions” under Section 8 “REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION” of this report.

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

Unit: Yuan    Currency: RMB				
Item	Opening balance	Closing balance	Changes in current period	The amount of impact on current profits
Financial assets at fair value through profit or loss	24,507,919,178.87	25,198,152,501.15	690,233,322.28	-50,396,379.95
Financial assets at fair value through other comprehensive income	970,426,547.78	782,629,420.42	-187,797,127.36	-4,793,908.63
Derivative financial assets	54,610.00	0.00	-54,610.00	52,806,819.51
Derivative financial liabilities	465,376.83	1,008,526.45	543,149.62	
Financial liabilities at fair value through profit or loss	971,171,013.72	1,128,250,964.87	157,079,951.15	167,981,064.22
Total	26,450,036,727.20	27,110,041,412.89	660,004,685.69	165,597,595.15



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

#### Central China Futures Co., Ltd

Registered address:	4F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province
Date of incorporation:	18 April 1993
Registered capital:	RMB330 million
Shareholding proportion:	51.357%
Legal representative:	Xie Xuezhu
Contact No.:	0371-68599199
Principal business:	commodity futures brokerage; financial futures brokerage; futures investment advisory business; assets management
Financial position:	As of 30 June 2022, the total assets and net assets amounted to RMB2.050 billion and RMB442 million respectively. In the first half of 2022, Central China Futures recorded an operating income of RMB113 million and a net profit of RMB6.3209 million.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 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 30 June 2022, the total assets and net assets amounted to RMB1.189 billion and RMB804 million, respectively. In the first half of 2022, Zhongding Kaiyuan recorded an operating income of RMB6.2857 million, and net profit of RMB1.9541 million.
Reason for large fluctuations:	The profit contribution of some of its funds decreased significantly as compared with the same period of last year due to the stock price substantial withdrawal for some fund management projects it invests in the secondary market.

### Central China International Financial Holdings Company Limited

Registered address:	Suites 1505 and 1508, Two Exchange Square, 8 Connaught Place, Central, Hong Kong
Date of incorporation:	29 October 2014
Registered capital:	HK\$1.8 billion
Shareholding proportion:	100%
Contact No.:	00852–25001375
Principal business:	Securities brokerage, 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 30 June 2022, the total assets and net assets of Central China International amounted to HK\$2.094 billion and HK\$664 million respectively. In the first half of 2022, Central China International recorded an operating income and other revenue of HK\$-67 million and a net profit of HK\$-141 million.
Reason for the loss:	Due to the persistent pandemic and the volatility of the sluggish 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 investment projects had a periodical impact on the business results.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### Central China Blue Ocean Investment Management Company Limited

Registered address:	West to Laodong Road and north to Hongteng Road, Weidu Industry Cluster Area, Xuchang City, Henan Province
Date of incorporation:	25 March 2015
Registered capital:	RMB3.5 billion
Shareholding proportion:	100%
Legal representative:	Wu Yang
Contact No.:	0371-86503971
Principal business:	Using self-owned funds to invest in financial products, securities and equity
Financial position:	As of 30 June 2022, the total assets and net assets amounted to RMB3.113 billion and RMB3.084 billion. In the first half of 2022, Central China Blue Ocean recorded an operating income of RMB2.1426 million, and a net profit of RMB-28 million.
Reason for the loss:	Due to the uncertain political and economic situation at home and abroad and the repeated pandemic in China, the market capitalization of the secondary market fluctuated greatly, which led to the decrease in gains from some secondary market financial products of Central China Blue Ocean.

### Central China Equity Exchange Co., Ltd.

Registered address:	No.23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province
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 30 June 2022, the total assets and net assets amounted to RMB432 million and RMB390 million. In the first half of 2022, Central China Equity Exchange recorded an operating income of RMB-63 million, and net profit of RMB-54 million.
Reason for the loss:	Due to the uncertain political and economic situation at home and abroad and the impact of the repeated pandemic in China, the gains from the fund investment held by Central China Equity Exchange decreased.

### (VI) Structured entities controlled by the Company

As of 30 June 2022, the Group merged 5 structured entities, which included asset management plans and partnerships. For the structured entities that served as the manager of structured entities and hold product shares, the Company included the structured entities under the control of the Company into the scope of consolidated statements after comprehensively considering the investment decision rights of the Company, the variable return exposure and the use of investment decision power to influence variable return.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### V. OTHER DISCLOSURE

#### (I) Potential risks

The Company's overall risk management was positioned as a prudent risk preference strategy. It always upholds the risk management concept of matching capital, risk and return in order to take moderate risks, achieve an optimal balance of business scale, profitability and risk tolerance, and bring sustainable and stable profit returns to shareholders. The Company continued to optimize and improve the 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 the risk management information technology system, and enhancing the risk response mechanism, etc., as follows:

##### 1. 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 departments, branches and subsidiaries. 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.

##### 2. Risk management system

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

During the Reporting Period, the Company continued to improve its risk management system and diversify its risk control methods: firstly, it, according to the regulatory requirements, revised the Company's Management Measures for Reputation Risks (《公司聲譽風險管理辦法》) and Rules for Risk Monitoring of Stock Pledge Repurchase Transaction (《公司股票質押式回購交易風險監控細則》); secondly, it optimised the risk control index system based on its risk management practice by revising the Rules for Risk Monitoring of Self-run Fixed-income Business (《公司自營固定收益業務風險監控細則》) and the Rules for Risk Monitoring of Agreed Repurchase Securities Trading Business (《公司約定購回式證券交易業務風險監控細則》); thirdly, it improved its risk management process to strengthen its control over frontline risks by revising the Management Measures for Risk Administrators (《公司風險管理員管理辦法》) and the Risk Management Measures for Banking Investment Business (《公司投資銀行業務風險管理辦法》); fourthly, it, according to the needs for operations and risk control, promoted the revision of the Management Measures for the Underlying Security of Stock Pledge Repurchase Transaction (《公司股票質押式回購交易業務標的證券管理辦法》), the Rules for the Continuous Management of Stock Pledge Repurchase Transaction (《公司股票質押式回購交易業務持續管理細則》) and Internal Operational Rules for Bond Trustment Management Business (《公司債券受託管理業務內部操作規則》).

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Risk management information system

The Company has initially established a risk management information technology system covering various risk types, departments, branches and subsidiaries to measure, summarise, warn and monitor various types of risks, and focus on improving the construction of a bond rating system, the same business and customer system, reputation risk management system, investment banking duration system and OTC derivatives risk control system 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: Firstly, it completed the overall risk management system net capital and stress test module, market risk asset management module optimization and upgrading; Secondly, it promoted the implementation of the internal rating system and the construction of the same business and customer system, strengthened credit risk management, and promoted the unified control of risk data; Thirdly, it completed the demonstration and construction preparation of reputational risk management system and investment bank duration system; Fourthly, it completed the requirements sorting and functional demonstration of the OTC derivatives risk control system, completed the deployment of the testing environment, and promoted the implementation of the system development.

### 4. Risk response mechanism

The major risks faced by the Company include credit risks, market risks, liquidity risks, reputation risks, operational risks, compliance risks and information technology risks, etc. Details are as follows:

#### (1) Credit risk and policies

Credit risks refer 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 counterpart'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 MANAGEMENT DISCUSSION AND ANALYSIS

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; and refined 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 278%, and the average performance guarantee ratio of our customers in the securities repurchase transaction business was 330%, the average performance guarantee ratio of the customers of the on-balance sheet stock-pledged repurchase business was 186%.

### (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 the 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 unfavourable changes in the price of securities products such as stocks caused by fluctuations in the securities market. Interest rate risk refers to the risk of negative impact on the Company's financial performance due to interest rate changes in the market. Exchange rate risks refer to the possibility that the Company may suffer losses from operating activities that involve holding or using foreign exchange due to changes in the exchange rate. The Company's market risk mainly involves investment transactions in equity securities and their derivatives, investment transactions in fixed-income securities and their derivatives, and market-making business.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Company's management of market risk revolves around five aspects. Firstly, 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. Secondly, establish a management mechanism for the securities pool and black and white list database, clarify the access standards, and strictly manage the transactions in the pool. Thirdly, establish a multi-index risk monitoring and evaluation system, set scale, asset allocation, 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. Fourthly, 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. Fifthly, establish a market risk measurement analysis model and tools, quantified and analysed 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, it continued to strengthen the equity securities investment business securities pool management, improve the classification of securities pool and access standards, and standardize the pool management for more reasonable stock selection; Thirdly, it optimized the risk control index of self-investment business and added the index of the position size of low-rated credit bonds to clarify the index of investment concentration management and control of industry and region and improve the risk control index of individual stock stop-loss and overall stop-loss in equity investment. Fourthly, it researched hedging investment strategies and used financial derivatives such as treasury bond futures and interest rate swaps to carry out risk-neutral investment trading business and hedge part of the market risk exposure. Fifthly, the Company unified market risk management and improved the market risk business of the Company and its subsidiaries according to the same risk control management principles, including improving the risk control programs for various products of asset management business according to product series, and improving the risk control indicators such as the scale, limit, single-variety concentration and stop loss limit of 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 set by the Board of Directors.

### **(3) Liquidity risk and policies**

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

In order to prevent liquidity risk, the Company will take the following measures: first, the Company will strengthen the management of capital position and cash flow, adopt the large-sum fund advance booking mode, strengthened the monitoring and management of large-sum funds, scientifically forecast the cash flow gap in different future periods, and ensure the consistency of financing arrangements and business capital use; second, the Company will 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 risk of repayment due to single financing channel or concentrated debt maturity; third, the Company will establish a mechanism for the operation and management of liquid reserve funds, reasonably set the minimum holding scale of liquidity reserve fund and the allocation ratio of high-quality liquid assets, and hold sufficient high-quality liquid assets to ensure that the Company can timely realize sufficient funds to cope with the funding gap in normal and stress situations; fourth, the Company will adopt a risk monitoring system with net capital and liquidity as the core to monitor the risk control indicators, and use stress tests to assess the impact of business activities on the liquidity of the Company; fifth, the Company will establish and continuously improve the liquidity risk emergency mechanism, and regularly conduct emergency drills on liquidity risk to ensure the timeliness and effectiveness of the Company's response to liquidity crisis.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the Company's liquidity coverage ratio and the net stable funding ratio were 187.59% and 161.02%, respectively, which were in compliance with the regulatory requirements, and no material liquidity risk event occurred.

### **(4) Reputation risk and policies**

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

According to the requirements of the Guidelines on Reputational Risk Management of Securities Companies issued by the Securities Association of China, the Company has incorporated reputational risk into the overall risk management system, further revised and improved the relevant system of reputational risk management, and established a reputational risk management prevention and reporting mechanism. All the departments, branches and subsidiaries have proactively and effectively prevented reputation risks and responded to reputation risk issues by identifying, prudently evaluating, dynamically monitoring and timely addressing and reporting the reputational risks through effective public opinion monitoring means. We have carried out publicity and promotion with high standards for the key work of the Company, in order to actively maintain the positive image of the Company, and minimize the negative impact on our reputation and brand image.

During the Reporting Period, the Company had stable public opinions and was not subject to any major reputational risk issues.

### **(5) Operational Risk and Policies**

Operational risk refers to the risk of direct or indirect loss caused by imperfect or faulty internal procedures, personnel, information systems, and external events. 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: firstly, the Company has formulated operational risk management methods to standardize the whole process of operational risk identification, assessment, monitoring, control, and reporting; secondly, each unit is required to develop 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; thirdly, the Company has established management rules for key indicators of operational risk to monitor operational risks; fourthly, the Company has collected and analyzed cases in relation to operational risk loss; fifthly, the Company has measured and monitored the operational risks through the risk management system, and formed a visual report of the operational risks.



## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company continued to collect key risk index data and operational risk loss data, refined and improved business processes, promoted the risk accumulation for the Company to effectively identify and control the operational risk events of “high frequency and low loss”, lower occurrence probability and enhance the early warning timeliness of operational risk events of “low frequency and high loss”.

### (6) Compliance Risk and Policies

Compliance risk refers to the 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 of the Company or its personnel.

We keep track of laws, regulations and guidelines in a timely manner, and continuously improve the Company’s compliance management system based on the actual business development; have each Company unit timely improves the internal management systems and optimizes the business processes in accordance with changes in laws, regulations and standards; carry out compliance review procedures for the Company’s internal management system, major decisions, new products and new business plans in accordance with regulations, identify, assess and manage the compliance risks in operation and management in a timely manner through compliance monitoring, supervision and inspection, effectiveness evaluation of compliance management and other measures; integrate compliance management into decision-making, execution, supervision, feedback and other links, as well as the whole process of the Company’s operation and management; strictly implement compliance assessment and accountability, improve the self-restraint mechanism; organize and carry out self-assessment of money laundering risk based on risk-focused principle; perform periodic and temporary compliance reporting obligations to regulatory authorities; actively carry out the construction of compliance culture, strengthen compliance publicity training, and ensure compliance operation and standardized development.

During the Reporting Period, based on the concept of “ensuring the compliance of all staff and establishing the culture that compliance starts from the management, compliance creates value, and compliance is the foundation of the survival of the Company”, we strengthened compliance monitoring, organized and carried out compliance inspections in financial product commission sales, market making, bond issuance underwriting, securities brokerage and other business lines, as well as in management areas such as clean working, anti-money laundering, compliance assessment and customer trading behavior, so as to effectively prevent and defuse compliance risks. We organized the compilation and distribution of industry new regulations express, supervision trends, industry case warning and other publicity materials; communicated the latest supervision spirit and internal management requirements to all levels of management and staff through a variety of channels; organized compliance training in investment banking, market making, asset management, securities brokerage and other business lines, as well as personnel management, anti-money laundering, subsidiaries and other fields to further strengthen the compliance awareness of all staff and improve the ability to prevent compliance risks.

## SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

### (7) Information technology risk and policies

Any hardware and software failure and security loopholes in the information technology systems and communication systems and insufficient emergency management capability of disaster recovery systems may severely affect the Company's ordinary business.

During the Reporting Period, through the application of and the investment in information system business continuity system construction, new technology application, security reinforcement, infrastructure update and other aspects, the Company laid a solid foundation for the operation and maintenance of information system and further improved the stability of information system. The countermeasures mainly include the following aspects: firstly, we carry out comprehensive security inspection of information systems, implement timely capacity expansion and reinforcement, and improve system redundancy; secondly, in terms of security management, we improve the security, effectiveness and stability of information systems by strengthening threat warning, enhancing virus prevention and regular vulnerability scanning, employing professional manufacturers to carry out attack penetration tests, and completing system reinforcement in a timely manner; thirdly, we further improve the security factor of infrastructure and enhance the ability to guarantee the safe operation of information systems by upgrading network infrastructure in core business areas and replacing ordinary offer services with highly reliable and fault-tolerant equipment; fourthly, in terms of emergency response capacity of the disaster recovery system, we have increased the connection lines between local backup centers and remote backup centers, and developed circular connection lines between the primary, standby and remote data centers, so as to improve the emergency support of the Company's transaction and offer lines. In addition, we improve the technical emergency response capability by regularly organizing trading system failover drills and local backup center disaster recovery switchover drills.

During the Reporting Period, we carried out automation and intelligent construction through continuous implementation of normalization, standardization, streamlining and refinement, continuously improved and optimized the IT operation and maintenance systems, increased the investment in information security, cloud computing applications, infrastructure additions and updates, and adopted a stable and efficient technical framework, laying a solid foundation for the operation and maintenance of the information system and effectively supporting the Company's business development.

### (II) Employees, remuneration policies and training

As of the end of the Reporting Period, the Group had a total of 2,732 employees, including 2,370 from the Company and 362 from its subsidiaries. By signing letter of responsibilities on annual operation objectives, the Company revised and optimized annual incentive and restriction mechanism for all business lines, and linked incentives and restriction directly to business performances. Under a strict performance assessment mechanism, the Company also increased incentives for special contributors to inspire the cadres and staff. The remuneration provided by the Company consists of basic salary, allowance, performance bonus and welfare. The welfare provided to employees includes basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund, etc. In addition, the Company also established the enterprise annuity program so as to further enhance its ability in providing enterprise welfare and security.

The Company provided tailor-made training programs to its cadres and staff, and continued to strengthen training so that training could be provided on a regular basis. The Company has prepared the annual training program and organized a number of professional business training in the first half of 2022.

## SECTION 4 CORPORATE GOVERNANCE

### I. SUMMARY OF GENERAL MEETING

General meeting	Date of convention	Designated website for publication of the poll results	Date of publication of the poll results
2022 First Extraordinary General Meeting	17 February 2022	<a href="http://www.see.com.cn">http://www.see.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	17 February 2022
2021 Annual General Meeting	24 June 2022	<a href="http://www.see.com.cn">http://www.see.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	24 June 2022
2022 First Class Meeting for Holders of A Shares	24 June 2022	<a href="http://www.see.com.cn">http://www.see.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	24 June 2022
2022 First Class Meeting for Holders of H Shares	24 June 2022	<a href="http://www.see.com.cn">http://www.see.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	24 June 2022

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

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

## SECTION 4 CORPORATE GOVERNANCE

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

Name	Position	Change
Jian Mingjun	Member and Director of the Executive Committee	Appointed
Zhu Jianmin	Member and Deputy Director of the Executive Committee	Appointed
Zhu Junhong	Member of the Executive Committee	Appointed
Xu Haijun	Member of the Executive Committee	Appointed
Li Zhaoxin	Member of the Executive Committee	Appointed
Hua Jinzhong	Member of the Executive Committee	Appointed
Zhu Qiben	Member of the Executive Committee	Appointed
Liu Hao	Member of the Executive Committee	Appointed
Li Feng	Member of the Executive Committee	Appointed
Wang Xiaogang	Member of the Executive Committee	Appointed
Shi Hongxing	Member of the Executive Committee	Appointed
Tang Jin	Director	Elected
He Jun	Independent Director	Elected
Yu Xugang	Independent Director	Resigned
Zhang Xiansheng	Supervisor	Resigned
Li Zhifeng	Supervisor	Elected
Li Zhaoxin	President, Deputy Director of the Executive	Appointed
Zhu Jianmin	Member and Deputy Director of the Executive Committee	Ceased
Xu Haijun	Deputy Director of the Executive Committee	Appointed
Han Junyang	Member of the Executive Committee	Appointed

- On 18 January 2022, the Proposal on the Appointment of Members of the Executive Committee was considered and approved at the Fifth meeting of the Seventh Session of the Board of the Company, and it was agreed that Mr. Jian Mingjun be elected as a member and the Director of the Executive Committee of the Company, Mr. Zhu Jianmin as a member and Deputy Director of the Executive Committee of the Company, and Ms. Zhu Junhong, Mr. Xu Haijun, Mr. Li Zhaoxin, Mr. Hua Jinzhong, Mr. Zhu Qiben, Mr. Liu Hao, Mr. Li Feng, Mr. Wang Xiaogang and Mr. Shi Hongxing as members of the Executive Committee of the Company.

## SECTION 4 CORPORATE GOVERNANCE

2. On 17 February 2022, the Proposal on the Election of Directors for the Seventh Session of the Board and the Proposal on the Election of Independent Directors for the Seventh Session of the Board were considered and approved at the 2022 First Extraordinary General Meeting of the Company, and it was agreed that Mr. Tang Jin be elected as a director of the Seventh Session of the Board of the Company and Mr. He Jun as an Independent Director of the Seventh Session of the Board of the Company, with a term of office until the expiry of the Seventh Session of the Board. Mr. Yu Xugang, an independent director, ceased to be the Independent Director of the Company upon completion of his six-year term of office.
3. To implement the relevant deployment of the Henan Provincial Party Committee and the provincial government on the deepening of the reform of state-owned enterprises, the establishment of a market-oriented talent selection and recruitment mechanism, the Company shall recruit one president by market-based selection in accordance with the management regulations for professional managers of financial enterprises managed by Henan Province. Through the organization of application, qualification examination, comprehensive assessment and other selection and recruitment procedures, the Company intends to appoint Mr. Li Zhaoxin as the President and Deputy Director of the Executive Committee of the Company. On 29 April 2022, nominated by the Remuneration and Nomination Committee under the Board of the Company, the Proposal on the Appointment of the President of the Company was considered and approved at the 7th meeting of the Seventh Session of the Board of the Company, which agreed to appoint Mr. Li Zhaoxin as the President and Deputy Director of the Executive Committee of the Company.
4. On 24 June 2022, the Proposal on the Change of Shareholder Representative Supervisors was considered and approved at the Company's 2021 Annual General Meeting, pursuant to which it was agreed to elect Mr. Li Zhifeng as a supervisor of the Seventh Session of the Supervisory Committee of the Company, with a term of office until the expiry of the Seventh Session of the Supervisory Committee. Mr. Zhang Xiansheng ceased to serve as a supervisor of the Company.
5. On 27 June 2022, the Proposal on Adjustment of the Members of the Executive Committee was considered and approved at the eighth meeting of the Seventh Session of the Board of the Company, and it was agreed that the members of the Executive Committee of the Company shall be adjusted as follows: 1. Mr. Xu Haijun, Vice President and member of the Executive Committee, was appointed as Deputy Director of the Executive Committee of the Company; Mr. Zhu Jianmin, Executive Vice President of the Company, ceased to be a member and Deputy Director of the Executive Committee of the Company. 2. Mr. Han Junyang, Chief Information Officer, was appointed as a member of the Executive Committee of the Company.

For details of the above, please refer to the relevant announcements disclosed by the Company on the website of the SSE dated 19 January 2022, 18 February 2022, 30 April 2022, 25 June 2022 and 28 June 2022. (A share announcement No.: 2022-003, 2022-005, 2022-019, 2022-021, 2022-022, 2022-029 and 2022-030)

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

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

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

## SECTION 5 SIGNIFICANT EVENTS

### I. PERFORMANCE OF UNDERTAKINGS

**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	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		
	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		
Commitments in relation to refinancing	Others	The Company	Undertaking in relation to increasing resource investment in compliance risk control and information technology	Note 1	Yes	Yes		
	Others	Directors and senior management	Note 2	During the period of being directors and senior management of the Company	Yes	Yes		

Note 1: (1) For the three consecutive years from 2020 to 2022, the Company's investment in compliance risk control of each year shall not be less than 3% of the Company's operating income in the previous year;

(2) For the three consecutive years from 2020 to 2022, the Company's investment in information technology of each year shall not be less than 6% of the Company's operating income in the previous year;

(3) From 2020 to 2022, the Company shall disclose in its annual report the actual investment in compliance risk control and information technology.

Note 2: (1) The undertaking party shall not transfer profit to other entities or individuals free of charge or with unfair conditions or otherwise damage the interests of the Company.

(2) The undertaking party shall incur expenses in performing my duties subject to restrictions.

(3) The undertaking party shall not apply the assets of the Company for any investment or expenditure which is unrelated to the performance of my duties.

(4) The remuneration package formulated by the Board or the Remuneration Committee shall be implemented in accordance with the mitigation and remediation measures of the Company.

(5) For any subsequent Share Incentive Plan of the Company, the proposed vesting terms shall be operated in line with the mitigation and remediation measures of the Company.



## SECTION 5 SIGNIFICANT EVENTS

### II. MATERIAL LITIGATION AND ARBITRATION

Unit: 10,000 Currency:RMB

During the Reporting Period:

Plaintiff (applicant)	Defendant (respondent)	Party bearing joint liability	Type of litigation or arbitration	Background of litigation (arbitration)	Amount involved in litigation (arbitration)	Any estimated liabilities incurred in litigation and the amount	Development of litigation (arbitration)	Trial outcome of litigation and the influence	Enforcement of the judgment on litigation (arbitration)
Central China Securities	Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership)* (石河子市瑞晨股權投資合夥企業 (有限合夥)), Tan Songbin (譚頌斌), Zhou Juan (周娟)	None	Contract dispute	Note 1	18,799.98		Note 1	Note 1	Note 1
Central China Securities	Kedi Food Group Co., Ltd.	None	Contract dispute	Note 2	43,165.83		Note 2	Note 2	Note 2
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 3	10,580.88		Note 3	Note 3	Note 3

Note 1: The development of the breach of contract case of Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership) (hereinafter referred to as "Ruichen Investment"), Tan Songbin and Zhou Juan in the securities-backed lending business has been disclosed in detail in the Company's 2021 Annual Report. During the Reporting Period, pursuant to the settlement agreement reached between the Company and Ruichen Investment, the Company received an execution ruling from the First People's Court of Dongguan City, Guangdong Province on 16 February 2022, changing the Company to be the applicant for enforcement in the (2021) Yue 1971 Zhihui No. 856 case.

Note 2: The development of the case of Kedi Food Group Co., Ltd. (hereinafter referred to as "Kedi Group") in breaching the securities-backed lending contract has been disclosed in detail in the Company's 2021 Annual Report. During the Reporting Period, the Shangqiu Intermediate People's Court approved the consolidated reorganization plan of Kedi Group and ten other companies by a ruling on 22 April 2022. As of the end of the Reporting Period, Kedi Group was in bankruptcy reorganization proceedings.

Note 3: The development of the case of Henan Zhongyi Real Estate Co., Ltd. (hereinafter referred to as "Zhongyi Real Estate") in breaching the financial entrusted wealth management contract has been disclosed in detail in the Company's 2021 Annual Report. During the Reporting Period, regarding the enforcement objection filed by Central China Blue Ocean against the seized properties under the name of Zhongyi Real Estate in another case, the Zhengzhou High-tech Zone Court issued the (2022) Yu 0191 Zhiyi No. 32 execution order, which ruled to reject the objection of the objector Central China Blue Ocean.

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



## SECTION 5 SIGNIFICANT EVENTS

### III. 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 sums at maturity or bad credibility record.

### IV. MATERIAL RELATED CONNECTED TRANSACTIONS

During the Reporting Period, the Company conducted related party transactions in the ordinary course of business in strict compliance with the Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business in 2022 considered and approved at the 6th meeting of the Seventh Session of the Board. The relevant implementation is as follows:

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

##### 1. Securities and financial products transactions

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual cap for transactions in 2022	Actual amount during the Reporting Period
Securities and financial products transactions	Total net cash inflow to the Group	1,050.00	0.00
	Total net cash outflow from the Group	12,000.00	0.00

##### 2. Securities and financial services

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual cap for transactions in 2022	Actual amount during the Reporting Period
Securities and financial services	Revenue from provision of securities and financial services to Henan Investment Group and its associates	3,650.00	40.36

## SECTION 5 SIGNIFICANT EVENTS

### (II) The expected continuing connected transactions with Equity Exchange Co.

#### 1. Securities and financial products transactions

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual cap for transactions in 2022	Actual amount during the Reporting Period
Securities and financial products transactions	Total net cash inflow to the Group	12,500.00	0.00
	Total net cash outflow from the Group	150.00	0.00

#### 2. Securities and financial services

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual cap for transactions in 2022	Actual amount during the Reporting Period
Securities and financial services	Revenue from the provision of securities and financial services to Equity Exchange Co.	160.00	38.67
	Expenses incurred by the provision of securities and financial services to the Group	575.00	10.00

# SECTION 5 SIGNIFICANT EVENTS

## V. MATERIAL CONTRACTS AND CONTRACT PERFORMANCE

Unit: Yuan Currency: RMB

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

Guarantor	Relationship between guarantor and the listed company	Guarantee amount	Commencement date of guarantee (date of the agreement)	Guarantee starting date	Guarantee expiration date	Type of guarantee	Main liabilities	Collaterals (if any)	Guarantee fully performed	Guarantee overdue	Overdue amount	Counter guarantee available	Guarantee provided to related parties	Related party relationship
Total amount of guarantees incurred during the Reporting Period (excluding the guarantees provided to subsidiaries)														
Total balance of guarantees as at the end of the Reporting Period (A) (excluding the guarantees provided to subsidiaries)														
Guarantees provided by the Company to subsidiaries														
Total amount of guarantees provided to subsidiaries during the Reporting Period													0	
Total balance of guarantee provided to subsidiaries as at the end of the Reporting Period (B)													671,140,000	
Total amount of guarantees provided by the Company (including the guarantees to subsidiaries)														
Total amount of guarantees (A+B)													671,140,000	
Percentage of total guarantee over the net assets of the Company (%)													4.98	
Including:														
Amount of guarantees provided to shareholders, de facto controller and their related parties (C)														
Amount of debt guarantees directly or indirectly provided to the parties guaranteed with the gearing ratio exceeding 70% (D)														
Amount of total guarantee 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 liabilities for repayment														
Explanations on guarantees														

As at the end of the Reporting Period, the Company provided guarantee for the issuance of overseas bonds of up to USD100 million by Wending Zhongyuan Company Limited, a special purpose entity wholly owned by Central China International, in the amount of RMB671,140,000 (equivalent to USD100,000,000)

## SECTION 5 SIGNIFICANT EVENTS

### VI. OTHER SIGNIFICANT EVENTS

#### (I) Non-public issuance of A shares

The Company convened the seventh meeting of the Seventh Session of the Board and the fifth meeting of the Seventh Session of the Supervisory Committee as well as the 2021 Annual General Meeting, the 2022 First Class Meeting for Holders of A Shares and the 2022 First Class Meeting for Holders of H Shares on 29 April 2022 and 24 June 2022, respectively, to consider and approve the relevant proposals on the non-public issuance of A shares to specific targets. The proposed issuance of shares shall not exceed 1,392,865,410 shares (including 1,392,865,410 shares) and the proceeds shall not exceed RMB7 billion (including RMB7 billion).

For details of the above, please refer to the relevant announcements on A shares disclosed by the Company on the website of the SSE dated 30 April 2022 and 25 June 2022. (A shares announcement No.: 2022-019, 2022-020 and 2022-029)

#### (II) Compliance with the Corporate Governance Code

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

#### (III) Compliance with the Model Code

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

## SECTION 5 SIGNIFICANT EVENTS

### **(IV) Purchase, sales or redemption of the listed securities of the Company**

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

### **(V) Review of the report**

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

### **(VI) Events after the balance sheet date**

On 11 July 2022, the Group completed the issuance of 22 Central China S1 (code: 185754) bonds, with an actual issuance size of RMB1 billion and a coupon rate of 2.49%, which have been listed on the Shanghai Stock Exchange since 19 July 2022.

Save as disclosed above, from the end of the Reporting Period to the date of this Report, there were no events after the balance sheet date that have a significant impact on the Group. For details of other events after the balance sheet date related to the Group, please refer to XII. EVENTS AFTER THE BALANCE SHEET DATE under Section 8 “REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION” of this report.

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

### I. CHANGES IN SHARE CAPITAL

#### (I) Changes in shares

##### 1. Changes in shares

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

##### 2. Explanations on changes in shares

During the Reporting Period, there was no change in the shares of the Company.

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

During the Reporting Period, the Company had no shares subject to trading moratorium.

### II. SHAREHOLDERS

#### (I) Total number of shareholders

Total number of holders of ordinary shares as at the end of the Reporting Period	148,997 Among which: 148,958 A shareholders; 39 registered H shareholders
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## SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

### (II) Shareholdings of the top ten shareholders, the top ten holders of tradable shares (or shareholders not subject to trading moratorium) as 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	Nature of shareholders
					Status of shares	
HKSCC Nominees Limited	30,000	1,195,142,850	25.74	0	Nil	Overseas legal person
Henan Investment Group		822,983,847	17.73	0	Nil	State-owned legal person
Anyang Iron & Steel Group Co., Ltd.		177,514,015	3.82	0	Pledged	65,000,000
Jiangsu SOHO Holdings Group Co., Ltd.	13,916,400	138,699,007	2.99	0	Nil	State-owned legal person
China Pingmei Shenma Energy & Chemical Group Co., Ltd.		63,694,267	1.37	0	Nil	State-owned legal person
China Construction Bank Corporation — Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 國泰中證全指證券公司交易型開放式指數證券投資基金)	11,768,786	56,563,594	1.22	0	Nil	Others
Zheng Yu (鄭宇)		51,003,190	1.10	0	Nil	Domestic natural person
Anyang Economic Development Group Co., Ltd.		48,824,693	1.05	0	Pledged	24,412,346
Henan Railway Investment Co., Ltd.		47,239,915	1.02	0	Nil	State-owned legal person
China Construction Bank Corporation — Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 華寶中證全指證券公司交易型開放式指數證券投資基金)		38,944,964	0.84	0	Nil	Others



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

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

Name of shareholders	Number of tradable shares not subject to trading moratorium	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	1,195,142,850	Overseas-listed foreign shares	1,195,142,850
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.	138,699,007	RMB-denominated ordinary shares	138,699,007
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	63,694,267	RMB-denominated ordinary shares	63,694,267
China Construction Bank Corporation — Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 國泰中證全指證券公司交易型開放式指數證券投資基金)	56,563,594	RMB-denominated ordinary shares	56,563,594
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 — Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 華寶中證全指證券公司交易型開放式指數證券投資基金)	38,944,964	RMB-denominated ordinary shares	38,944,964
Explanation on the above-mentioned shareholders' proxy voting rights, entrusted voting rights, and waiver of voting rights	None		
Explanation on related party or concert party relationship among the above shareholders	The Company is not aware of any related party relationship among the above-mentioned shareholders or whether they are parties acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》)		

Note 1: As known to the Company, as of the end of the Reporting Period, Henan Investment Group held 822,983,847 A shares of the Company, directly held 46,733,000 H shares of the Company through its wholly-owned subsidiary Dahe Paper (Hong Kong) Co., Limited, and held 125,920,000 H shares of the Company through Stock Connect's Southbound trading. In total, it held 995,636,847 shares of the Company, accounting for 21.44% of the total share capital of the Company.

### (III) 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 at the end of the Reporting Period, no Directors, Supervisors or their respective spouses 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 spouses or children under the age of 18 in any other body corporate.

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

### (IV) Interests and short positions of substantial shareholders and other persons in the shares and underlying shares of the Company

As at the end of the Reporting Period, 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	172,653,000 <sup>1</sup>	3.719	14.444	Long position
Shanghai Ningquan Asset Management Co., Ltd.* (上海寧泉資產管理有限公司)	H Share	Investment manager	156,209,000	3.364	13.068	Long position

Note:

- As known to the Directors, as of 30 June 2022, Henan Investment Group (through Stock Connect's Southbound trading) directly held a long position in 125,920,000 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 at the end of the Reporting Period, 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.

\* For identification purpose only

## SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

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

#### (I) 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 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	19 Central China C1	162323	2019/10/29	2019/10/30	2022/10/30	10	4.9	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	One-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No
2020 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	20 Central China C1	166631	2020/4/22	2020/4/23	2023/4/23	15	4.08	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	One-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	21 Central China 01	175736	2021/3/4	2021/3/5	2024/3/5	10	4.03	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	Matching transaction, one-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No
2021 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	21 Central China C1	197241	2021/10/21	2021/10/22	2024/10/22	11	4.7	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	One-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No
2022 Public Issuance of Corporate Bonds (Tranche 1) of Central China Securities Co., Ltd.	22 Central China 01	185321	2022/2/23	2022/2/24	2025/2/24	20	3.2	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	Matching transaction, one-click-order transaction, price-inquiry transaction, auction transaction and negotiated transaction	No

#### (II) Adjustment of credit rating results

On 24 May 2022, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued a debt and follow-up rating report on "21 Central China 01", maintaining the AAA entity credit rating and AAA debt credit rating of the Company, with a stable outlook and consistent results of the debt and follow-up rating ratings. On 24 May 2022, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued follow-up rating reports on "19 Central China C1", "20 Central China C1" and "21 Central China C1", granting the Company AAA entity credit rating and AA+ debt credit rating, with a stable outlook, which is consistent with the previous rating result.

## SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

### (III) Implementation and Changes in Guarantees, Debt Service Plans and Other Debt Service Guarantees During the Reporting Period and Their Impact

Current status	Implementation	Change or not	After the change	Reasons for change	Whether the change has been approved by the competent authority	Impact of the change on the rights and interests of bond investors
There were no guarantees for corporate bonds during the Reporting Period	None	No				
The debt service plans were normal during the Reporting Period	Note 1	No				
The other debt service guarantees were normal during the Reporting Period	Note 2, Note 3	No				

Note 1: Debt service plans. The debt service plans of "19 Central China C1", "20 Central China C1", "21 Central China 01", "21 Central China C1" and "22 Central China 01" are all scheduled to pay interest once a year during the duration of bonds, with the last installment of interest to be paid together with the payment of principal.

Note 2: Debt service guarantees.

- (1) Corporate bonds. During the Reporting Period, the Company continued to strengthen the development of securities brokerage services, investment banking business, securities proprietary trading, asset management, margin financing and securities lending business, stock-pledged repo business, etc., resulting in stronger debt service capability and cash acquisition capability. The Company managed capital in strict accordance with its financial system, continuously optimized its asset and liability management and strengthens its liquidity management according to its debt structure, formulated annual and phased capital utilization plans, prepared debt service funds in a timely and adequate manner and made payments on time; meanwhile, the Company protected the interests of bondholders by giving full play to the role of trustee, strictly enforcing the Rules for Bondholders' Meetings, maintaining good liquidity and establishing a working group for repayment. During the Reporting Period, "19 Central China 01" matured on 26 March 2022 and the principal and interest were paid in full and on time; "21 Central China 01" made its annual interest payment on 7 March 2022 and the interest was paid in full and on time; "21 Central China S1" matured on 20 May 2022 and the principal and interest were paid in full and on time; "21 Central China S2" matured on 18 June 2022 and the principal and interest were paid in full and on time. The Company did not expect to be unable to repay the principal and interest of the bonds as scheduled or fail to repay the principal and interest of the bonds as scheduled when due. Therefore, the Company did not increase the ratio of discretionary surplus reserve and general risk provision, nor did it adopt debt service guarantees such as not distributing profits to shareholders, suspending the implementation of capital expenditure projects such as major foreign investments, acquisitions and mergers, reducing or suspending the salaries and bonuses of directors and senior management of the Company, and not transferring the main responsible personnel.
- (2) Subordinated bonds. During the Reporting Period, the Company protected the interests of bondholders by continuously improving its corporate governance structure and risk control system, giving full play to the role of bond trustee, strictly enforcing the Rules for Bondholders' Meetings, designating special personnel to be responsible for debt repayment and interest payment matters and strict information disclosure. During the Reporting Period, the annual interest payment of "20 Central China C1" was made on 23 April 2021, and the interest was paid in full and on time. During the Reporting Period, the Company did not expect to be unable to repay the principal and interest of the bonds as scheduled or fail to repay the principal and interest of the bonds as scheduled when due. Therefore, the Company did not adopt debt service guarantees such as not distributing profits to shareholders, suspending the implementation of capital expenditure projects such as major foreign investments, acquisitions and mergers, reducing or suspending the salaries and bonuses of directors and senior management of the Company, and not transferring the main responsible personnel.

Note 3: Other related information. As for the implementation of other debt service guarantees, the Company engaged Huaxi Securities Co., Ltd., Donghai Securities Co., Ltd., Changjiang Financing Services Co., Limited and CSC Financial Co., Ltd. as the trustees of the corresponding bonds in strict accordance with the laws and regulations, and safeguarded the interests of bondholders and strictly implemented the fund management plan and information disclosure requirements in accordance with the Bond Trustee Agreement signed. The above guarantees are consistent with the prospectus.

## SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

### (IV) Other information on corporate bonds

#### Overseas bonds

Name of bonds	Abbreviation	Code	Date of issuance	Value date	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risks of termination of listing and trading
CCNIFH 4 03/22/2025	—	ISIN: XS2420031523	2022/3/22	2022/3/22	2025/3/22	USD100 million	4	Semi-annual payment of interest and repayment of principal upon maturity	OTC trading	None	N/A	No

On 15 October 2021, the Company held the thirty-fifth meeting of the sixth session of the Board, at which the Proposal on the Provision of a Joint and Several Guarantee for the Issuance of US Dollar Bonds by a Wholly-owned Overseas Subsidiary (《關於為境外全資附屬公司發行美元債券提供連帶責任擔保的議案》) was considered and approved, pursuant to which the Company was approved to provide guarantee for Wending Zhongyuan, a wholly-owned special purpose entity of Central China International Financial Holdings Company Limited (hereinafter referred to as "Central China International"), for the issuance of overseas bonds of not more than USD100 million. The guarantee amount includes the principal, interest and other relevant expenses of the bonds. The guarantee methods include guarantee methods permitted by relevant laws and regulations such as guarantee, mortgage guarantee and pledge guarantee, and the guarantee period shall not exceed 3 years.

## SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

### II. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

Unit: Yuan Currency: RMB

Principal indicators	At the end of the Reporting Period	At the end of last year	Changes compared with the end of last year (%)	Reason for change
Current ratio	1.71	1.58	8.23	
Quick ratio	1.71	1.58	8.23	
Gearing ratio (%)	65.13	65.65	-0.79	

  

	The Reporting Period (January-June)	Changes compared with the corresponding period of last year	The corresponding period of last year (%)	Reason for change
Net profit after non-recurring profit or loss	-130,788,292.85	221,131,715.65	-159.14	Mainly due to the decrease in income from investment business in the primary and secondary market and investment banking business, and the credit impair loss of the equity pledge business and other operations.
Debt-to-EBITDA ratio	1.01	2.87	-64.81	Mainly due to the decrease in the EBITDA and the all debt
Interest coverage ratio	0.55	1.71	-67.84	Mainly due to the decrease in total profit
Cash interest coverage ratio	17.06	-2.18	N/A	Mainly due to changes in cash flow from operating activities
EBITDA interest coverage ratio	0.67	1.8	-62.78	Mainly due to the decrease in total profit
Loan repayment ratio (%)	100	100		
Interest payment ratio (%)	100	100		

## SECTION 8 REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Review Report

DHHZ No. [2022] 0011522

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

We have reviewed the attached financial statements of Central China Securities Co., Ltd. (hereinafter referred to as the "Company"), including the consolidated and parent company's balance sheet as at 30 June, 2022, the consolidated and the company's income statement, the consolidated and parent company's cash flow statement, the consolidated and the company's statement of changes in shareholders' equity and notes to the financial statements from January to June 2022. The preparation of these financial statements is the responsibility of the management of the Company. Our responsibility is to issue a review report on these financial statements based on the implementation of the review work.

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

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

Da Hua Certified Public Accountants  
(Special General Partnership)

CICPA: Ao Dujiya  
(Project partner)

CICPA: Li Tiantian

Beijing, China  
22 August, 2022



# CONSOLIDATED BALANCE SHEET

30 June, 2022 (Unless otherwise specified, expressed in RMB Yuan)

Assets	Note VI	Closing balance	Opening balance
<b>Assets:</b>			
Cash and bank balances	VI. 1	13,037,318,378.47	12,332,030,422.75
Including: Client's capital deposit		11,634,155,208.21	9,990,048,353.53
Clearing settlement funds	VI. 2	3,024,302,883.88	2,558,219,120.46
Including: Client's reserve funds		2,962,594,880.40	2,446,921,329.46
Margin accounts receivable	VI. 3	7,150,758,061.73	8,148,017,143.05
Derivative financial assets	VI. 4		54,610.00
Refundable deposits	VI. 5	727,981,144.36	802,256,089.47
Accounts receivable	VI. 6	98,910,651.90	98,055,900.27
Financial assets held under resale agreements	VI. 7	1,268,821,227.29	972,870,075.44
Financial investment:			
Financial assets at fair value through profit or loss	VI. 8	25,198,152,501.15	24,507,919,178.87
Financial assets measured at amortised costs	VI. 9	217,731,855.41	263,452,484.68
Financial assets at fair value through other comprehensive income	VI. 10	782,629,420.42	970,426,547.78
Long-term equity investments	VI. 11	1,541,328,650.73	1,659,879,203.08
Investment properties	VI. 12	15,264,386.05	15,666,107.28
Fixed assets	VI. 13	186,683,828.07	188,201,266.95
Construction in progress	VI. 14	58,659,200.24	58,641,526.64
Right-of-use assets	VI. 15	185,883,803.51	160,408,039.28
Intangible assets	VI. 16	220,288,927.45	223,016,230.62
Deferred income tax assets	VI. 17	593,653,563.04	486,461,663.34
Goodwill	VI. 18	20,085,871.52	19,522,493.37
Other assets	VI. 19	364,317,935.32	283,225,421.38
<b>Total assets</b>		<b>54,692,772,290.54</b>	<b>53,748,323,524.71</b>

# CONSOLIDATED BALANCE SHEET

30 June, 2022 (Unless otherwise specified, expressed in RMB Yuan)

Liabilities and shareholders' equity	Note VI	Closing balance	Opening balance
<b>Liabilities:</b>			
Short-term loans	VI. 22	46,514,036.45	256,191,822.27
Short-term financing instruments payable	VI. 23	4,750,310,984.12	7,032,271,969.93
Due to banks and other financial institutions	VI. 24	1,602,575,388.89	2,900,742,263.92
Financial liabilities at fair value through profit or loss	VI. 25	1,128,250,964.87	971,171,013.72
Derivative financial liabilities	VI. 4	1,008,526.45	465,376.83
Financial assets sold under repurchase agreements	VI. 26	12,341,737,118.19	10,548,472,328.09
Accounts payable to brokerage clients	VI. 27	14,716,321,579.88	12,571,797,812.48
Employee benefits payable	VI. 28	482,701,026.45	768,133,013.64
Taxes payable	VI. 29	99,864,511.42	121,620,959.74
Accounts payable	VI. 30	89,382,671.72	143,594,220.52
Contract liabilities	VI. 31	9,071,913.51	6,872,133.68
Long-term borrowings			
Bonds payable	VI. 32	4,842,923,526.37	3,685,225,541.41
Lease liabilities	VI. 33	184,170,072.88	157,162,685.95
Deferred income tax liabilities	VI. 17	28,336,021.01	38,563,107.66
Other liabilities	VI. 34	429,103,489.03	401,959,351.47
<b>Total Liabilities</b>		<b>40,752,271,831.24</b>	<b>39,604,243,601.31</b>
<b>Equity:</b>			
Share capital	VI. 35	4,642,884,700.00	4,642,884,700.00
Capital reserve	VI. 36	6,295,818,034.44	6,301,860,583.46
Other comprehensive income	VI. 37	29,509,126.32	-872,349.97
Surplus reserve	VI. 38	908,512,430.25	908,512,430.25
General risk reserve	VI. 39	1,535,150,528.88	1,534,245,856.08
Retained earnings	VI. 40	71,403,812.89	295,251,945.46
Total equity attributable to owners of the parent company		13,483,278,632.78	13,681,883,165.28
Non-controlling interests		457,221,826.52	462,196,758.12
<b>Total equity</b>		<b>13,940,500,459.30</b>	<b>14,144,079,923.40</b>
<b>Total liabilities and equity</b>		<b>54,692,772,290.54</b>	<b>53,748,323,524.71</b>

Legal representative:  
**Jian Mingjun**

Officer in charge of accounting  
and chief accountant:  
**Li Zhaoxin**

Head of accounting department:  
**Yang Bo**

# CONSOLIDATED INCOME STATEMENT

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2022	Jan-June 2021
<b>I. Total operating income</b>		<b>787,674,140.44</b>	2,336,041,148.75
Net interest income	VI. 41	32,340,155.40	80,657,575.42
Including: Interest income		426,965,118.43	518,460,146.02
Interest expenses		394,624,963.03	437,802,570.60
Net fee and commission income	VI. 42	509,292,836.37	721,448,578.20
Including: Brokerages business		328,648,745.72	385,140,671.66
Investment banking		119,991,988.96	266,920,574.17
Assets management		18,724,380.61	17,288,555.89
Investment income (or less: losses)	VI. 43	638,875,165.61	311,515,840.03
Including: Investment income from associates and joint ventures		15,450,238.48	54,397,626.13
Gains on changes in fair value (or less: losses)	VI. 44	-462,650,347.44	163,829,668.53
Gains on foreign exchange (or less: losses)		2,989,889.80	-281,103.30
Other operating income	VI. 45	61,024,708.53	1,050,096,626.23
Gains from assets disposal (or less: losses)	VI. 46	19,339.36	7,895.89
Other income	VI. 47	5,782,392.81	8,766,067.75
<b>II. Total operating cost</b>		<b>958,688,511.85</b>	2,030,792,428.20
Taxes and surcharges	VI. 48	6,313,221.74	10,750,231.66
Business and administrative expenses	VI. 49	730,667,759.49	845,336,205.01
Expected credit losses	VI. 50	160,574,016.45	146,191,131.36
Other assets impairment losses	VI. 51	3,653,275.68	1,272,342.22
Other operating costs	VI. 52	57,480,238.49	1,027,242,517.95
<b>III. Operating profit (or less: losses)</b>		<b>-171,014,371.41</b>	305,248,720.55
Add: Non-operating income	VI. 53	2,592,046.43	2,204,667.53
Less: Non-operating expenses	VI. 54	898,235.67	401,354.04
<b>IV. Profit before tax (or less: losses)</b>		<b>-169,320,560.65</b>	307,052,034.04
Less: Income tax expenses	VI. 55	-38,902,747.98	74,614,019.98
<b>V. Net profit (or less: net loss)</b>		<b>-130,417,812.67</b>	232,438,014.06
<b>(I) Classified by continuity of operations</b>			
1. Net profit from continuing operations (or less: net losses)		-130,417,812.67	232,438,014.06
2. Net profit from discontinued operations (or less: net losses)			
<b>(II) Classified by ownership</b>			
1. Net profit attributable to owners of the parent company (or less: net losses)		-125,442,881.07	228,961,700.48
2. Net profit attributable to non-controlling interests (or less: net losses)		-4,974,931.60	3,476,313.58

# CONSOLIDATED INCOME STATEMENT

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2022	Jan-June 2021
<b>VI. Other comprehensive income after tax</b>		<b>30,381,476.29</b>	1,881,081.67
Items attributable to owners of the parent company		<b>30,381,476.29</b>	1,881,081.67
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		<b>30,381,476.29</b>	1,881,081.67
1. Items attributable to investees under equity method that will be reclassified to profit or loss		<b>522,776.54</b>	-1,259,678.70
2. Changes in the fair value of financial assets at fair value through other comprehensive income		<b>-3,387,724.95</b>	4,076,925.70
3. Credit impairment reserves of financial assets at fair value through other comprehensive income		<b>6,789,736.67</b>	-456,601.16
4. Translation differences of foreign currency financial statements		<b>26,456,688.03</b>	-479,564.17
Items attributable to non-controlling interests			
<b>VII. Total comprehensive income</b>		<b>-100,036,336.38</b>	234,319,095.73
Items attributable to owners of the parent company		<b>-95,061,404.78</b>	230,842,782.15
Items attributable to non-controlling interests		<b>-4,974,931.60</b>	3,476,313.58
<b>VIII. Earnings per share (EPS):</b>			
(I) Basic EPS		<b>-0.03</b>	0.05
(II) Diluted EPS		<b>-0.03</b>	0.05

Legal representative:  
**Jian Mingjun**

Officer in charge of accounting  
and chief accountant:  
**Li Zhaoxin**

Head of accounting department:  
**Yang Bo**

# CONSOLIDATED CASH FLOW STATEMENT

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2022	Jan-June 2021
<b>I. Cash flows from operating activities:</b>			
Cash receipt from interests, fee and commissions		1,182,156,660.17	1,367,476,766.24
Net increase in due to banks and other financial institutions		1,794,888,343.43	
Net increase of repurchase business			379,682,648.77
Net decrease of resale business		990,661,209.75	
Net decrease in margin accounts receivable		2,144,523,767.40	784,572,094.53
Cash received from brokerage clients		219,671,301.12	1,078,773,742.34
Other cash received related to operating activities	VI. 57	6,331,901,281.87	3,610,505,251.88
<b>Subtotal of cash inflows from operating activities</b>		439,015,479.12	733,618,289.36
Net increase of financial instruments at fair value through profit or loss		1,300,000,000.00	1,190,000,000.00
Net decrease in due to banks and other financial institutions			543,881,059.90
Net decrease in repurchase business funds		411,069,394.85	
Net increase of resale business			177,613,222.40
Net increase in margin accounts receivable		340,368,042.43	352,218,875.17
Cash payment to interests, fee charges and commissions		797,794,541.03	652,047,581.80
Cash payments to and on behalf of employees		129,286,092.58	235,541,624.85
Cash payments of taxes		288,238,806.62	1,008,328,566.99
Other cash payments related to operating activities	VI. 57	3,705,772,356.63	4,893,249,220.47
<b>Subtotal of cash outflows from operating activities</b>		2,626,128,925.24	-1,282,743,968.59
<b>Net cash flows from operating activities</b>	VI. 58		
<b>II. Cash flows from investing activities:</b>			
Cash received from investment recovery		191,778,961.15	279,389,011.90
Cash received from investment income		27,288,200.87	49,253,297.11
Cash received from disposal of fixed assets, intangible assets and other long-term assets		224,687.76	189,323.91
<b>Subtotal of cash inflows from investing activities</b>		219,291,849.78	328,831,632.92
Cash payments to acquire fixed assets, intangible assets and other long-term assets		93,775,797.91	35,428,240.30
Cash payments to acquire investments		93,775,797.91	35,428,240.30
<b>Subtotal of cash outflows from investing activities</b>		125,516,051.87	293,403,392.62
<b>Net cash flows from investing activities</b>			
<b>III. Cash flows from financing activities:</b>			
Cash received by absorbing investments		49,547,585.16	10,000,000.00
Cash received from loans		6,894,611,718.12	7,230,039,000.00
Cash received from issuance of bonds		6,944,159,303.28	7,240,039,000.00
<b>Subtotal of cash inflows from financing activities</b>		8,221,466,097.03	4,498,073,000.00
Cash repayments of borrowings		265,816,301.85	302,135,652.54
Cash payments for distribution of dividends or profit or interest expenses			1,470,000.00
Including: cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit		41,085,182.96	41,716,255.08
Other cash payments related to financing activities	VI. 57	8,528,367,581.84	4,841,924,907.62
<b>Subtotal of cash outflows from financing activities</b>		-1,584,208,278.56	2,398,114,092.38
<b>Net cash flows from financing activities</b>			

# CONSOLIDATED CASH FLOW STATEMENT

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2022	Jan-June 2021
IV. Effect of foreign exchange rate changes on cash and cash equivalents		2,989,889.80	-281,103.30
V. Net increase in cash and cash equivalents	VI. 58	1,170,426,588.35	1,408,492,413.11
Add: opening balance of cash and cash equivalents		14,870,067,135.88	13,312,322,291.24
VI. Closing balance of cash and cash equivalents		16,040,493,724.23	14,720,814,704.35

Legal representative:  
**Jian Mingjun**

Officer in charge of accounting  
and chief accountant:  
**Li Zhaoxin**

Head of accounting department:  
**Yang Bo**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2022							
	Equity attributable to owners of the parent company							Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Non-controlling interest	
<b>I. Balance at the end of prior year</b>	4,642,884,700.00	6,301,860,583.46	-872,349.97	908,512,430.25	1,534,245,856.08	295,251,945.46	462,196,758.12	14,144,079,923.40
Add: Changes of accounting policies								
Error correction of early stage								
Others								
<b>II. Balance at the beginning of current year</b>	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
<b>III. Current period increase (or less: decrease)</b>		-6,042,549.02	30,381,476.29		904,672.80	-223,848,132.57	-4,974,931.60	-203,579,464.10
(I) Total comprehensive income			30,381,476.29			-125,442,881.07	-4,974,931.60	-100,036,336.38
(II) Capital contributed or withdrawn by owners								
1. Capital contributed by owners								
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others								
(III) Profit distribution					904,672.80	-98,405,251.50		-97,500,578.70
1. Appropriation to surplus reserve								
2. Appropriation to general risk reserve					904,672.80	-904,672.80		
3. Cash dividend recognized as distribution						-97,500,578.70		-97,500,578.70
4. Others								
(IV) Internal carry-over within equity								
1. Transfer of capital reserve to capital								
2. Transfer of surplus reserve to capital								
3. Surplus reserve to cover losses								
4. Others								
(V) Others		-6,042,549.02						-6,042,549.02
<b>IV. Balance at the end of current period</b>	4,642,884,700.00	6,295,818,034.44	29,509,126.32	908,512,430.25	1,535,150,528.88	71,403,812.89	457,221,826.52	13,940,500,459.30



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 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	
<b>I. Balance at the end of prior year</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
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	6,330,622,817.68	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
<b>III. Current period increase (or less: decrease)</b>		-7,803,622.33	1,881,081.67		935,771.83	149,096,888.75	-17,353,806.22	126,756,313.70
(I) Total comprehensive income			1,881,081.67			228,961,700.48	3,476,313.58	234,319,095.73
(II) Capital contributed or withdrawn by owners								
1. Capital contributed by owners								
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others								
(III) Profit distribution					935,771.83	-79,864,811.73	-20,830,119.80	-99,759,159.70
1. Appropriation to surplus reserve								
2. Appropriation to general risk reserve					935,771.83	-935,771.83		
3. Cash dividend recognized as distribution						-78,929,039.90	-20,830,119.80	-99,759,159.70
4. Others								
(IV) Internal carry-over within equity								
1. Transfer of capital reserve to capital								
2. Transfer of surplus reserve to capital								
3. Surplus reserve to cover losses								
4. Others								
(V) Others		-7,803,622.33						-7,803,622.33
<b>IV. Balance at the end of current period</b>	4,642,884,700.00	6,322,819,195.35	14,430,207.55	838,358,247.79	1,442,454,585.23	251,877,801.90	800,407,666.39	14,313,232,404.21

Legal representative:  
**Jian Mingjun**

Officer in charge of accounting  
and chief accountant:  
**Li Zhaoxin**

Head of accounting department:  
**Yang Bo**

# COMPANY BALANCE SHEET

30 June, 2022 (Unless otherwise specified, expressed in RMB Yuan)

Assets	Note XIV	Closing balance	Opening balance
<b>Assets:</b>			
Cash and bank balances		11,691,173,660.96	10,787,186,204.27
Including: Client's capital deposit		11,019,079,991.08	9,475,290,338.74
Clearing settlement funds		2,593,066,010.52	2,274,149,998.54
Including: Client's reserve funds		2,345,786,399.54	2,066,846,823.76
Margin accounts receivable		7,009,826,901.44	8,081,803,812.77
Derivative financial assets			54,610.00
Refundable deposits		285,273,672.27	259,267,830.02
Accounts receivable		10,659,663.46	29,485,887.66
Financial assets held under resale agreements		1,268,821,227.29	972,870,075.44
Financial investment:			
Financial assets at fair value through profit or loss		21,274,862,100.69	20,891,935,865.83
Financial assets at fair value through other comprehensive income		782,629,420.42	970,426,547.78
Long-term equity investments	XIV. 1	5,296,280,233.94	5,296,280,233.94
Investment properties		24,195,850.02	24,748,699.56
Fixed assets		171,302,032.20	173,173,353.77
Construction in progress		58,659,200.24	58,641,526.64
Right-of-use assets		174,432,119.71	142,506,224.38
Intangible assets		215,732,317.25	218,187,343.75
Deferred income tax assets		420,590,313.75	324,344,489.89
Other assets		164,639,266.21	232,547,711.06
<b>Total assets</b>		<b>51,442,143,990.37</b>	<b>50,737,610,415.30</b>

# COMPANY BALANCE SHEET

30 June, 2022 (Unless otherwise specified, expressed in RMB Yuan)

Liabilities and shareholders' equity	Note XIV	Closing balance	Opening balance
<b>Liabilities:</b>			
Short-term financing instruments payable		4,750,310,984.12	7,032,271,969.93
Due to banks and other financial institutions		1,602,575,388.89	2,900,742,263.92
Financial liabilities at fair value through profit or loss		480,564,431.23	
Derivative financial liabilities			465,376.83
Financial assets sold under repurchase agreements		12,162,334,919.58	10,448,272,328.09
Accounts payable to brokerage clients		13,272,021,862.91	11,400,036,597.27
Employee benefits payable		458,675,887.02	719,713,530.83
Taxes payable		91,836,292.34	111,000,397.96
Accounts payable		71,941,982.74	116,166,224.28
Contract liabilities		7,908,254.65	5,113,846.11
Bonds payable		4,169,674,308.84	3,685,225,541.41
Lease liabilities		172,742,082.42	140,244,474.29
Deferred income tax liabilities		759,588.93	
Other liabilities		215,032,887.93	122,760,647.36
<b>Total Liabilities</b>		<b>37,456,378,871.60</b>	36,682,013,198.28
<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		3,856,825.96	454,814.24
Surplus reserve		908,512,430.25	908,512,430.25
General risk reserve		1,472,154,504.05	1,471,249,831.25
Retained earnings		352,196,287.67	426,335,070.44
<b>Total equity</b>		<b>13,985,765,118.77</b>	14,055,597,217.02
<b>Total liabilities and equity</b>		<b>51,442,143,990.37</b>	50,737,610,415.30

Legal representative:  
**Jian Mingjun**

Officer in charge of accounting  
and chief accountant:  
**Li Zhaoxin**

Head of accounting department:  
**Yang Bo**

# COMPANY INCOME STATEMENT

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note XIV	Jan-June 2022	Jan-June 2021
<b>I. Total operating income</b>		<b>776,543,695.23</b>	1,116,912,645.26
Net interest income	XIV. 2	<b>29,569,349.47</b>	62,092,354.14
Including: Interest income		<b>412,272,153.84</b>	466,354,189.22
Interest expenses		<b>382,702,804.37</b>	404,261,835.08
Net fee and commission income	XIV. 3	<b>434,110,618.94</b>	649,504,287.49
Including: Brokerages business		<b>270,898,531.16</b>	327,841,755.59
Investment banking		<b>118,325,212.67</b>	263,310,408.94
Assets management		<b>8,865,064.78</b>	13,333,462.06
Investment income (or less: losses)	XIV. 4	<b>429,768,431.63</b>	424,482,409.79
Including: Investment income from associates and joint ventures			
Gains on changes in fair value (or less: losses)		<b>-125,305,532.57</b>	-31,922,415.88
Gains on foreign exchange (or less: losses)		<b>439,017.61</b>	-104,484.05
Other operating income		<b>2,270,088.37</b>	4,243,098.03
Gains from assets disposal (or less: losses)		<b>19,387.01</b>	
Other income		<b>5,672,334.77</b>	8,617,395.74
<b>II. Total operating cost</b>		<b>780,256,162.89</b>	802,653,375.76
Taxes and surcharges		<b>5,692,228.55</b>	8,478,948.37
Business and administrative expenses	XIV. 5	<b>640,023,354.20</b>	741,704,363.30
Expected credit losses		<b>133,945,730.60</b>	51,812,132.15
Other assets impairment losses			
Other operating costs		<b>594,849.54</b>	657,931.94
<b>III. Operating profit (or less: losses)</b>		<b>-3,712,467.66</b>	314,259,269.50
Add: Non-operating income		<b>997,329.14</b>	1,979,507.13
Less: Non-operating expenses		<b>806,634.56</b>	298,019.78
<b>IV. Profit before tax (or less: losses)</b>		<b>-3,521,773.08</b>	315,940,756.85
Less: Income tax expenses		<b>-27,788,241.81</b>	55,985,745.14
<b>V. Net profit (or less: net loss)</b>		<b>24,266,468.73</b>	259,955,011.71
Net profit from continuing operations (or less: net losses)		<b>24,266,468.73</b>	259,955,011.71
Net profit from discontinued operations (or less: net losses)			

# COMPANY INCOME STATEMENT

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note XIV	Jan-June 2022	Jan-June 2021
<b>VI. Other comprehensive income after tax</b>		<b>3,402,011.72</b>	3,620,324.54
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		<b>3,402,011.72</b>	3,620,324.54
1. Items attributable to investees under equity method that will be reclassified to profit or loss			
2. Changes in the fair value of financial assets at fair value through other comprehensive income		<b>-3,387,724.95</b>	4,076,925.70
3. Credit impairment reserves of financial assets at fair value through other comprehensive income		<b>6,789,736.67</b>	-456,601.16
4. Translation differences of foreign currency financial statements			
<b>VII. Total comprehensive income</b>		<b>27,668,480.45</b>	263,575,336.25

Legal representative:  
**Jian Mingjun**

Officer in charge of accounting  
and chief accountant:  
**Li Zhaoxin**

Head of accounting department:  
**Yang Bo**

# COMPANY CASH FLOW STATEMENT

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note XIV	Jan-June 2022	Jan-June 2021
<b>I. Cash flows from operating activities:</b>			
Net decrease of financial instruments at fair value through profit or loss		322,761,858.91	
Cash receipt from interests, fee and commissions		1,081,400,335.28	1,219,021,857.15
Net increase in due to banks and other financial institutions			
Net increase of repurchase business		1,716,031,506.90	
Net decrease of resale business			378,882,839.46
Net decrease in margin accounts receivable		1,065,550,480.08	
Cash received from brokerage clients		1,871,985,265.64	526,754,776.18
Other cash received related to operating activities		130,881,905.17	146,834,178.69
<b>Subtotal of cash inflows from operating activities</b>		<b>6,188,611,351.98</b>	<b>2,271,493,651.48</b>
Net increase of financial instruments at fair value through profit or loss			181,349,157.04
Net decrease in due to banks and other financial institutions		1,300,000,000.00	1,190,000,000.00
Net decrease in repurchase business funds			446,181,059.90
Net increase of resale business		411,069,394.85	
Net increase in margin accounts receivable			204,657,151.67
Cash payment to interests, fee charges and commissions		282,454,378.77	324,068,052.50
Cash payments to and on behalf of employees		719,795,664.79	574,160,422.29
Cash payments of taxes		103,868,815.78	194,995,409.52
Other cash payments related to operating activities		208,975,022.20	47,990,840.33
<b>Subtotal of cash outflows from operating activities</b>		<b>3,026,163,276.39</b>	<b>3,163,402,093.25</b>
<b>Net cash flows from operating activities</b>	XIV.6	<b>3,162,448,075.59</b>	<b>-891,908,441.77</b>
<b>II. Cash flows from investing activities:</b>			
Cash received by absorbing investments		162,954,512.94	
Cash received from investment income		24,584,721.42	60,004,338.61
Cash received from disposal of fixed assets, intangible assets and other long-term assets		220,578.91	98,464.91
<b>Subtotal of cash inflows from investing activities</b>		<b>187,759,813.27</b>	<b>60,102,803.52</b>
Cash payments to acquire fixed assets, intangible assets and other long-term assets		91,396,357.68	31,543,223.12
Cash payments to acquire investments			695,740,815.55
<b>Subtotal of cash outflows from investing activities</b>		<b>91,396,357.68</b>	<b>727,284,038.67</b>
<b>Net cash flows from investing activities</b>		<b>96,363,455.59</b>	<b>-667,181,235.15</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from investments absorbed			
Cash received from borrowing			
Cash received from issuance of bonds		6,223,471,433.97	7,230,039,000.00
<b>Subtotal of cash inflows from financing activities</b>		<b>6,223,471,433.97</b>	<b>7,230,039,000.00</b>
Cash repayments of borrowings		7,951,184,000.00	4,498,073,000.00
Cash payments for distribution of dividends or profit or interest expenses		280,912,498.06	261,654,313.19
Other cash payments related to financing activities		28,656,948.17	23,687,049.88
<b>Subtotal of cash outflows from financing activities</b>		<b>8,260,753,446.23</b>	<b>4,783,414,363.07</b>
<b>Net cash flows from financing activities</b>		<b>-2,037,282,012.26</b>	<b>2,446,624,636.93</b>

# COMPANY CASH FLOW STATEMENT

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note XIV	Jan-June 2022	Jan-June 2021
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>439,017.61</b>	-104,484.05
<b>V. Net increase in cash and cash equivalents</b>	XIV.6	<b>1,221,968,536.53</b>	887,430,475.96
Add: opening balance of cash and cash equivalents		<b>13,041,401,477.73</b>	11,500,913,337.34
<b>VI. Closing balance of cash and cash equivalents</b>		<b>14,263,370,014.26</b>	12,388,343,813.30

Legal representative:  
**Jian Mingjun**

Officer in charge of accounting  
and chief accountant:  
**Li Zhaoxin**

Head of accounting department:  
**Yang Bo**



# COMPANY STATEMENT OF CHANGES IN EQUITY

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2022						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
<b>I. Balance at the end of prior year</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
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	454,814.24	908,512,430.25	1,471,249,831.25	426,335,070.44	14,055,597,217.02
<b>III. Current period increase (or less: decrease)</b>			3,402,011.72		904,672.80	-74,138,782.77	-69,832,098.25
(I) Total comprehensive income			3,402,011.72			24,266,468.73	27,668,480.45
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution					904,672.80	-98,405,251.50	-97,500,578.70
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve					904,672.80	-904,672.80	
3. Cash dividend recognized as distribution						-97,500,578.70	-97,500,578.70
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others							
<b>IV. Balance at the end of current period</b>	4,642,884,700.00	6,606,160,370.84	3,856,825.96	908,512,430.25	1,472,154,504.05	352,196,287.67	13,985,765,118.77

# COMPANY STATEMENT OF CHANGES IN EQUITY

Jan-June 2022 (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2021						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
<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>			3,620,324.54		935,771.83	180,090,199.98	184,646,296.35
(I) Total comprehensive income			3,620,324.54			259,955,011.71	263,575,336.25
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution					935,771.83	-79,864,811.73	-78,929,039.90
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve					935,771.83	-935,771.83	
3. Cash dividend recognized as distribution						-78,929,039.90	-78,929,039.90
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others							
<b>IV. Balance at the end of current period</b>	4,642,884,700.00	6,606,160,370.84	2,232,314.87	838,358,247.79	1,372,048,328.59	466,880,257.49	13,928,564,219.58

Legal representative:  
**Jian Mingjun**

Officer in charge of accounting  
and chief accountant:  
**Li Zhaoxin**

Head of accounting department:  
**Yang Bo**

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## I. BASIC INFORMATION

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

Central China Securities Co., Ltd. (hereinafter referred to as the company, the Company or the Group) was established on 25 October, 2002, with the approval of the reply on Approving the opening of Central China Securities Co., Ltd. (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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## I. BASIC INFORMATION (continued)

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

On 18 November, 2016, the Company issued no more than 700,000,000 shares ordinary share with a par value of RMB1 per share. According to "Implementation Measures for the Transfer of Certain State-owned Shares in the Domestic Securities Market to Enrich the National Social Security Fund" (CQ [2009] No.94) issued by CSRC and "Approval on the Management Plan of Central China Securities Co., Ltd. Issuing A-Shares of State-owned Equity and the Transfer of State-owned Shares" (Yu Guo Zi Chan Quan [2015] No.26) issued by the SASAC of Henan Province, of the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, China Pingmei Shenma Energy Chemical Group Co., Ltd., Anyang Economic Development Group Co., Ltd, Jiangsu Soho Holding Group Co., Ltd., Henan 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 30 June, 2022, the Company has issued a total of 4,642.8847 million shares with a registered capital of RMB4,642.8847 million. The registered address is 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China, and its headquarters address is 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China. The parent company is Henan Investment Group Co., Ltd., and the actual controller of the Group is Henan Provincial Department of Finance.

As of 30 June, 2022, the Company has established 30 branch offices and 81 securities branches, all of which are approved.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## I. BASIC INFORMATION (continued)

### 2. Business nature and main business activities of the Company

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

### 3. Approval and issuance of financial statements

The financial statement was approved by the Company's board of directors on 22 August, 2022.

## II. THE RANGE OF CONSOLIDATED FINANCIAL STATEMENTS

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

Name of subsidiary	Type of subsidiary	Level	Shareholding ratio (%)	Proportion of voting rights (%)
Central China Futures Co., Ltd.	Holding subsidiary	2	51.36	51.36
Yuxin Investment Management (Shanghai) Co., Ltd.	Holding subsidiary	3	51.36	51.36
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Henan Kaiyuan 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 VII Equity in other entities 1. Equity in subsidiaries."

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## II. THE RANGE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the structured entities included in the consolidation scope, see “Note VII. Equity in other entities 1. Equity in subsidiaries” for details.

The entities included in the consolidated financial statements for the current period have not changed from the previous period.

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

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

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

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

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

### 3. Accounting basis and pricing principles

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

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

### 1. Notice on the specific accounting policies and estimates

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

### 2. Statement of compliance with Accounting Standards for Business Enterprises

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 3. Accounting period

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

### 4. Business cycle

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

### 5. Functional currency

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 7. Preparation method of consolidated financial statements

#### (1) Consolidation scope

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

#### (2) Consolidation procedures

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

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

##### a) Add subsidiaries or business

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

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

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

###### i General treatment method

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

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

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

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

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

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

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

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

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

### 8. Criteria for determining cash and cash equivalents

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 9. Foreign currency transactions and translation of foreign currency statements

#### (1) Foreign currency business

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

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

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

#### (2) Translation of foreign currency financial statements

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 10. Financial instruments

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 10. Financial instruments (continued)

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

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

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

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

#### *i* Debt Instruments

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 10. Financial instruments (continued)

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

##### ii Equity instruments

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

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

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

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

#### (2) Classification and measurement of financial liabilities

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 10. Financial instruments (continued)

#### (3) Subsequent measurement of financial instruments

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 10. Financial instruments (continued)

#### (3) Subsequent measurement of financial instruments (continued)

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

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

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

#### (4) Impairment of financial assets

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 10. Financial instruments (continued)

#### (4) Impairment of financial assets (continued)

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 10. Financial instruments (continued)

#### (4) Impairment of financial assets (continued)

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 10. Financial instruments (continued)

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 11. Margin trading & short selling business

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

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

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

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

### 12. Client transaction settlement funds

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

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

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

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

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

- Stage 1: the stock-pledged repurchase business that maintains a guarantee ratio greater than the closing position and is not overdue;
- Stage 2: the stock-pledged repurchase business that maintains a guarantee ratio greater than 100% and less than or equal to the closing position, or the principal and interest are overdue, less than 90 days;
- Stage 3: the stock-pledged repurchase business that maintains a guarantee ratio less than or equal to 100%, or the principal and interest are overdue, more than 90 days.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

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

### 15. Long-term equity investments

#### (1) Determination of initial investment cost

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

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

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

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

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

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

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

##### a) *Cost method*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 15. Long-term equity investments (continued)

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

##### b) Equity method

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 15. Long-term equity investments (continued)

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

##### a) *Transfer of fair value measurement to equity method accounting*

The equity investment originally held by the Company that does not have control, joint control or significant influence on the investee and is subject to accounting treatment according to the recognition and measurement standards of financial instruments, which can exert significant influence or joint control on the investee due to additional investment, but does not constitute control, the sum of the fair value of the originally held equity investment and the new investment cost determined in accordance with the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments shall be regarded as the initial investment cost accounted by the equity method.

If the initial investment cost calculated by the equity method is less than the difference between the fair value of the identifiable net assets of the investee on the additional investment date calculated and determined according to the new shareholding ratio after the additional investment, the book value of the long-term equity investments shall be adjusted according to the difference and included in the current non-operating income.

##### b) *Fair value measurement or transfer from equity method to cost method*

If the equity investment originally held by the Company that has no control, joint control or significant impact on the invested entity and being subject to accounting treatment according to the recognition and measurement standards of financial instruments, or the long-term equity investments originally held in associates and joint ventures which can control the invested entity not under the same control due to additional investment and other reasons, when preparing individual financial statements, the sum of the book value of the originally held equity investment plus the new investment cost shall be regarded as the initial investment cost calculated according to the cost method.

Other comprehensive income recognized for the equity investment held before the acquisition date due to the adoption of the equity method shall be accounted for on the same basis as the investee's direct disposal of relevant assets or liabilities.

If the equity investment held before the acquisition date is subject to accounting treatment in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the cumulative changes in fair value originally included in other comprehensive income shall be transferred to the current profit and loss when being accounted by cost method.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 15. Long-term equity investments (continued)

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

##### c) *Transfer from equity method accounting to fair value measurement*

If the Company loses its joint control or significant influence on the investee due to the disposal of some equity investments, the remaining equity after disposal shall be accounted according to the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, and the difference between its fair value and book value on the date of loss of joint control or significant influence shall be included in the current profits or losses.

Other comprehensive income recognized by the original equity investment due to the adoption of the equity method shall be accounted on the same basis as the invested entity's direct disposal of relevant assets or liabilities when the equity method is terminated.

##### d) *Transfer of cost method to equity method*

If the Company loses control over the investee due to the disposal of some equity investments and other reasons, when preparing individual financial statements, if the residual equity after disposal can jointly control or exert significant influence on the investee, it shall be accounted for according to the equity method, and the residual equity shall be deemed to be accounted for and adjusted by the equity method since it is obtained.

##### e) *Transfer of cost method to fair value measurement*

If the Company loses control over the investee due to the disposal of some equity investments, and the residual equity after disposal cannot exercise joint control or exert significant influence on the investee during the preparation of individual financial statements, the accounting treatment shall be carried out in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the difference between the fair value and the book value on the date of loss of control shall be included in the current profits or losses.



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 15. Long-term equity investments (continued)

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

For the disposal of long-term equity investments, the difference between its book value and the actually obtained price shall be included in the current profits or losses. For the long-term equity investments accounted by the equity method, the part originally included in other comprehensive income shall be accounted for according to the corresponding proportion on the same basis as the invested unit's direct disposal of relevant assets or liabilities.

If the terms, conditions and economic impact of various transactions for the disposal of equity investment in subsidiaries meet one or more of the following conditions, multiple transactions shall be accounted for as a package deal:

These transactions are concluded at the same time or taking into account mutual influence;

These transactions as a whole can achieve a complete business result;

The occurrence of one transaction depends on the occurrence of at least one other transaction;

A transaction is uneconomic alone, but it is economical when considered together with other transactions.

If the control over the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, which is not a package deal, the relevant accounting treatment shall be carried out according to the individual financial statements and the consolidated financial statements:

- a) In individual financial statements, the difference between the book value of the equity disposed and the actual price obtained is included in the current profit and loss. If the residual equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for according to the equity method, and the residual equity shall be deemed to be accounted for and adjusted by the equity method since it is obtained. If the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of the accounting standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, and the difference between its fair value and its book value on the date of loss of control shall be included in the current profits or losses.
- b) In the consolidated financial statements, for each transaction before losing control over the subsidiary, the difference between the disposal price and the share of net assets of the subsidiary continuously calculated from the purchase date or the combination date corresponding to the disposal of long-term equity investments shall be adjusted to the capital reserve (capital stock premium). If the capital reserve is insufficient to be offset, the retained earnings shall be adjusted. When the control over the subsidiary is lost, the remaining equity shall be remeasured according to its fair value on the date of loss of control. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity minus the share of the net assets of the original subsidiary continuously calculated from the purchase date according to the original shareholding ratio shall be included in the investment income of the current period when the control right is lost, and the goodwill shall be offset at the same time. Other comprehensive income related to the equity investment of the original subsidiary is transferred to the current investment income when the control right is lost.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 15. Long-term equity investments (continued)

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

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

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

#### (5) Judgment criteria for joint control and significant impact

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

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

Significant influence means that the investor has the right to participate in the decision-making of the financial and operating policies of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. The Company judges that it has a significant impact on the investee through one or more of the following circumstances and comprehensively considering all facts and circumstances: a) send representatives to the board of directors or similar authorities of the invested entity; b) participate in the formulation of financial and operating policies of the invested entity; c) important transactions with the investee; d) dispatch management personnel to the invested equity; e) provide key technical data to the invested equity.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 16. Investment properties

Investment properties include buildings that have been leased out.

Investment properties is initially measured at its cost. The cost of the purchased investment real estate includes the purchase price, relevant taxes and fees and other expenses directly attributable to the asset; The cost of self-construction of an investment real estate consists of the necessary expenses incurred before the construction of the asset reaches its intended serviceable state.

Subsequent to initial recognition, the 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.

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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 17. Fixed assets (continued)

If the subsequent expenditures related to fixed assets, including repair expenditures and renovation expenditures, meet the conditions for the recognition of fixed assets, they shall be included in the cost of fixed assets, and the book value of the replaced part shall be terminated. If the fixed assets fail to meet the conditions for recognition, they shall be recorded into the current profits or losses when they occur.

The Group shall make depreciation for all the fixed assets except the fixed assets which have been fully depreciated but are still in use and the land which is separately priced and recorded. Depreciation is calculated using the life average method, and according to the use of the cost of the relevant assets or current expenses.

The estimated useful lives, residual value proportions and the 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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 18. Construction in progress

#### (1) Initial measurement of construction in progress

The construction in progress built by the Company itself is valued at the actual cost, which consists of the necessary expenses incurred before the construction of the asset reaches the expected serviceable state, and the self-operated construction project is measured by direct materials, direct wages, direct construction costs, etc. The construction works out of the package shall be measured according to the project price payable; The project cost shall be determined according to the value of the equipment installed, the installation cost, the expenses incurred in the trial operation of the project, etc. The cost of construction in progress also includes borrowing costs and exchange gains and losses that should be capitalized.

#### (2) Standard and time point for carrying forward construction in progress to fixed assets

For construction in progress, all expenses incurred before the asset reaches the expected usable state shall be regarded as the entry value of fixed assets. If the construction in progress has reached the expected serviceable state, but the completion settlement has not been handled, from the date of reaching the expected serviceable state, it shall be transferred into fixed assets according to the estimated value according to the project budget, cost or actual cost of the project, and the depreciation of fixed assets shall be accrued according to the Company's fixed assets depreciation policy. After the completion settlement is handled, the original estimated value is adjusted according to the actual cost, but the accrued depreciation amount is not adjusted.

### 19. Borrowing costs

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

If the borrowing costs incurred by the Company can be directly attributable to the acquisition, construction or production of assets eligible for capitalization, they shall be capitalized and included in the cost of relevant assets; Other borrowing costs shall be recognized as expenses according to the amount incurred and included in the current profits or losses.

Assets eligible for capitalization refer to fixed assets, investment real estate and inventories that need a long time of purchase and construction or production activities to reach the expected usable or marketable state.

Borrowing costs shall be capitalized when the following conditions are met simultaneously:

- a) Asset expenditure has occurred, including the expenditure incurred in the form of cash payment, transfer of non-cash assets or bearing interest bearing liabilities for the acquisition and construction or production of assets eligible for capitalization;
- b) Borrowing costs have occurred;
- c) The acquisition and construction or production activities necessary to make the assets ready for the intended use or sale have begun.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 19. Borrowing costs (continued)

#### (2) Capitalization period of borrowing costs

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

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

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

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

#### (3) Period of suspension of capitalization

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

#### (4) Calculation method of capitalization amount of borrowing costs

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 20. Right-of-use assets

The right-of-use assets are initially measured at cost, which includes:

- (1) The initial measurement amount of lease liabilities;
- (2) For the lease payment paid on or before the beginning of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted;
- (3) The initial direct expenses incurred by the lessee;
- (4) The cost of dismantling and removing the leased assets, restoring the site of the leased assets or restoring the leased assets to the state agreed in the lease terms.

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

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

### 21. Intangible assets

Intangible assets of the Group, including land-use rights, trading seats and software, etc., which are measured at the actual cost at the time of acquisition. For the purchased intangible assets, the actual cost is the actual payment price and other related expenses. The actual cost of the intangible assets invested by the investor shall be determined at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, the actual cost shall be determined at the fair value.

The land-use right acquired is averagely amortized according to the service life of the land-use right. The trading seat fee, software and others acquired are amortized according to the shortest of the excepted service life, the benefit period which stipulated in the contract and the effective life stipulated by law. The amortized amount is included in the relevant asset cost and current profit and loss.

The estimated service life and amortization method of intangible assets with limited-service life are reviewed at the end of each year, and if it changes, it is treated as a change in accounting estimates. At the end of each year, the estimated service life of intangible assets with uncertain service life is reviewed. If there is evidence that the service life of intangible assets is limited, the service life should be estimated and amortized during that period.



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 22. Impairment of long-term non-financial assets

Long-term equity investments, investment properties, fixed assets, construction in progress, intangible assets with limited useful lives are tested for impairment if there is any indication that the assets may be impaired at the statement of financial position date. For goodwill and intangible assets with uncertain service life, impairment tests shall be conducted at the end of each year regardless of whether there is any indication of impairment. If it is difficult to test the recoverable amount of a single asset, the test shall be based on the asset group or combination of the asset group to which the asset belongs.

If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, an allowance for impairment and an impairment loss are recognized in accordance with the difference. The provision for the aforesaid assets is recognized, it shall not be reversed in subsequent accounting periods. The recoverable amount of an asset is the higher between the net value of the fair value of the asset minus the disposal expense and the present value of the expected future cash flow of the asset.

The signs of impairment are as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 23. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire at the date of acquisition.

Goodwill related to subsidiaries is listed separately in consolidated financial statements, while goodwill related to associates and joint ventures is included in the book value of long-term equity investments.

Goodwill listed separately in the financial statements, with the impairment test once a year, whether there is any sign of impairment. During the impairment test, the book value of goodwill is allocated to the asset group or group of asset groups expected to benefit from the synergies of the business combination. If the test results indicate that the recoverable amount of the asset group or combination of asset groups containing the allocated goodwill is lower than its book value, the corresponding impairment loss is recognized. The amount of the impairment loss is offset the book value of goodwill allocated to the asset group or combination of assets group and then according to the proportional to the book value of other assets except goodwill to offset book value of other assets.

### 24. Long-term deferred expenses

The long-term deferred expenses of the Group refer to the expenses that have been paid but should be borne in the current and future periods with an amortization period of more than 1 year (excluding 1 year), which are amortized evenly in the benefit period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then transferred to profit or loss for the period.

### 25. Employee benefits

Employee benefits refers to various forms of benefits or compensation given by the Company to obtain services provided by employees or terminate labor relations. Employee benefits includes short-term salary, post-employment welfare, dismissal welfare and other long-term employee welfare and other expenses related to obtaining services provided by employees.

#### (1) Short-term benefits

Short-term benefits refer to the employee benefits that the Company needs to pay in full within twelve months after the end of the annual reporting period in which employees provide related services, excluding post-employment benefits and termination benefits. The Company recognizes the short-term salary payable as a liability during the accounting period when the employees provide services, and includes them in the relevant asset costs and expenses based on the beneficiaries of the services provided by the employees.

#### (2) Post-employment benefits

Post-employment benefits refer to various forms of benefits and welfare provided by the Group after the employee retires or dissolves the labor relationship with the Group in order to obtain the services provided by the employee, except short-term benefits and dismissal welfare. The Group classifies post-employment benefit plans as defined contribution plans. The defined contribution plan for post-employment benefits is mainly for participation in the social basic pension insurance and unemployment insurance organized by the labor and social security agencies. During the accounting period in which an employee provides services for the Group, the amount that should be paid according to the defined contribution plan shall be recognized as liabilities and included in the current profits or losses or the cost of relating assets.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 25. Employee benefits (continued)

#### (3) Termination benefits

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

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

#### (4) Other long-term employee benefits

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 26. Estimated liabilities

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

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

The obligation is the current obligation of the Company;

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

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

#### (2) Measurement method of estimated liabilities

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

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

The best estimate shall be handled as follows:

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 27. Lease liabilities

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

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

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

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

### 28. General risk reserve and transaction risk reserve

According to "Financial Rules for Financial Enterprises" and "Notice on the 2007 Annual Report of Securities company" (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.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 29. Revenue

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

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

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

- (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.



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 29. Revenue (continued)

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

#### a) Handling fee and commission income

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

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

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

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

#### b) Interest income

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

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

#### c) Investment income

The Group recognizes 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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 29. Revenue (continued)

#### d) Spot market trading revenue and service revenue

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

### 30. Accounting method for the client asset management business

The Company's customer asset management business includes collective asset management business, single asset management business and special asset management business. The Company is entrusted to operate collective asset management business, single asset management business and special asset management business, with custody customers or collective plans as the main body, independent establishment of accounts, independent accounting, and not listing in the Company's financial statements.

### 31. Government grants

The government grants relating to assets means the government grants which are obtained by the Group for purchasing or others long-term assets. The government grants relating to revenue means the except the government grants related assets. If the grant's target is not clearly specified in the government documents, the Group will make judgments according to the above principle of distinction. If it is difficult to distinguish, the whole is classified as a government subsidy relating to income.

If the government grant is a monetary asset, it is measured according to the amount actually received. For the grant paid according to a fixed standard, or there is evidence at the end of the year that can meet the relevant conditions specified in the financial support policy and is expected to receive financial support funds, which measured according to the amount actually receivable. If the government grant is a non-monetary asset, it should be measured at its fair value. If its fair value cannot be obtained reliably, it shall be measured at its nominal amount (RMB1.00).

The government grants related to the asset shall be recognized as deferred income, and the government grants related to the asset shall be recognized as deferred income and be recorded into the current profit and loss in stages within the service life of the relevant asset.

When the related assets of this are sold, transferred, scrapped or destroyed before the end of their useful lives, the related unallocated balance of deferred revenue is transferred to profit or loss in the period of disposal of the asset.

Government grants related to revenue that compensate for related costs or losses in subsequent periods are recognized as deferred revenue and recognized in current profit or loss in the period in which the related costs or losses are recognized. Government grants related to day-to-day business are included in other gains or charged against related costs, based on the substance of economic operations. Government grants not related to day-to-day business are included in non-operating income.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 31. Government grants (continued)

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

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

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

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

### 32. Deferred income tax assets and deferred income tax liabilities

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

#### (1) Basis for recognition of deferred income tax assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

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

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

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

### 33. Leases

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

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

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

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

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

#### (2) The Group as the lessor

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 34. Income tax

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

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

### 35. Hedging Accounting

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 35. Hedging Accounting (continued)

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 35. Hedging Accounting (continued)

#### (3) Accounting for cash flow hedges

- a) The effective part of the gain or loss generated by the hedging instrument shall be recognized in other comprehensive income as cash flow hedge reserve. The amount of cash flow hedge reserve should be measured as the lower of the absolute value of the following two:
  - i. the cumulative gain or loss on the hedging instrument from inception of the hedge;
  - ii. the present value of the cumulative change in the expected future cash flows of the hedged item from inception of the hedge. The amount of the cash flow hedge reserve recognized in the other comprehensive income during each accounting period is the change in the cash flow hedge reserve for the accounting period.
- b) Any remaining gain or loss on the hedging instrument (other than the gain or loss included in other comprehensive income) is regarded as ineffective, and shall be recognized in profit or loss.
- c) The amount that has been accumulated in the cash flow hedge reserve shall be accounted for as follows:
  - i. If the hedged item is an expected transaction that will subsequently results in the recognition of a non-financial asset or non-financial liability, or the expected transaction of a non-financial asset or a non-financial liability becomes a definite commitment for which fair value hedge accounting is applied, the Company shall remove that amount from the cash flow hedge reserve in other comprehensive income, and reallocate it to the initial recognized value of the asset or the liability.
  - ii. For cash flow hedges other than those covered by a), that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the periods during which the hedged expected future cash flows affect profit or loss.
  - iii. If cash flow hedge reserve in other comprehensive income is a loss and the Company expects that all or part of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

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

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

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

The gain or loss of the hedging instrument in other comprehensive income shall be reclassified to profit or loss on the disposal or partial disposal of the foreign operation.
- b) The ineffective portion shall be recognized in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 35. Hedging Accounting (continued)

#### (5) Termination of hedge accounting

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

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

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

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

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

- a) the subject of the financial instrument's credit exposure (for example, the borrower, or the holder of a loan commitment) matches the subject of the credit derivative ('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.

### 36. Segment information

The Group determines its operating segments based on its internal organizational structure, management requirements, and internal reporting system, while the report segment is determined based on the operating segment. An operating segment is a component of the Group that meets the following conditions simultaneously: the component is able to generate income and incur expenses in its day-to-day business; the Group's management is able to periodically evaluate the operating results of the component in order to decide on the allocation of resources to it and evaluate its performance; the Group has access to accounting information on the financial position, operating results and cash flows of the component, with inter-segment transfer prices determined by reference to market prices.



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 37. Held for sale and terminate operations

#### (1) Held-for-sale assets

When the group recovers its book value mainly through the sale rather than continuous use of a non-current asset or disposal group, the non-current asset or disposal group is classified as held for sale.

Disposal group refers to a group of assets disposed of as a whole through sale or other means in a transaction, as well as the liabilities directly related to these assets transferred in the transaction.

The Group classifies non-current assets or disposal groups that meet the following conditions as held for sale:

- a) The non-current asset or disposal group is immediately available for sale in its current condition, in accordance with the practice of selling such assets or disposal groups in similar transactions.
- b) A sale is extremely likely to occur where the Company has resolved on a plan of sale and has entered into legally binding purchase agreements with other parties. The sale is expected to be completed within a year.

The group makes initial measurement and subsequent measurement on the non-current assets held for sale (excluding financial assets and deferred income tax assets) or disposal group according to the lower of the book value and the net amount after the fair value minus the selling expenses. The difference between the book value and the net amount after the fair value minus the selling expenses is recognized as asset impairment loss and included in the current profits or losses.

#### (2) Terminate operations

The Group will discontinue operations as defined by a separately distinguishable component that meets one of the following conditions and that has been disposed of or classified as holding for sale by the Group:

- a) The component represents a separate principal operation or a separate principal area of operation.
- b) The component is part of an associated plan to dispose of a separate principal operation or a separate principal area of operation.
- c) This component is a subsidiary acquired specifically for resale.

For terminated operations reported in the current period, and reported in the profit and loss from continuing operations and the profit or loss from discontinued operations separately in the current period's income statement. At the same time, in the income statement of the comparative period, the information previously reported as continuing operation profits or losses is restated as the discontinued operation profits or losses of the comparable accounting period.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 38. Significant accounting judgments and estimates

During the preparation of the Group's financial statements, management will make judgments, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. The reality may differ from these estimates. Management continuously evaluates the judgment of the key assumptions and uncertainties involved in the estimation. The impact of a change in accounting estimates is recognized during the change period and in future periods.

The following accounting estimates and key assumptions carry a significant risk of causing significant adjustments to the carrying values of assets and liabilities in future periods.

#### (1) Provision for impairment of financial assets

The Group recognizes a provision for impairment on the basis of ECL on AC, FVOCI, financing operations (including margin trading and short selling, agreed repurchase, stock-pledged repurchase, etc.), and currency market disposals (loans) of funds or securities, receivable, etc.

Based on the classification and nature of the above financial assets, combined with its own risk management practices and the relevant requirements of impairment guidelines, the Group comprehensively considers the time value of money and relevant past events that can be obtained without unnecessary additional costs or efforts on the balance sheet date on the basis of probability weighted average, to establish an expected credit loss model to measure the impairment loss of the above financial instruments based on the reasonable and reliable information predicted by the current and future economic conditions. The relevant assumptions, parameters, data sources and measurement procedures of the expected credit loss model require the Group to make professional judgment. Changes in the assumptions of these relevant factors will have an impact on the calculation results of the expected credit loss of financial instruments.

The Group uses an expected credit loss model to evaluate the impairment of financial assets and the application of the expected credit loss model requires making significant judgments and estimates such as the probability of default, the rate of default losses and whether credit risk increases significantly, taking into account all reasonable and reliable information, including forward-looking information. In making these judgments and estimates, the Group extrapolates expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risk and other factors.

For the Group's criteria for determining significant increases in credit risk, the definition of an incurred credit impairment asset, and assumptions regarding the measurement of ECL, please refer to Notes VIII/1 Credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

#### (2) Impairment provision of goodwill

The goodwill is tested at least annually for impairment. The recoverable amount of the asset group and asset group combination that includes goodwill is the present value of its expected future cash flow, and its calculation requires the use of accounting estimates.

If management revises the gross profit margin used in the calculation of future cash flows of asset groups and asset group combinations, and the revised gross profit margin is lower than the currently used gross profit margin, enterprise needs to make provision for impairment of goodwill.

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

If the actual gross profit margin or pre-tax discount rate is higher or lower than the management's estimate, the Group cannot reverse the impairment loss for goodwill that has been accrued.

#### (3) Deferred income tax assets

The estimation of deferred income tax assets needs to estimate the taxable income and applicable tax rates in the future years. The realization of deferred income tax assets depends on whether the Group is likely to obtain sufficient taxable income in the future. Future changes in tax rates and the reversal time of temporary differences may also affect income tax expenses (income) and the balance of deferred income tax. Changes in the above estimates may result in important adjustments to deferred income tax.

#### (4) Useful life of fixed assets and intangible assets

At least, at the end of the year, the Group reviews the estimated useful life of fixed assets and intangible assets. The estimated service life is determined by the management based on the historical experience of similar assets, with reference to the commonly used estimates in the same industry, combined with the expected technical updates. When the previous estimates have changed significantly, the depreciation expenses and amortization expenses in the future period shall be adjusted accordingly.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

#### (5) Consolidation of structured entities

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

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

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

#### (1) Changes in accounting policies

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

#### (2) Changes in accounting estimates

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## V. TAXATION

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

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

Description of income tax rates of different taxpayers:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

#### (1) Details

Item	30 June 2022			31 December 2021		
	Amount of original currency	Exchange rate <sup>1</sup>	RMB amount	Amount of original currency	Exchange rate	RMB amount
<b>Cash on hand</b>			<b>174,020.58</b>			<b>98,430.36</b>
RMB	77,623.29	1.0000	77,623.29	72,965.39	1.0000	72,965.39
HKD	108,093.97	0.8552	92,440.88	26,493.97	0.8176	21,661.47
CAD	760.00	5.2058	3,956.41	760.00	5.0046	3,803.50
<b>Deposits in bank</b>			<b>13,019,986,153.68</b>			<b>12,243,329,985.55</b>
<b>Deposit account</b>			<b>1,385,830,945.47</b>			<b>2,253,281,632.02</b>
RMB	1,273,673,165.11	1.0000	1,273,673,165.11	2,076,811,748.81	1.0000	2,076,811,748.81
USD	6,686,566.23	6.7114	44,876,236.53	4,422,196.09	6.3757	28,194,595.60
HKD	77,075,058.71	0.8552	65,913,819.46	180,121,566.96	0.8176	147,267,393.15
AUD	47,229.81	4.6145	217,942.08	47,229.56	4.6220	218,295.03
EUR	163,387.89	7.0084	1,145,087.98	109,367.31	7.2197	789,599.20
CAD	0.04	5.2058	0.21	0.04	5.0046	0.20
THB	0.15	0.1906	0.03	0.16	0.1912	0.03
JPY	90,100.00	0.0491	4,427.44			
GBP	32.77	8.1365	266.63			
<b>Client<sup>1</sup> capital deposit</b>			<b>11,634,155,208.21</b>			<b>9,990,048,353.53</b>
RMB	11,452,691,435.43	1.0000	11,452,691,435.43	9,915,271,951.08	1.0000	9,915,271,951.08
USD	4,145,644.27	6.7114	27,823,087.12	3,502,779.41	6.3757	22,332,670.71
HKD	177,088,453.70	0.8552	151,444,274.72	63,067,824.23	0.8176	51,564,253.09
EUR	310,506.36	7.0084	2,176,153.32	120,799.16	7.2197	872,133.69
JPY	132,695.00	0.0491	6,520.52	132,544.62	0.0554	7,344.96
GBP	1,688.33	8.1365	13,737.10			
<b>Other cash and bank balances</b>			<b>17,158,204.21</b>			<b>88,602,006.84</b>
RMB	17,158,204.21	1.0000	17,158,204.21	88,602,006.84	1.0000	88,602,006.84
<b>Total</b>			<b>13,037,318,378.47</b>			<b>12,332,030,422.75</b>

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

Item	30 June 2022			31 December 2021		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
<b>Corporate credit capital</b>			<b>53,511,123.91</b>			<b>128,976,290.40</b>
RMB	8,058,645.39	1.0000	8,058,645.39	34,356,321.36	1.0000	34,356,321.36
HKD	53,148,982.71	0.8552	45,452,478.52	115,728,924.95	0.8176	94,619,969.04
<b>Client credit capital</b>			<b>890,249,414.39</b>			<b>642,557,735.00</b>
RMB	849,951,098.50	1.0000	849,951,098.50	606,831,951.55	1.0000	606,831,951.55
USD	191,082.25	6.7114	1,282,429.96	271,849.13	6.3757	1,733,229.05
HKD	45,622,476.80	0.8552	39,015,885.93	41,576,020.55	0.8176	33,992,554.40
<b>Total</b>			<b>943,760,538.30</b>			<b>771,534,025.40</b>

Note

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 1. Cash and bank balances (continued)

- (2) As of 30 June, 2022, the Company's cash which deposited overseas were RMB291,280,043.10, and mainly due to deposits made by Hong Kong subsidiaries.
- (3) As of 30 June, 2022, the Group has a restricted bank deposits totaling RMB16,242,794.35, 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	16,242,794.35	Risk reserve account for asset management business
Bank of China Limited Henan Branch Business Department	262469586944		Risk reserve account for asset management business

### 2. Clearing settlement funds

Item	30 June 2022			31 December 2021		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
<b>Corporate reserve funds</b>			61,708,003.48			111,297,791.00
RMB	54,114,922.39	1.0000	54,114,922.39	102,105,269.63	1.0000	102,105,269.63
HKD	8,531,912.01	0.8552	7,296,405.82	9,222,807.57	0.8176	7,540,567.47
USD	43,533.32	6.7114	292,169.65	235,994.84	6.3757	1,504,632.27
EUR				19,482.27	7.2197	140,656.12
JPY				94,697.30	0.0554	5,247.65
MYR	2,954.42	1.5250	4,505.62	651.00	1.5266	993.82
GBP				49.27	8.6064	424.04
<b>Client's ordinary reserve funds</b>			2,700,972,566.93			2,164,814,240.23
RMB	2,696,083,220.53	1.0000	2,696,083,220.53	2,156,650,747.55	1.0000	2,156,650,747.55
USD	524,739.32	6.7114	3,521,735.47	1,129,908.11	6.3757	7,203,955.14
HKD	1,599,189.57	0.8552	1,367,610.93	1,173,602.67	0.8176	959,537.54
<b>Client's credit reserve funds</b>			261,622,313.47			282,107,089.23
RMB	261,622,313.47	1.0000	261,622,313.47	282,107,089.23	1.0000	282,107,089.23
<b>Total</b>			3,024,302,883.88			2,558,219,120.46



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 3. Margin accounts receivable

#### (1) By categories

Item	30 June 2022	31 December 2021
<b>Within borders</b>		
Individual client	6,940,659,642.10	7,987,959,787.39
Institutional client	89,727,623.77	118,055,893.89
Less: provision for impairment	20,560,364.43	24,211,868.51
<b>Subtotal</b>	<b>7,009,826,901.44</b>	8,081,803,812.77
<b>Overseas</b>		
Individual client	65,024,702.57	73,778,914.10
Institutional client	129,027,721.62	45,205,207.56
Less: provision for impairment	53,121,263.90	52,770,791.38
<b>Subtotal</b>	<b>140,931,160.29</b>	66,213,330.28
<b>Total</b>	<b>7,150,758,061.73</b>	8,148,017,143.05

#### (2) Details of collateral

Collateral type	30 June 2022	31 December 2021
Cash	1,081,612,545.59	846,581,309.11
Bonds	101,698,104.86	83,947,128.68
Stocks	22,211,967,748.93	22,948,357,125.90
Funds	256,347,981.98	1,974,185,701.01
<b>Total</b>	<b>23,651,626,381.36</b>	25,853,071,264.70

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 4. Derivative financial instruments

#### (1) 30 June, 2022

Item	Hedging instruments			Non-hedging instruments		
	Contractual value	Fair value Asset	Liability	Contractual value	Fair value Asset	Liability
Commodity futures				17,111,970.00		557,460.00
Less: Offsettable temporary receipts and payments						557,460.00
Interest rate swaps				51,740,000,000.00	31,108.41	
Less: Offsettable temporary receipts and payments					31,108.41	
National debt futures				4,583,772,000.00		2,226,749.78
Less: Offsettable temporary receipts and payments						2,226,749.78
Stock options						
Commodity options				37,972,753.40		1,008,526.45
<b>Total</b>				<b>56,378,856,723.40</b>		<b>1,008,526.45</b>

#### (2) 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: Offsettable temporary receipts and payments						980,295.00
Interest rate swaps				50,160,000,000.00		5,638,828.98
Less: Offsettable temporary receipts and payments						5,638,828.98
National debt futures				5,740,761,800.00	11,684,085.47	
Less: Offsettable 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>

Under mark-to-market accounting system, clearing settlement funds include the commodity futures, interest rate swaps and national debt futures held by the Company on 30 June, 2022 and 31 December, 2021. 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).

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 5. Refundable deposits

Item	30 June 2022			31 December 2021		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Trading margin			696,327,825.67			784,726,026.98
RMB	695,430,432.67	1.0000	695,430,432.67	783,870,927.98	1.0000	783,870,927.98
HKD	500,000.00	0.8552	427,595.00	500,000.00	0.8176	408,800.00
USD	70,000.00	6.7114	469,798.00	70,000.00	6.3757	446,299.00
Credit margin			9,271,829.52			11,900,318.58
RMB	9,271,829.52	1.0000	9,271,829.52	11,900,318.58	1.0000	11,900,318.58
Performance bonds			22,381,489.17			5,629,743.91
RMB	22,381,489.17	1.0000	22,381,489.17	5,629,743.91	1.0000	5,629,743.91
Total			727,981,144.36			802,256,089.47

### 6. Accounts receivable

#### (1) By categories

Item	30 June 2022	31 December 2021
Stock-pledged repurchase receivable	309,607,600.00	309,607,600.00
Settlement receivable	50,654,441.05	35,330,595.98
Management fee receivable	49,400,012.33	42,993,026.05
Fees and commission receivable	13,931,174.48	21,474,920.01
Margin financing client's receivable	7,763,447.80	7,957,005.97
Others	15,365,671.75	17,074,028.66
Less: Provision for bad debts (According to the simplified model)	347,811,695.51	336,381,276.40
<b>Book value of accounts receivable</b>	<b>98,910,651.90</b>	<b>98,055,900.27</b>

Note: Based on the result of court enforcement after the stock-pledged mortgage financier breached the contract, the Company transferred the unpaid repayment part to the accounts receivable. As of 30 June, 2022, the balance of the stock-pledged repurchase receivable is RMB309,607,600.00, and the bad debt provision has been fully accrued.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 6. Accounts receivable (continued)

#### (2) By evaluation methods

Item	30 June 2022			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	398,766,046.63	89.26	345,339,906.05	86.60
<b>Subtotal</b>	<b>398,766,046.63</b>	<b>89.26</b>	<b>345,339,906.05</b>	
Combination provision for bad debts				
Within 1 year	31,707,861.72	7.11	158,539.31	0.50
1-2 years	7,290,917.63	1.63	364,545.88	5.00
2-3 years	3,132,264.66	0.70	313,226.47	10.00
3-4 years	3,089,985.48	0.69	617,997.10	20.00
4-5 years	1,750,774.76	0.39	525,232.43	30.00
More than 5 years	984,496.53	0.22	492,248.27	50.00
<b>Subtotal</b>	<b>47,956,300.78</b>	<b>10.74</b>	<b>2,471,789.46</b>	
<b>Total</b>	<b>446,722,347.41</b>	<b>100.00</b>	<b>347,811,695.51</b>	

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>	

- (3) Among the balance of accounts receivable at the end of period, the amount receivable from shareholder units holding more than 5% (including 5%) of the voting shares of the Company was RMB2,295,149.37, mainly for the accrued receivable of asset management fee income.
- (4) During the reporting period, the Company conducted aging analysis and disclosure of accounts receivable based on the transaction date.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 7. Financial assets held under resale agreements

#### (1) By business

Item	30 June 2022	31 December 2021
Agreed repurchase securities	8,162,138.96	5,977,183.52
Stock-pledged repurchase	1,604,895,231.90	1,383,442,367.59
Bonds outright repurchase	217,289,965.06	
Bond-pledged repurchase		24,991,123.29
Less: provision for asset impairment	561,526,108.63	441,540,598.96
<b>Total</b>	<b>1,268,821,227.29</b>	972,870,075.44

#### (2) By subjects

Item	30 June 2022	31 December 2021
Stocks	1,613,057,370.86	1,389,419,551.11
Bonds	217,289,965.06	24,991,123.29
Less: provision for asset impairment	561,526,108.63	441,540,598.96
<b>Book Value</b>	<b>1,268,821,227.29</b>	972,870,075.44

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

#### (3) Details of collateral

Collateral type	Fair value on 30 June 2022	Fair value on 31 December 2021
Stocks	2,878,821,662.65	2,717,820,013.50
Bonds	219,935,320.00	
<b>Total</b>	<b>3,098,756,982.65</b>	2,717,820,013.50
Including: collateral that can be sold or re-collateralized		
Collateral that has been sold or has been pledged again	219,935,320.00	

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) Stock-pledged repurchase by residual maturity

Remaining period	30 June 2022	31 December 2021
Within 1 month	64,011,397.36	
1–3 months	280,049,397.15	
3 months–1 year	587,054,849.00	728,821,679.20
More than 1 year	50,009,589.04	7,506,700.04
Over due	623,769,999.35	647,113,988.35
<b>Total</b>	<b>1,604,895,231.90</b>	1,383,442,367.59

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

#### (5) Stock-pledged repurchase by stage of impairment

Item	30 June 2022			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Book balance	981,125,232.55		623,769,999.35	1,604,895,231.90
Impairment allowance	1,515,739.19		559,993,363.64	561,509,102.83
<b>Book value</b>	<b>979,609,493.36</b>		<b>63,776,635.71</b>	<b>1,043,386,129.07</b>
<b>The value of Collateral</b>	<b>2,789,114,376.24</b>		<b>66,472,384.41</b>	<b>2,855,586,760.65</b>

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>

### 8. Financial assets at fair value through profit or loss

#### (1) By categories

Item	30 June 2022					Total
	Classified into FVTPL	Fair value Designated as FVTPL	Total	Classified into FVTPL	Initial cost Designated as FVTPL	
Bonds	17,429,317,466.64		17,429,317,466.64	17,580,046,746.06		17,580,046,746.06
Public Offering of Fund	2,403,134,604.38		2,403,134,604.38	2,402,382,456.27		2,402,382,456.27
Stocks	1,188,992,183.38		1,188,992,183.38	1,264,800,258.04		1,264,800,258.04
Bank financing products	58,360,079.30		58,360,079.30	58,000,000.00		58,000,000.00
Brokerage asset management products	2,494,722.33		2,494,722.33	9,600,195.55		9,600,195.55
Private funds and partnerships	1,405,648,747.96		1,405,648,747.96	1,394,484,563.94		1,394,484,563.94
Bills	2,005,004,391.05		2,005,004,391.05	2,004,868,979.48		2,004,868,979.48
Others	705,200,306.11		705,200,306.11	666,875,730.51		666,875,730.51
<b>Total</b>	<b>25,198,152,501.15</b>		<b>25,198,152,501.15</b>	<b>25,381,058,929.85</b>		<b>25,381,058,929.85</b>



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

#### (1) By categories (continued)

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

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

As of 30 June, 2022, and 31 December, 2021, the balance of the Group's financial assets at fair value through profit or loss included RMB24,902,306.61 and RMB14,531,200.47 in securities lending, respectively.

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

Item	Reasons for restriction	Book value on 30 June 2022	Book value on 31 December 2021
Bonds	Pledged for repurchase financing, pledged for bond lending	13,711,453,380.54	12,216,894,246.31
Public offered funds	Securities lending	24,902,306.61	14,531,200.47
Stocks	Restricted by share reduction	193,514,137.77	208,110,954.86
Stocks	Restrictions on bulk trading	18,849,600.00	18,849,600.00
Brokerage asset management products	Undue underlying trust assets	1,196,100.00	

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 9. Financial assets measured at amortized costs

#### (1) Details

Item	30 June 2022			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	190,725,846.42		28,736,867.83	161,988,978.59
Private placement bonds	149,429,987.05		149,429,987.05	
Assets management plans	214,689,573.84		158,946,697.02	55,742,876.82
<b>Total</b>	<b>554,845,407.31</b>		<b>337,113,551.90</b>	<b>217,731,855.41</b>

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>

#### (2) Financial assets measured at amortized costs-ECL

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
1 January 2022			314,694,389.56	314,694,389.56
Book value				
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Increase			17,395,560.00	17,395,560.00
Transfer back				
Write off				
Difference from foreign currency translation			5,023,602.34	5,023,602.34
<b>30 June 2022</b>			<b>337,113,551.90</b>	<b>337,113,551.90</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

#### (1) By categories

Item	30 June 2022				Accumulative impairment of allowance
	Initial cost	Interest	Changes in fair value	Book value	
National debt	372,141,801.69	8,194,471.24	778,850.79	381,115,123.72	
Local government debt					
Corporate debt	309,280,420.32	7,752,473.42	-67,640,480.32	249,392,413.42	69,864,594.80
Others	157,883,190.75	1,373,283.28	-7,134,590.75	152,121,883.28	9,274,060.10
<b>Total</b>	<b>839,305,412.76</b>	<b>17,320,227.94</b>	<b>-73,996,220.28</b>	<b>782,629,420.42</b>	<b>79,138,654.90</b>

Item	31 December 2021				Accumulated 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>

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

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
1 January 2022	377,272.67		69,708,400.00	70,085,672.67
Book value				
— transfer to stage 2				
— transfer to stage 3	-37,259.00		37,259.00	
— transfer back to stage 2				
— transfer back to stage 1				
Increase	168,220.63		8,998,741.00	9,166,961.63
Transfer back	113,979.40			113,979.40
Write off				
30 June 2022	394,254.90		78,744,400.00	79,138,654.90

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

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

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

Item	Reasons for restriction	Book value on 30 June 2022	Book value on 31 December 2021
National debt	Pledged for refinancing operations	128,093,826.32	
Corporate debt	Pledged for repurchase financing	55,036,451.09	
Other	Pledged for repurchase financing	142,230,720.54	

### 11. Long-term equity investments

#### (1) By categories

Item	30 June 2022	31 December 2021
Long-term equity investment based on equity method	1,571,416,855.31	1,686,379,521.68
Total	1,571,416,855.31	1,686,379,521.68
Less: Impairment loss	30,088,204.58	26,500,318.60
Net long-term equity investment	1,541,328,650.73	1,659,879,203.08

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## 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	Investment gains and losses recognized under the equity method	Increase/decrease			Provision for impairment	others	Closing balance	Impairment provision period-end balance
					Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits				
Henan Zhongping Financing Guarantee Co., Ltd.	55,098,132.55			206,471.47						55,304,604.02	
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	10,099,586.43			-3,654,049.83				-3,354,112.56		3,091,424.04	3,354,112.56
Zhengzhou Nongtao E-commerce Co., Ltd.	1,005,916.36			-292,520.82						1,005,916.36	12,473,406.77
CSI Jiaotong Fund Management Co., Ltd.	19,979,105.63			-29,081.89						19,686,584.81	
Henan Investment Realistic Communication Co., Ltd.	864,000.98									834,919.09	
Henan Shengtong Juyuan Venture Capital Fund (Limited Partnership)	71,994,023.91			1,797,671.05						73,791,694.96	
Puyang Chuangying Industrial Investment Fund Co., Ltd.	1,695,791.57			-3,247.46						1,692,544.11	
Shangcai Zhongdong Industrial Development Investment Fund (Limited Partnership)	2,380,387.30		2,380,387.30								
Xinxiang Zhongding Technology Achievement Transformation Fund (Limited Partnership)	20,377,902.12			420,995.06						20,798,897.18	
Luoyang Guohong Industrial Development Investment Fund (Limited Partnership)	11,535,914.28			-142,039.31						11,393,874.97	
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)	49,498,202.76			798,045.06						50,296,247.82	
Luoyang Kaiyuan Technology Innovation Venture Capital Fund (Limited Partnership)	20,783,886.29			5,918.15						20,789,804.44	
Luote Huarui Permanent Magnetic Material Co., Ltd.	1,500,000.00									1,500,000.00	3,389,755.50
Henan Zhongjian Equipment Manufacturing Technology Research Center Co., Ltd.	19,031,343.27			0.05						19,031,343.32	
Zhongyuan Environmental Capital Technology Co., Ltd.	16,073,955.06			-27,004.88						16,046,950.18	
Henan Jiaoguang Rongmei Information Technology Co., Ltd.	3,989,571.05			10,046.71						3,999,617.76	
Henan Ruida Pharmaceutical Technology Co., Ltd.											5,059,488.46
Zhengzhou Dahe Zhixin Technology Co., Ltd.	12,052,038.89			-28,177.76						12,023,861.13	
Henan Ruifeng Diamond Products Co., Ltd.	7,538,648.78									7,538,648.78	
Zhengzhou Majia Agricultural Technology Co., Ltd.	1,410,266.40			-26,389.47						1,383,876.93	
Henan Liying Environmental Protection Technology Co., Ltd.	26,998,021.65			809,122.96						27,807,144.61	
Henan Dudu Computer Technology Co., Ltd.	240,000.00									240,000.00	492,987.23

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## 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	Investment gains and losses recognized under the equity method	Increase/decrease Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others	Closing balance	Impairment provision period-end balance
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	975,811.10			9,229.84						985,040.94	
Minquan County Innovation Industry Investment Fund (Limited Partnership)	58,530,987.06			-17,958,356.05						40,572,631.01	
Henan Zhongyuan Big Data Trading Center Co., Ltd.	2,063,598.17			-56,353.93						2,007,244.24	
Henan Asset Management Co., Ltd.	612,879,327.53			26,512,764.14	522,776.54					639,914,868.21	
Henan Dahe Caifang Media Holding Co., Ltd.	32,090,552.49			42,305.94			-1,500,000.00			30,632,858.43	
Hebi Magnesium Trading Center Co., Ltd.	9,438,797.86			-121,358.41						9,317,439.45	
Shangcai Fengtuo Agriculture and Forestry Technology Co., Ltd.	4,950,028.37			-3,204.48						4,946,823.89	
224257 Ontario Inc.	434,724.65								19,132.13	453,856.78	5,318,454.06
Luoyang Desheng Biotechnology Co., Ltd.	11,300,930.57			-1,283,005.19						10,017,925.38	
Henan Central China Micro-Lending Co., Ltd.	573,067,750.00		127,308,199.64	8,462,457.53						454,222,007.89	
<b>Total</b>	<b>1,659,879,203.08</b>		<b>129,688,586.94</b>	<b>15,450,238.48</b>	<b>522,776.54</b>		<b>-1,500,000.00</b>	<b>-3,354,112.56</b>	<b>19,132.13</b>	<b>1,541,328,650.73</b>	<b>30,088,204.58</b>

The Group inspected the book long-term equity investment on 30 June, 2022, assessed the signs of impairment in combination with the operation, financial status and other factors of the invested entity, and conducted impairment test on this basis, as of 30 June, 2022, the Group has accumulated a long-term equity investment impairment provision of RMB30,088,204.58.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 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	18,216,291.17	18,216,291.17
2. Increase	401,721.23	401,721.23
(1) Accrual or amortization	401,721.23	401,721.23
3. Decrease		
4. Closing balance	18,618,012.40	18,618,012.40
<b>Provision for impairment</b>		
1. Opening balance		
2. Increase		
3. Decrease		
4. Closing balance		
<b>Book value</b>		
1. Closing book value	15,264,386.05	15,264,386.05
2. Opening book value	15,666,107.28	15,666,107.28

On 30 June, 2022 and 31 December, 2021, there is no provision for impairment of the Group's investment properties.

On 30 June, 2022 and 31 December, 2021, the Group has no investment properties that have not completed the property right certificate yet.

### 13. Fixed assets

#### (1) Book Value

Item	30 June 2022	31 December 2021
Original value of fixed assets	521,050,493.43	519,653,139.17
Less: Accumulative depreciation	334,366,665.36	331,451,872.22
Less: Provision for asset impairments		
<b>Total</b>	<b>186,683,828.07</b>	188,201,266.95



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 13. Fixed assets (continued)

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

Item	Buildings and structures	Electronic equipment	Transport facilities	Others	Total
<b>Original book value</b>					
1. Opening balance	158,278,328.85	319,554,349.00	21,045,844.17	20,774,617.15	519,653,139.17
2. Increase		13,807,560.53		822,991.85	14,630,552.38
(1) Acquisition		13,807,560.53		822,991.85	14,630,552.38
(2) Transferred in from investment properties					
3. Decrease		12,690,477.21	286,340.00	390,581.44	13,367,398.65
(1) Disposal or scrap		12,690,477.21	286,340.00	390,581.44	13,367,398.65
(2) Others					
4. Difference by foreign currency translation		70,761.95	59,148.13	4,290.45	134,200.53
5. Closing balance	158,278,328.85	320,742,194.27	20,818,652.30	21,211,318.01	521,050,493.43
<b>Accumulative depreciation</b>					
1. Opening balance	61,847,186.04	236,268,037.96	18,341,490.87	14,995,157.35	331,451,872.22
2. Increase	2,085,741.73	12,332,506.24	448,210.97	567,878.47	15,434,337.41
(1) Accrual	2,085,741.73	12,332,506.24	448,210.97	567,878.47	15,434,337.41
(2) Transferred in from investment properties					
3. Decrease		12,011,878.93	272,023.00	352,345.25	12,636,247.18
(1) Disposal or scrap		12,011,878.93	272,023.00	352,345.25	12,636,247.18
(2) Others					
4. Difference by foreign currency translation		63,996.63	48,736.82	3,969.46	116,702.91
5. Closing balance	63,932,927.77	236,652,661.90	18,566,415.66	15,214,660.03	334,366,665.36
<b>Provision for impairment</b>					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
<b>Book value</b>					
1. Closing book value	94,345,401.08	84,089,532.37	2,252,236.64	5,996,657.98	186,683,828.07
2. Opening book value	96,431,142.81	83,286,311.04	2,704,353.30	5,779,459.80	188,201,266.95

(3) The depreciation of the fixed asset recognized in the period is RMB15,434,337.41.

(4) On 30 June, 2022, the Group has no fixed assets temporarily idle.

(5) On 30 June, 2022, the Group has no fixed assets that have not completed the title certificate.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 14. Construction in progress

#### (1) Details

Item	30 June 2022			31 December 2021		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Office building construction	58,659,200.24		58,659,200.24	58,641,526.64		58,641,526.64
<b>Total</b>	<b>58,659,200.24</b>		<b>58,659,200.24</b>	<b>58,641,526.64</b>		<b>58,641,526.64</b>

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

### 15. Right-of-use assets

Item	Buildings and structures	Total
<b>Original book value</b>		
1. Opening balance	325,659,850.40	325,659,850.40
2. Increase	62,808,979.57	62,808,979.57
(1) Rent in	62,808,979.57	62,808,979.57
3. Decrease	41,949,483.63	41,949,483.63
(1) Lease expired	41,949,483.63	41,949,483.63
(2) Others		
4. Difference by foreign currency translation	1,661,961.17	1,661,961.17
5. Closing balance	348,181,307.51	348,181,307.51
<b>Accumulative depreciation</b>		
1. Opening balance	165,251,811.12	165,251,811.12
2. Increase	37,611,062.02	37,611,062.02
(1) Accrual	37,611,062.02	37,611,062.02
3. Decrease	41,949,483.63	41,949,483.63
(1) Lease expired	41,949,483.63	41,949,483.63
(2) Others		
4. Difference by foreign currency translation	1,384,114.49	1,384,114.49
5. Closing balance	162,297,504.00	162,297,504.00
<b>Book value</b>		
1. Closing balance	185,883,803.51	185,883,803.51
2. Opening balance	160,408,039.28	160,408,039.28

On 30 June, 2022 and 31 December, 2021, there is no provision for impairment of the Group's right-of-use assets.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## 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	354,376,403.41	32,592,550.00	105,480,246.53	2,014,000.00	494,463,199.94
2. Increase	20,042,300.88			207,547.16	20,249,848.04
(1) Purchase	20,042,300.88			207,547.16	20,249,848.04
3. Decrease	112,474.00				112,474.00
(1) Disposal or scrap	112,474.00				112,474.00
(2) Others					
4. Difference by foreign currency translation	11,277.00	37,590.00			48,867.00
5. Closing balance	374,317,507.29	32,630,140.00	105,480,246.53	2,221,547.16	514,649,440.98
<b>Accumulative depreciation</b>					
1. Opening balance	217,337,888.46	31,658,283.40	20,436,797.46	2,014,000.00	271,446,969.32
2. Increase	21,660,860.83	24,999.96	1,318,503.06	10,377.36	23,014,741.21
(1) Accrual	21,660,860.83	24,999.96	1,318,503.06	10,377.36	23,014,741.21
3. Decrease	112,474.00				112,474.00
(1) Disposal or scrap	112,474.00				112,474.00
(2) Others					
4. Difference by foreign currency translation	11,277.00				11,277.00
5. Closing balance	238,897,552.29	31,683,283.36	21,755,300.52	2,024,377.36	294,360,513.53
<b>Impairment allowance</b>					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
<b>Book value</b>					
1. Closing balance	135,419,955.00	946,856.64	83,724,946.01	197,169.80	220,288,927.45
2. Opening balance	137,038,514.95	934,266.60	85,043,449.07		223,016,230.62

(2) The amortization amount of intangible assets was RMB23,014,741.21 in the current period.

(3) On 30 June, 2022 and 31 December, 2021, the Group has no significant intangible assets used as collateral or guarantee.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 16. Intangible assets (continued)

#### (4) Details of transaction seat fees

Item	Original balance	31 December 2021	Amortized or transferred	Accumulated amortization or roll-out	Difference by foreign currency translation	30 June 2022
Shanghai Stock Exchange A-shares	19,462,500.00			19,462,500.00		
Shenzhen Stock Exchange A-shares	11,812,450.00			11,812,450.00		
National SME Stock Transfer System Co., Ltd.	500,000.00	116,666.60	24,999.96	408,333.36		91,666.64
Hong Kong Stock Exchange	876,200.00	817,600.00			37,590.00	855,190.00
<b>Total</b>	<b>32,651,150.00</b>	<b>934,266.60</b>	<b>24,999.96</b>	<b>31,683,283.36</b>	<b>37,590.00</b>	<b>946,856.64</b>

### 17. Deferred income tax assets and deferred income tax liabilities

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

Item	30 June 2022	31 December 2021
Deferred income tax assets		
Provision for impairment of assets	323,168,422.49	290,552,437.32
Employee benefits payable	105,194,103.99	80,266,162.78
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	100,264,556.96	56,104,067.46
To be carried forward underwriting income and expenditure	2,222,678.20	1,529,211.22
Accrued expenses	4,625,077.71	2,549,011.50
Change in fair value of financial assets at fair value through other comprehensive income	18,499,055.07	17,369,813.42
Futures risk reserve	105,574.86	105,574.86
Others	39,574,093.76	37,985,384.78
<b>Total</b>	<b>593,653,563.04</b>	<b>486,461,663.34</b>
Deferred income tax liabilities		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	692,955.14	331,009.63
Others	27,643,065.87	38,232,098.03
<b>Total</b>	<b>28,336,021.01</b>	<b>38,563,107.66</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## 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	30 June 2022	31 December 2021
Deductible temporary differences		
Provision for impairment of assets	1,329,639,032.61	1,197,550,274.94
Employee benefits payable	420,776,415.96	321,064,651.12
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	455,605,115.69	276,565,541.35
To be carried forward underwriting income and expenditure	8,890,712.80	6,116,844.88
Accrued expenses	18,500,310.84	10,196,046.00
Changes in fair value of financial assets at fair value through other comprehensive income	73,996,220.28	69,479,253.68
Futures risk reserve	422,299.44	422,299.44
Others	184,509,495.62	177,002,458.23
<b>Total</b>	<b>2,492,339,603.24</b>	<b>2,058,397,369.64</b>
Taxable temporary difference		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	2,771,820.56	1,324,038.51
Others	110,572,263.48	152,928,392.11
<b>Total</b>	<b>113,344,084.04</b>	<b>154,252,430.62</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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 18. Goodwill

#### (1) Book Balance

Investee	31 December 2021	Increase		Decrease		30 June 2022
		Business combination	Others	Disposal	Others	
Central China Futures Co., Ltd.	7,268,756.37					7,268,756.37
Central China Financing International Co., Ltd.	13,784,925.20		633,776.10			14,418,701.30
<b>Total</b>	<b>21,053,681.57</b>		<b>633,776.10</b>			<b>21,687,457.67</b>

#### (2) Provision for impairment

Investee	31 December 2021	Increase		Decrease		30 June 2022
		Provision	Others	Disposal	Others	
Central China Financing International Co., Ltd.	1,531,188.20		70,397.95			1,601,586.15
<b>Total</b>	<b>1,531,188.20</b>		<b>70,397.95</b>			<b>1,601,586.15</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 30 June, 2022.
- 3) The main cash flow generated by the above invested unit is independent of the other subsidiaries, and the Company separately manages the above subsidiaries. Therefore, each subsidiary is an asset group and the goodwill formed by the business combination with separately impairment test. The recoverable amount of the Company's goodwill is determined by the method of estimating the present value of future cash flows. The discount of cash flow is calculated using an appropriate discount rate and reflects the specific risks of the relevant asset group. As of 30 June, 2022, according to impairment test of the goodwill, an impairment provision of RMB1,601,586.15 was made based on the estimated recoverable amount, changes from last period are translation of foreign currency statements.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 19. Other assets

#### (1) Details

Item	30 June 2022	31 December 2021
Other receivables	285,650,267.76	151,334,689.18
Prepaid expenses	9,406,778.79	26,860,381.26
Long-term deferred expenses	35,794,617.25	34,238,212.32
Pending underwriting expenses	530,803.35	627,901.97
Entrusted Loan		
Commodity inventory	5,519,525.92	18,632,753.49
Clearing margin receivable	10,055,011.93	10,049,607.08
Pending deduct VAT on purchase	182,548.78	422,032.42
Futures membership	1,400,000.00	1,400,000.00
Others	15,778,381.54	39,659,843.66
<b>Total</b>	<b>364,317,935.32</b>	<b>283,225,421.38</b>

#### (2) Other receivables

##### 1) Details

Item	30 June 2022	31 December 2021
Prepayments	141,750,031.64	65,039,968.23
Cash pledge	18,960,572.03	20,333,604.96
Equity transfer fund	28,000,000.00	28,000,000.00
Debt receivable	13,883,532.56	13,927,354.17
Margins	125,571,998.48	54,204,892.68
Withholding payment	121,782.08	110,990.67
Others	5,996,436.84	11,914,990.84
Less: Provision for bad debts	48,634,085.87	42,197,112.37
<b>Book value</b>	<b>285,650,267.76</b>	<b>151,334,689.18</b>



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 19. Other assets (continued)

#### (2) Other receivables (continued)

##### 2) By evaluation methods

Item	30 June 2022			31 December 2021		
	Book balance	Provision for bad debts	Proportion (%)	Book balance	Provision for bad debts	Proportion (%)
Separate provision for bad debts	186,411,387.88	41,433,278.18	22.23	106,993,990.36	35,581,660.44	33.26
<b>Subtotal</b>	<b>186,411,387.88</b>	<b>41,433,278.18</b>		<b>106,993,990.36</b>	<b>35,581,660.44</b>	
Combination provision for bad debts						
Within 1 year	114,282,610.22	571,413.03	0.50	51,131,838.12	255,661.24	0.50
1-2 years	11,350,342.26	567,517.11	5.00	12,398,855.20	619,942.76	5.00
2-3 years	4,546,939.90	454,694.00	10.00	6,371,639.49	637,163.95	10.00
3-4 years	8,214,862.60	1,642,972.52	20.00	9,313,471.55	1,862,694.31	20.00
4-5 years	3,874,471.81	1,162,341.54	30.00	2,105,068.77	631,520.63	30.00
More than 5 years	5,603,738.96	2,801,869.49	50.00	5,216,938.06	2,608,469.04	50.00
<b>Subtotal</b>	<b>147,872,965.75</b>	<b>7,200,807.69</b>		<b>86,537,811.19</b>	<b>6,615,451.93</b>	
<b>Total</b>	<b>334,284,353.63</b>	<b>48,634,085.87</b>		<b>193,531,801.55</b>	<b>42,197,112.37</b>	

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

#### (3) Long-term deferred expenses

Item	31 December 2021	Increase	Amortized	Difference from foreign currency translation	30 June 2022
Decoration expense, etc.	34,238,212.32	7,960,598.19	6,416,864.49	12,671.23	35,794,617.25
<b>Total</b>	<b>34,238,212.32</b>	<b>7,960,598.19</b>	<b>6,416,864.49</b>	<b>12,671.23</b>	<b>35,794,617.25</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 19. Other assets (continued)

#### (4) Entrusted loans

Item	30 June 2022	31 December 2021
Entrusted loans	22,154,920.95	22,563,560.95
Less: Provision for impairment	22,154,920.95	22,563,560.95
<b>Book value</b>		

### 20. Securities lending business

Item	30 June 2022	31 December 2021
Securities lending	26,573,455.61	15,288,471.47
— Financial assets at fair value through profit or loss	24,902,306.61	14,531,200.47
— Securities received through refinancing	1,671,149.00	757,271.00
<b>Total amount of securities received through refinancing</b>	<b>2,143,800.00</b>	4,454,060.00

As of 30 June, 2022, and 31 December, 2021, the Company has no significant margin trading business contracts overdue.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 21. Detailed statement of provision for impairment of assets

#### (1) By changing details

Item	31 December 2021	Increase	Decrease		Others	Difference from foreign currency translation	30 June 2022
			Turn back	Transfer out			
Provision for impairment of margin accounts receivable	76,982,659.89	171,440.32	3,651,504.08			179,032.20	73,681,628.33
Provision for accounts receivables	336,381,276.40	11,632,292.01		248,188.74		46,315.84	347,811,695.51
Provision for other receivables	42,197,112.37	6,396,376.30				40,597.20	48,634,085.87
Provision for impairment of financial assets held under resale agreements	441,540,598.96	120,122,850.81	137,341.14				561,526,108.63
Provision for impairment of financial assets at amortized costs	314,694,389.56	17,395,560.00				5,023,602.34	337,113,551.90
Provision for impairment of financial assets at fair value through other comprehensive income	70,085,672.67	9,166,961.63	113,979.40				79,138,654.90
Provision for impairment of other assets	9,967,776.77						9,967,776.77
Provision for impairment of entrusted loan	22,563,560.95		408,640.00				22,154,920.95
<b>Subtotal of provision for impairment of financial instruments and other items</b>	<b>1,314,413,047.57</b>	<b>164,885,481.07</b>	<b>4,311,464.62</b>	<b>248,188.74</b>		<b>5,289,547.58</b>	<b>1,480,028,422.86</b>
Provision for impairment of long- term equity investments	26,500,318.60	3,354,112.56				233,773.42	30,088,204.58
Provision for impairment of inventory	12,949.99	379,556.26	80,393.14	311,062.40			1,050.71
Provision for impairment of goodwill	1,531,188.20					70,397.95	1,601,586.15
<b>Subtotal of provision for impairment of other assets</b>	<b>28,044,456.79</b>	<b>3,733,668.82</b>	<b>80,393.14</b>	<b>311,062.40</b>		<b>304,171.37</b>	<b>31,690,841.44</b>
<b>Total</b>	<b>1,342,457,504.36</b>	<b>168,619,149.89</b>	<b>4,391,857.76</b>	<b>559,251.14</b>		<b>5,593,718.95</b>	<b>1,511,719,264.30</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## 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	30 June 2022			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Provision for impairment of margin accounts receivable	20,567,631.83	3,443.85	53,110,552.65	73,681,628.33
Provision for accounts receivable		2,471,789.46	345,339,906.05	347,811,695.51
Provision for other receivables		7,200,807.69	41,433,278.18	48,634,085.87
Provision for impairment of financial assets held under resale agreements	1,532,744.99		559,993,363.64	561,526,108.63
Provision for impairment of financial assets at amortized costs			337,113,551.90	337,113,551.90
Provision for impairment of financial assets at fair value through other comprehensive income	394,254.90		78,744,400.00	79,138,654.90
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of entrusted loan			22,154,920.95	22,154,920.95
<b>Total</b>	<b>22,494,631.72</b>	<b>9,676,041.00</b>	<b>1,447,857,750.14</b>	<b>1,480,028,422.86</b>

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 receivables		6,615,451.93	35,581,660.44	42,197,112.37
Provision for impairment of financial assets held under resale agreements	909,881.53		440,630,717.43	441,540,598.96
Provision for impairment of financial assets at amortized costs			314,694,389.56	314,694,389.56
Provision for impairment of financial assets at fair value through other comprehensive income	377,272.67		69,708,400.00	70,085,672.67
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of loan				
Provision for impairment of entrusted loan			22,563,560.95	22,563,560.95
<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>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 22. Short-term loans

Item	30 June 2022	31 December 2021
Credit loans		
Guaranteed loans (Note 1)	8,002,266.67	256,191,822.27
Pledge loans (Note 2)	38,511,769.78	
<b>Total</b>	<b>46,514,036.45</b>	<b>256,191,822.27</b>

Note 1: Guaranteed loans details:

- (1) As of 30 June, 2022, guaranteed loans are loans of RMB8,000,000.00 borrowed by subsidiary Yu Xing Investment Co., Ltd. from Zhengzhou High-tech Zone Branch of China Everbright Bank Co., LTD. The loan period does not exceed one year, and the annual interest rate of the loan is 5.10%.

Note 2: Pledge loans details:

- (2) As of 30 June, 2022, pledge loans are loans of HK\$45,000,000.00 borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from CMB Wing Lung Bank Ltd. The loan period does not exceed one year, and the annual interest rate of the loan is Hibor+1.20%.

### 23. Short-term financing instruments payable

Item	Par value (10K)	Start Date	Maturity	Issuing amount (10K)	Coupon rate	Book balance of 31 Dec. 2021	Increase	Decrease	Book balance of 30 Jun. 2022
19 Central China 01 (Note 1)	200,000	26 March 2019	3 years	200,000	3.90%	2,059,902,946.46	18,097,053.54	2,078,000,000.00	
19 Central China C1 (Note 2)	100,000	30 October 2019	3 years	100,000	4.90%	1,008,591,780.85	24,298,630.15		1,032,890,411.00
20 Central China C1 (Note 3)	150,000	23 April 2020	3 years	150,000	4.08%		1,572,769,315.11	61,200,000.00	1,511,569,315.11
21 Central China S1 (Note 4)	100,000	20 May 2021	1 year	100,000	3.21%	1,019,875,616.43	12,224,383.57	1,032,100,000.00	
21 Central China S2 (Note 5)	120,000	18 June 2021	1 year	120,000	3.35%	1,221,696,986.32	18,503,013.68	1,240,200,000.00	
Income securities issued certificate (Note 6)	218,548.80	From 13 October 2021 to 30 June 2022	14-341 days	218,548.80	2.90%-6.18%	1,722,204,639.87	4,263,104,863.06	3,779,458,244.92	2,205,851,258.01
<b>Total</b>						7,032,271,969.93	5,908,997,259.11	8,190,958,244.92	4,750,310,984.12

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 23. Short-term financing instruments payable (continued)

Note 1: According to the resolution of the Company's 2015 third extraordinary general meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors" (Zheng Jian Xu Ke [2019] No. 326), the Company was allowed to publicly issue corporate bonds with total par value of no more than RMB3 billion to qualified investors. On 25 March, 2019, the Company issued RMB2 billion of bonds with a maturity of 3 years and a coupon rate of 3.90%.

Note 2: According to the "Proposal of Central China Securities Co., Ltd. on the Company's Issuance of Domestic and Overseas Debt Financing Instruments and Related Authorizations" passed by the Company's third extraordinary general meeting in 2015, on October 29, 2019, the Company issued the first tranche of subordinated bonds in 2019 with a par value of RMB1 billion, a maturity of 3 years and a coupon rate of 4.90%.

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

Note 4: According to the resolution of the Company's 2019 first extraordinary general meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Short-term Corporate Debt Certificates to Professional Investors " (Zheng Jian Xu Ke [2021] No. 377), the Company was allowed to publicly issue short-term corporate bonds with a total par value of no more than RMB5 billion. On 19 May, 2021, the Company issued RMB1 billion of bonds with a maturity of 1 year and a coupon rate of 3.21%.

Note 5: According to the resolution of the Company's 2019 first extraordinary general meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Short-term Corporate Debt Certificates to Professional Investors " (Zheng Jian Xu Ke [2021] No. 377), the Company was allowed to publicly issue short-term corporate bonds with a total par value of no more than RMB5 billion. On 17 June, 2021, the Company issued RMB1.2 billion of bonds with a maturity of 1 year and a coupon rate of 3.35%.

Note 6: As of 30 June, 2022, the Company's existing income securities issued certificate include Xinyi series income securities issued certificate of RMB30,824,000.00, Jinyi series income securities issued certificate of RMB1,204,282,000.00, Zunyi series income securities issued certificate of RMB690,382,000.00 and Rongyi series income securities issued certificate of RMB260,000,000.00, with a period of 14~ 341 days, the interest rate range is 2.90%~6.18%.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 24. Due to banks and other financial institutions

#### (1) Categories

Item	30 June 2022	31 December 2021
Due to banks	1,100,117,611.11	2,900,742,263.92
Capital from refinancing	502,457,777.78	
Total	1,602,575,388.89	2,900,742,263.92

#### (2) Residual maturity of capital from refinancing

Item	30 June 2022		31 December 2021	
	Balance	Rate	Balance	Rate
Within 1 month	301,633,333.34	2.80%		
1-3 months	200,824,444.44	2.80%		
3 months-1 year				
Total	502,457,777.78	—		



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 25. Financial liabilities at fair value through profit or loss

Item	Classified into FVTPL	30 June 2022 Fair value Designated as FVTPL	Total
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (Note1)	647,686,533.64		647,686,533.64
Bonds (Note2)	480,564,431.23		480,564,431.23
<b>Total</b>	<b>1,128,250,964.87</b>		<b>1,128,250,964.87</b>

Item	Classified into FVTPL	31 December 2021 Fair value Designated as FVTPL	Total
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (Note1)	971,171,013.72		971,171,013.72
<b>Total</b>	<b>971,171,013.72</b>		<b>971,171,013.72</b>

Note 1: In the consolidated financial statements, since the Group is obliged to pay other investors on the maturity date of the structured entity in accordance with the net book value and the relevant terms of the structured entity, the Group classifies the financial liabilities arising from the consolidated structured entity as financial liabilities at fair value through profit or loss.

Note 2: As of 30 June, 2022, the Group sold outright bonds to other financial institutions for financing business.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 26. Financial assets sold under repurchase agreements

#### (1) By categories

Item	30 June 2022	31 December 2021
Outright repurchase	764,277,439.98	559,050,286.48
Pledge-style repurchase	11,577,459,678.21	9,989,422,041.61
<b>Total</b>	<b>12,341,737,118.19</b>	<b>10,548,472,328.09</b>

#### (2) By subject categories

Item	30 June 2022	31 December 2021
Bonds	11,257,820,702.09	10,548,472,328.09
Bills	1,083,916,416.10	
<b>Total</b>	<b>12,341,737,118.19</b>	<b>10,548,472,328.09</b>

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

Item	Fair value on 30 June 2022	Fair value on 31 December 2021
Bonds	12,356,899,370.82	12,261,286,301.56
Bills	1,082,518,746.12	
<b>Total</b>	<b>13,439,418,116.94</b>	<b>12,261,286,301.56</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 27. Accounts payable to brokerage clients

#### (1) Details

Item	30 June 2022	31 December 2021
<b>General brokerage business</b>		
Individual	12,116,427,523.00	10,147,554,339.10
Institution	1,478,804,090.48	1,541,998,240.91
<b>Subtotal</b>	<b>13,595,231,613.48</b>	11,689,552,580.01
<b>Credit business</b>		
Individual	1,084,633,595.03	829,911,582.98
Institution	36,456,371.37	52,333,649.49
<b>Subtotal</b>	<b>1,121,089,966.40</b>	882,245,232.47
<b>Total</b>	<b>14,716,321,579.88</b>	12,571,797,812.48

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 28. Employee benefits payable

#### (1) Categories

Item	31 December 2021	Increase	Decrease	30 June 2022
Short-term benefits	712,899,531.56	436,546,454.29	707,037,821.38	442,408,164.47
Post-employment benefit — defined contribution plans	54,820,831.09	75,640,777.93	90,472,787.60	39,988,821.42
Dismissal benefit	412,650.99	175,321.62	283,932.05	304,040.56
<b>Total</b>	<b>768,133,013.64</b>	<b>512,362,553.84</b>	<b>797,794,541.03</b>	<b>482,701,026.45</b>

#### (2) Short-term benefits

Item	31 December 2021	Increase	Decrease	30 June 2022
Wages, bonuses, allowances and subsidies	586,133,675.36	356,537,038.69	636,015,361.14	306,655,352.91
Welfare	50,037.11	20,348,986.79	20,393,826.26	5,197.64
Social insurance contribution	116,046.48	19,010,429.45	19,124,388.21	2,087.72
Including: Medical insurance	114,600.72	16,924,907.29	17,037,654.39	1,853.62
Work-related injury insurance	481.24	351,458.04	351,900.28	39.00
Maternity insurance	635.16	906,577.91	907,017.97	195.10
Supplementary medical insurance		813,664.29	813,664.29	
Others	329.36	13,821.92	14,151.28	
Housing funds		25,228,454.86	25,228,454.86	
Labor union and employee education costs	126,599,772.61	15,421,544.50	6,275,790.91	135,745,526.20
<b>Total</b>	<b>712,899,531.56</b>	<b>436,546,454.29</b>	<b>707,037,821.38</b>	<b>442,408,164.47</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 28. Employee benefits payable (continued)

#### (3) Post-employment benefit — defined contribution plans

Item	31 December 2021	Increase	Decrease	30 June 2022
Basic pension	57,048.64	32,779,826.54	32,832,972.78	<b>3,902.40</b>
Unemployment insurance	3,116.64	1,303,002.81	1,306,015.65	<b>103.80</b>
Enterprise annuity insurance	54,760,665.81	41,557,948.58	56,333,799.17	<b>39,984,815.22</b>
<b>Total</b>	<b>54,820,831.09</b>	<b>75,640,777.93</b>	<b>90,472,787.60</b>	<b>39,988,821.42</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 30 June, 2022, under the pension insurance plan and MPF plan, the Group has not had any relevant forfeiture of contributions. Under the enterprise annuity plan, the Group retains the confiscated contributions in the enterprise annuity public account in accordance with the domestic enterprise annuity policy and the Group's enterprise annuity management system, which will be enjoyed by employees who are still in the enterprise annuity plan, forfeited contributions will not be used to offset future contributions and will not reduce current and future contribution levels.

### 29. Taxes payable

Item	30 June 2022	31 December 2021
Enterprise income tax	<b>72,829,499.45</b>	54,615,252.06
Individual income tax	<b>19,674,517.77</b>	53,853,381.05
Value added tax	<b>6,434,209.88</b>	10,754,713.60
Urban maintenance and construction tax	<b>267,541.60</b>	988,889.28
Educational surcharge	<b>189,282.64</b>	730,725.07
Property tax	<b>346,056.78</b>	378,945.02
Land holding tax	<b>54,660.91</b>	59,419.92
Others	<b>68,742.39</b>	239,633.74
<b>Total</b>	<b>99,864,511.42</b>	121,620,959.74

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 30. Accounts payable

Item	30 June 2022	31 December 2021
Open-end fund liquidation	61,964,017.29	107,259,863.08
Securities liquidation	4,093,097.27	1,618,809.53
Bank custody fee	4,573,219.95	5,298,606.20
Others	18,752,337.21	29,416,941.71
<b>Total</b>	<b>89,382,671.72</b>	<b>143,594,220.52</b>

Note: Accounts payable are mainly due to open-end fund clearing and securities clearing, which are normally settled as required. Considering the nature of the relevant business, the Group believes that the aging analysis is of no further significance, and therefore does not disclose the aging analysis.

### 31. Contract liabilities

Item	30 June 2022	31 December 2021
Expense and commission advance receipt	8,521,454.79	6,321,674.96
Trade advance receipt	550,458.72	550,458.72
<b>Total</b>	<b>9,071,913.51</b>	<b>6,872,133.68</b>

### 32. Bonds payable

Item	Par value		Start Date	Maturity	Issuing amount (10K)	Coupon rate	31 December 2021			30 June 2022 book balance
	(10K)						book balance	Increase	Decrease	
20 Central China C1 (Note 1)	150,000		23 April 2020	3 years	150,000	4.08%	1,542,420,821.95	18,779,178.05	1,561,200,000.00	
21 Central China 01 (Note 2)	100,000		5 March 2021	3 years	100,000	4.03%	1,032,608,330.62	20,142,741.19	40,300,000.00	1,012,451,071.81
21 Central China C1 (Note 3)	110,000		22 October 2021	3 years	110,000	4.70%	1,110,196,388.84	25,637,534.24		1,135,833,923.08
22 Central China 01 (Note 4)	200,000		24 February 2022	3 years	200,000	3.20%		2,021,389,313.95		2,021,389,313.95
WENDING ZHONGYUAN (Note 5)	10,000 (US dollar)		22 March 2022	3 years	10,000 (US dollar)	4%		673,249,217.53		673,249,217.53
<b>Total</b>	—				—		3,685,225,541.41	2,759,197,984.96	1,601,500,000.00	4,842,923,526.37

Note 1: According to the resolution of the Company's the first extraordinary general meeting in 2019, the Company was approved by the Shanghai Stock Exchange issued the "Letter of Objection to The Listing and Transfer of Bonds issued by Non-Public Subordinated Companies of Central China securities Co., Ltd. (SSE Letter [2020] No. 544), the Company can non-public issue subordinated bonds with a total amount of no more than RMB3 billion to qualified investors. On 22 April, 2020, the Company issued RMB1.5 billion of bonds with a maturity of 3 years and a coupon rate of 4.08%.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 32. Bonds payable (continued)

Note 2: According to the resolution of the Company's 2015 third extraordinary general meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors" (Zheng Jian Xu Ke [2019] No. 326), The Company is allowed to publicly issue corporate bonds with a total par value of no more than RMB3 billion to qualified investors. On 4 March, 2021, the Company issued RMB1 billion of bonds with a maturity of 3 years and a coupon rate of 4.03%.

Note 3: According to the resolution of the Company's the first extraordinary general meeting in 2019, the Company was approved by the Shanghai Stock Exchange issued the "Letter of Objection to The Listing and Transfer of Bonds issued by Non-Public Subordinated Companies of Central China securities Co., Ltd. (SSE Letter [2020] No. 544), the Company can non-public issue subordinated bonds with a total amount of not more than RMB3 billion to qualified investors. 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.

Note 4: According to the resolution of the company's 12th investment decision-making committee in 2021, the China Securities Regulatory Commission "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), the company was approved to publicly issue corporate bonds with a total par value of no more than RMB2 billion to professional investors. On February 23, 2022, the company issued bonds of RMB2 billion with a maturity of 3 years and a coupon rate of 3.20%.

Note 5: After the Tenth Meeting of the Sixth Board of Directors and the first extraordinary general meeting in 2019 deliberated and approved the "Proposal on the General Authorization of the Company to Issue Domestic and Foreign Debt Financing Instruments", Wending Zhongyuan Company Limited, a subsidiary of the Company, issued US\$100 million bonds with a coupon rate of 4% on March 22, 2022. The Company provides joint and several liability guarantees.

### 33. Lease liabilities

Item	30 June 2022	31 December 2021
Lease liabilities	184,170,072.88	157,162,685.95
Including: less than 1 year	66,361,017.14	62,127,455.74
<b>Total</b>	<b>184,170,072.88</b>	<b>157,162,685.95</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.



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 34. Other liabilities

#### (1) Details

Item	30 June 2022	31 December 2021
Other payable	271,633,715.70	208,850,990.00
Receipts in advance	16,602,718.24	139,877,623.23
Futures risk reserve	30,089,496.12	28,591,019.48
Investor protection fund	11,050,605.47	22,289,893.73
Dividends payable	98,616,999.51	1,226,503.55
Others	1,109,953.99	1,123,321.48
<b>Total</b>	<b>429,103,489.03</b>	<b>401,959,351.47</b>

#### (2) Other payables

Item	30 June 2022	31 December 2021
Equity transfer payable	106,898,750.00	102,200,000.00
Warranty Deposit	41,047,952.00	1,782,900.00
Withholding supervision fees, rent, utilities, etc.	24,171,944.31	23,622,382.40
Temporary receipts	23,695,135.31	40,075,920.00
Others	75,819,934.08	41,169,787.60
<b>Total</b>	<b>271,633,715.70</b>	<b>208,850,990.00</b>

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 35. Share capital

Item	31 December 2021	Issued	Bonus shares	Increase/decrease Shares transferred from reserves	Other	Subtotal	30 June 2022
Total share capital	4,642,884,700.00						4,642,884,700.00

### 36. Capital reserve

Item	31 December 2021	Increase	Decrease	30 June 2022
Premium on share capital	6,575,163,079.07			6,575,163,079.07
Other capital reserves	-273,302,495.61		6,042,549.02	-279,345,044.63
<b>Total</b>	<b>6,301,860,583.46</b>		<b>6,042,549.02</b>	<b>6,295,818,034.44</b>

### 37. Other comprehensive income

Item	31 December 2021	Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Current Amount		Attributable to the parent company after tax	Attributable to minority shareholder after tax	30 June 2022
				Less: Income tax	Total			
<b>OCI to be reclassified subsequently to profit or loss</b>	-872,349.97	29,501,179.60	-2,014,300.60	1,134,003.91	30,381,476.29	30,381,476.29		29,509,126.32
Including: the change of the fair value of FVTOCI	-52,109,440.25	-6,645,246.60	-2,128,280.00	-1,129,241.65	-3,387,724.95	-3,387,724.95		-55,497,165.20
Credit impairment allowance of FVTOCI	52,564,254.49	9,166,961.63	113,979.40	2,263,245.56	6,789,736.67	6,789,736.67		59,353,991.16
Other comprehensive income convertible to profit or loss under the equity method	27,268.98	522,776.54			522,776.54	522,776.54		550,045.52
Difference by foreign currency	-1,354,433.19	26,456,688.03			26,456,688.03	26,456,688.03		25,102,254.84
<b>Total</b>	<b>-872,349.97</b>	<b>29,501,179.60</b>	<b>-2,014,300.60</b>	<b>1,134,003.91</b>	<b>30,381,476.29</b>	<b>30,381,476.29</b>		<b>29,509,126.32</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 38. Surplus reserve

Item	31 December 2021	Increase	Decrease	30 June 2022
Statutory reserve	710,623,037.43			710,623,037.43
Discretionary reserve	197,889,392.82			197,889,392.82
<b>Total</b>	<b>908,512,430.25</b>			<b>908,512,430.25</b>

### 39. General risk reserve

Item	31 December 2021	Increase	Decrease	30 June 2022
The funds for general risk provision	828,376,620.75	904,672.80		829,281,293.55
The funds for transactional risk provision	705,869,235.33			705,869,235.33
<b>Total</b>	<b>1,534,245,856.08</b>	<b>904,672.80</b>		<b>1,535,150,528.88</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.

### 40. Retained earnings

Item	Jan-June 2022	Jan-June 2021
<b>Retained earnings at the closing of prior year</b>	<b>295,251,945.46</b>	102,780,913.15
Adjusted		
<b>Retained earnings at the beginning of the period</b>	<b>295,251,945.46</b>	102,780,913.15
Add: Net profit attributable to owners of the parent company	-125,442,881.07	228,961,700.48
Less: Statutory reserve		
Discretionary reserve		
General risk reserve	904,672.80	935,771.83
Transaction risk reserve		
Distribution of common stock dividends	97,500,578.70	78,929,039.90
Others		
<b>Balance at the end of current period</b>	<b>71,403,812.89</b>	251,877,801.90

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 41. Net interest income

Item	Jan-June 2022	Jan-June 2021
Interest income	<b>426,965,118.43</b>	518,460,146.02
Including: Interest income from bank balances and clearing settlement funds	<b>127,825,194.44</b>	124,287,581.03
Interest income on margin accounts receivable	<b>252,208,975.05</b>	258,509,214.98
Interest income from financial assets held under resale agreements	<b>29,039,723.75</b>	48,620,451.36
Including: Interest income from agreed repurchase	<b>268,371.91</b>	534,054.56
Interest income from stock-pledged repurchase	<b>27,763,486.18</b>	40,650,743.65
Interest income from financial assets measured at amortized cost	<b>21,479.45</b>	3,838,782.36
Interest income from financial assets at fair value through other comprehensive income	<b>17,869,724.71</b>	42,737,174.45
Interest income from loan		40,305,190.76
Interest income from entrusted loans		
Others	<b>21.03</b>	161,751.08
Interest expenses	<b>394,624,963.03</b>	437,802,570.60
Including: Interest expenses of loans	<b>2,729,483.90</b>	8,040,962.75
Interest expenses of short-term financing instruments payable	<b>38,642,863.06</b>	74,429,430.55
Interest expenses of due to banks and other financial institutions	<b>7,072,896.21</b>	39,313,222.45
Including: Interest expenses of refinancing interest	<b>2,524,207.41</b>	24,279,722.23
Interest expenses of financial assets sold under repurchase agreements	<b>134,408,829.03</b>	148,210,522.45
Interest expenses of accounts payable to brokerage clients	<b>20,705,856.89</b>	18,470,946.38
Interest expenses of bonds payable	<b>179,691,161.30</b>	138,754,633.04
Including: Interest expenses of subordinated bonds	<b>80,407,299.06</b>	81,414,124.35
Interest expenses of bond lending	<b>2,908,898.80</b>	6,398,188.52
Others	<b>8,464,973.84</b>	4,184,664.46
Net interest income	<b>32,340,155.40</b>	80,657,575.42

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 42. Net fee and commission income

#### (1) Details

Item	Jan-June 2022	Jan-June 2021
Securities brokerage services net income	<b>272,942,616.49</b>	330,602,298.17
— Securities brokerage services income	<b>371,492,977.94</b>	424,051,354.67
— Funds received as agent of stock exchange	<b>360,298,638.73</b>	386,099,426.53
Leasing of trading unit seats	<b>105,574.95</b>	98,726.15
Sales agent of financial products	<b>10,962,461.94</b>	37,800,922.11
— Securities brokerage services expenses	<b>98,550,361.45</b>	93,449,056.50
— Funds received as agent of stock exchange	<b>98,519,575.00</b>	93,423,130.33
Sales agent of financial products	<b>17,918.63</b>	19,520.57
Futures brokerage business net income	<b>55,706,129.23</b>	54,538,373.49
— Futures brokerage business income	<b>89,384,242.81</b>	88,946,507.44
— Futures brokerage business expenses	<b>33,678,113.58</b>	34,408,133.95
Investment bank business net income	<b>119,991,988.96</b>	266,920,574.17
— Investment bank business income	<b>120,172,245.04</b>	269,723,044.55
— Securities underwriting business	<b>110,817,047.06</b>	256,088,834.87
Sponsor business of securities	<b>4,072,743.77</b>	4,541,953.09
Financial advisory business	<b>5,282,454.21</b>	9,092,256.59
— Investment bank business expenses	<b>180,256.08</b>	2,802,470.38
— Securities underwriting business	<b>141,509.43</b>	1,049,132.07
Sponsor business of securities		138,443.65
Financial advisory business	<b>38,746.65</b>	1,614,894.66
Asset management business net income	<b>18,724,380.61</b>	17,288,555.89
— Asset management business income	<b>18,775,942.75</b>	17,475,885.27
— Asset management business expenses	<b>51,562.14</b>	187,329.38
Fund management business net income	<b>5,944,734.74</b>	5,823,511.81
— Fund management business income	<b>8,835,849.88</b>	5,999,676.86
— Fund management business expenses	<b>2,891,115.14</b>	176,165.05
Investment consulting business net income	<b>28,906,819.72</b>	29,480,779.46
— Investment consulting business income	<b>28,906,819.72</b>	29,480,779.46
— Investment consulting business expenses		
Other fee and commission net income	<b>7,076,166.62</b>	16,794,485.21
— Other fee and commission income	<b>7,076,166.62</b>	16,794,485.21
— Other fee and commission expenses		
<b>Total</b>	<b>509,292,836.37</b>	721,448,578.20
<b>Including: Total fee and commission income</b>	<b>644,644,244.76</b>	852,471,733.46
<b>Total fee and commission expenses</b>	<b>135,351,408.39</b>	131,023,155.26

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 42. Net fee and commission income (continued)

#### (2) Net income from financial advisory business

Item	Jan-June 2022	Jan-June 2021
Net income from mergers and acquisitions financial advisory business-domestic listed company		943,396.23
Net income from mergers and acquisitions financial advisory business-others	<b>216,981.13</b>	771,698.11
Others	<b>5,026,726.43</b>	5,762,267.59
<b>Total</b>	<b>5,243,707.56</b>	7,477,361.93

#### (3) Income from agency sales of financial assets

Item	Jan-June 2022		Jan-June 2021	
	Total sales	Income from handling charges and commissions	Total sales	Income from handling charges and commissions
Funds	<b>2,938,625,436.02</b>	<b>10,962,461.94</b>	4,696,399,261.62	37,800,922.11
<b>Total</b>	<b>2,938,625,436.02</b>	<b>10,962,461.94</b>	4,696,399,261.62	37,800,922.11

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 43. Investment income

#### (1) By categories

Item	Jan-June 2022	Jan-June 2021
Long-term equity investments income calculated by equity method	15,450,238.48	54,397,626.13
Disposal income of long-term equity investment	3,993,727.02	5,847,546.40
Financial instruments investment income	619,431,200.11	251,270,667.50
Including: Income generated during holding period	548,719,914.18	225,488,773.84
Including: Financial assets at fair value through profit or loss	385,608,918.71	391,547,444.88
Financial liabilities at fair value through profit or loss	163,110,995.47	-166,058,671.04
Disposal income of financial instruments	70,711,285.93	25,781,893.66
Including: Financial assets at fair value through profit or loss	36,355,794.79	69,100,988.17
Financial assets at fair value through other comprehensive income	-13,610,651.11	3,949,840.43
Derivative financial instruments	43,938,787.85	-38,326,051.27
Financial liabilities at fair value through profit or loss	4,027,354.40	-8,942,883.67
<b>Total</b>	<b>638,875,165.61</b>	<b>311,515,840.03</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		Jan-June 2022
Classified into financial assets measured at fair value through profit or loss	Holding period income	385,608,918.71
	Disposal income	36,355,794.79
Designated as financial assets measured at fair value through profit or loss	Holding period income	
	Disposal income	
Classified into financial liabilities measured at fair value through profit or loss	Holding period income	163,110,995.47
	Disposal income	4,027,354.40
Designated as financial liabilities measured at fair value through profit or loss	Holding period income	
	Disposal income	

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 44. Gains on changes in fair value

Item	Jan-June 2022	Jan-June 2021
Financial assets at fair value through profit or loss	-472,361,093.45	141,831,784.09
Including: Designated as financial assets measured at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	842,714.35	3,951,206.65
Including: Designated as financial liabilities measured at fair value through profit or loss		
Derivative financial instruments	8,868,031.66	18,046,677.79
<b>Total</b>	<b>-462,650,347.44</b>	<b>163,829,668.53</b>

### 45. Other operating income

Item	Jan-June 2022	Jan-June 2021
Commodity sales income	58,576,068.75	1,044,534,320.76
Penalty interest income from stock pledge business		2,150,168.00
Rental income	1,600,171.28	1,494,193.80
Others	848,468.50	1,917,943.67
<b>Total</b>	<b>61,024,708.53</b>	<b>1,050,096,626.23</b>

### 46. Gains from assets disposal

Item	Jan-June 2022	Jan-June 2021
Non-current asset disposal income	19,339.36	7,895.89
Including: fixed asset disposal income	19,339.36	7,895.89
<b>Total</b>	<b>19,339.36</b>	<b>7,895.89</b>



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 47. Other income

#### (1) Detail of other income

Item	Jan-June 2022	Jan-June 2021
Government grants	5,782,392.81	8,766,067.75
<b>Total</b>	<b>5,782,392.81</b>	<b>8,766,067.75</b>

#### (2) Description of major government grants included in other income

- ① According to the "Several Policies for Supporting the Listing and Development of Enterprises in Xi'an High-tech Zone", the company complies with the relevant provisions of the document and received the policy incentive funds allocated by Xi'an High-tech Industrial Development Zone in 2022, which were included in other income in accordance with the relevant provisions of accounting standards, the amount is RMB1,886,792.45.
- ② According to the relevant provisions of the "Measures for Incentives for Encouraging Enterprises to List and Raise Funds in Xi'an" (Shi Jin Rong Fa [2021] No. 27), the company is eligible to enjoy the financial incentives of Xi'an High-tech Zone, and received a government grant from Xi'an Financial Work Bureau in 2022, which were included in other income according to the relevant provisions of accounting standards, the amount is RMB283,018.87.
- ③ 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 2022, the Company and its subsidiaries received a government grants of RMB77,430.17 for job stabilization, which was included in other income according to the relevant provisions of accounting standards.
- ④ 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 Xing [2019] No.11), the Company and its subsidiaries received RMB3,534,551.32 of individual income tax commission refund from the government in 2022 and it was included in other income according to the relevant provisions of accounting standards.

### 48. Taxes and surcharges

Item	Jan-June 2022	Jan-June 2021
City maintenance and construction tax	2,827,097.56	4,855,924.54
Educational surcharges	2,029,306.83	3,733,500.45
Others	1,456,817.35	2,160,806.67
<b>Total</b>	<b>6,313,221.74</b>	<b>10,750,231.66</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 49. Business and administrative expenses

Item	Jan-June 2022	Jan-June 2021
Employee benefits	512,362,553.84	658,475,912.76
Depreciation of right-of-use assets	37,611,062.02	35,794,654.37
Electronic equipment operating fees	26,930,027.98	19,466,496.94
Amortization of intangible assets	23,014,741.21	17,747,214.40
Advertising expenses	18,344,040.15	4,328,475.19
Depreciation of fixed assets	15,434,337.41	14,249,821.08
Consulting fees	14,730,515.13	9,128,704.24
Securities investors protection funds	10,355,888.54	5,584,563.23
Communication fees	7,876,622.57	10,627,663.96
Member fees	7,556,333.20	7,659,220.39
Amortization of long-term deferred expenses	6,416,864.49	6,121,251.05
Information fee	6,220,816.76	1,662,573.46
Intermediary service fee	5,137,293.98	8,939,976.17
Property management fee	4,908,165.62	4,859,238.56
Others	33,768,496.59	40,690,439.21
Total	730,667,759.49	845,336,205.01

### 50. Expected credit losses

Item	Jan-June 2022	Jan-June 2021
Provision for bad debts	18,028,668.31	3,681,879.17
Provision for impairment of financial assets at amortized costs	17,395,560.00	93,171,587.47
Provision for impairment of financial assets at fair value through other comprehensive income	9,052,982.23	-608,801.55
Loan loss provision		941,218.87
Entrusted loan loss provision	-408,640.00	
Provision for impairment of margin accounts receivable	-3,480,063.76	-3,302,634.51
Provision for impairment of financial assets held under resale agreements	119,985,509.67	52,307,881.91
Total	160,574,016.45	146,191,131.36

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 51. Other assets impairment losses

Item	Jan-June 2022	Jan-June 2021
Provision for impairment of inventory	299,163.12	1,272,342.22
Impairment loss of long-term equity investments	3,354,112.56	
Impairment loss of goodwill		
<b>Total</b>	<b>3,653,275.68</b>	1,272,342.22

### 52. Other operating costs

Item	Jan-June 2022	Jan-June 2021
Cost of commodity sold	57,036,517.26	1,026,714,214.32
Investment property depreciation	401,721.23	404,747.08
Others	42,000.00	123,556.55
<b>Total</b>	<b>57,480,238.49</b>	1,027,242,517.95

### 53. Non-operating income

#### (1) Details

Item	Jan-June 2022	Jan-June 2021	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	13,360.64	31,665.38	13,360.64
Government grants	2,163,717.12	1,957,037.12	2,163,717.12
Others	414,968.67	215,965.03	414,968.67
<b>Total</b>	<b>2,592,046.43</b>	2,204,667.53	2,592,046.43

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 53. Non-operating income (continued)

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

- ① In accordance with the relevant provisions of the “Implementation Opinions of the Administrative Committee of Zhengzhou High-tech Industrial Development Zone on Accelerating the Construction of the Technology Financial Service System” (Zheng Kai Guan [2017] No. 23), the company’s subsidiary received the incentive fund of RMB970,000.00 from the Finance Bureau of the Administrative Committee of Zhengzhou High-tech Industrial Development Zone in 2022. According to the relevant provisions of the accounting standards, it was included in non-operating income.
- ② According to the relevant provisions of “The Notice of Zhengdong New District Management Committee on Printing and Distributing Zhengdong New District’s Support Measures for Promoting the Development of Private Funds” (Zheng Dong Wen [2018] No. 129), the company’s subsidiaries have received incentive fund of RMB300,000.00 from the Management Committee Zhengzhou Zhengdong New District in 2022. According to the relevant provisions of accounting standards, it was included in non-operating income.
- ③ According to the relevant provisions of the “Notice Issued by the General Office of the Qingdao Municipal People’s Government on Policies and Measures to Further Promote the Development of Qingdao Wealth Management and Financial Comprehensive Reform Pilot Zone” (Qing Zheng Ban Fa [2018] No. 18), the company has received policy incentive fund of RMB569,000.00 from Qingdao Laoshan District Financial Administration in 2022. According to the relevant provisions of accounting standards, it was included in non-operating income.
- ④ According to the Employment Support Scheme (ESS) launched by the Hong Kong government, which provides financial subsidies to eligible employers and employees, the company’s subsidiary has received government subsidies of HKD392,000.00 in 2022, equivalent to RMB324,717.12. According to the relevant provisions of accounting standards, it was included in non-operating income.

### 54. Non-operating expenses

Item	Jan-June 2022	Jan-June 2021	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	536,884.40	294,954.40	536,884.40
Others	361,351.27	106,399.64	361,351.27
<b>Total</b>	<b>898,235.67</b>	<b>401,354.04</b>	<b>898,235.67</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 55. Income tax expenses

#### (1) Income tax expenses

Item	Jan-June 2022	Jan-June 2021
Current income tax expenses	77,139,022.46	163,736,447.39
Deferred income tax expenses	-116,041,770.44	-89,122,427.41
<b>Total</b>	<b>-38,902,747.98</b>	74,614,019.98

#### (2) Reconciliation of accounting profit to income tax expenses

Item	Jan-June 2022
Profit before tax	-169,320,560.65
Tax at the applicable tax rate	-42,330,140.16
Effect of different tax rates applicable to subsidiaries	9,906,358.73
Effect of prior income tax reconciliation	2,536,922.19
Effect of non-taxable incomes	-37,161,123.32
Effect of non-deductible costs, expenses and losses	10,779,340.72
Effect of utilization of deductible losses not previously recognized	
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	19,229,990.48
Others	-1,864,096.62
<b>Income tax expenses</b>	<b>-38,902,747.98</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 56. Earnings per share

Item	Jan-June 2022	Jan-June 2021
Net profit attributable to owners of the parent company	-125,442,881.07	228,961,700.48
Non-recurring net profit and loss attributable to owners of the parent company	5,345,411.78	7,829,984.83
Net profit attributable to owners of the parent company after deducting non-recurring gains and losses	-130,788,292.85	221,131,715.65
Weighted average number of ordinary shares outstanding	4,642,884,700.00	4,642,884,700.00
Basic earnings per share	-0.03	0.05
Basic earnings per share after deducting non-recurring gains and losses	-0.03	0.05

As of 30 June, 2022, and 31 December, 2021, the Company had no potential dilute ordinary shares, thus diluted earnings per share are the same as basic earnings per share.

### 57. Items of the cash flow statement

#### (1) Other cash received related to operating activities

Item	Jan-June 2022	Jan-June 2021
Government grants	7,946,109.93	10,723,104.87
Other operating income	61,024,708.53	1,050,096,626.23
Decrease in refundable deposits	74,274,945.11	
Increase in margin receivables	39,265,052.00	
Others	37,160,485.55	17,954,011.24
<b>Total</b>	<b>219,671,301.12</b>	<b>1,078,773,742.34</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 57. Items of the cash flow statement (continued)

#### (2) Other cash payments related to operating activities

Item	Jan-June 2022	Jan-June 2021
Liquidation	42,821,558.05	
Increase in refundable deposits		131,158,890.45
Payment of business and administrative expenses	135,828,200.52	112,947,351.35
Other operating costs	57,078,517.26	764,222,325.19
Others	52,510,530.79	
<b>Total</b>	<b>288,238,806.62</b>	1,008,328,566.99

#### (3) Other cash payments related to financing activities

Item	Jan-June 2022	Jan-June 2021
Cash payments to repay lease liabilities	36,425,342.56	33,912,632.75
Others	4,659,840.40	7,803,622.33
<b>Total</b>	<b>41,085,182.96</b>	41,716,255.08

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 58. Supplementary information on consolidated cash flow statement

#### (1) Supplementary information on consolidated cash flow statement

Item	Jan-June 2022	Jan-June 2021
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	-130,417,812.67	232,438,014.06
Add: Expected credit loss	160,574,016.45	146,191,131.36
Provision for impairment of other assets	3,653,275.68	1,272,342.22
Depreciation of investment properties and fixed assets	15,836,058.64	14,654,568.16
Right-of-use asset depreciation	37,611,062.02	35,794,654.37
Amortization amount of intangible assets	23,014,741.21	17,747,214.40
Amortization of long-term prepaid expenses	6,416,864.49	6,121,251.05
Losses on disposal of fixed assets, intangible assets and other long-term assets (or gains expressed with "-")	504,184.40	255,393.13
Losses on changes in fair value (or gains expressed with "-")	462,650,347.44	-163,829,668.53
Interest expenses	213,842,149.33	225,738,915.21
Exchange losses (or gains expressed with "-")	-2,989,889.80	281,103.30
Investment losses (or gains expressed with "-")	-23,724,518.55	-110,770,969.77
Decrease in deferred income tax assets (or increase expressed with "-")	-105,814,683.79	-97,160,589.32
Increase in deferred income tax liabilities (or decrease expressed with "-")	-10,227,086.65	8,038,161.91
Decrease of operating receivable (or increase expressed with "-")	2,425,670,610.57	-1,798,478,648.95
Increase of operating payable (or decrease expressed with "-")	-450,470,393.53	198,963,158.81
Net cash flow from operating activities	2,626,128,925.24	-1,282,743,968.59
<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	16,040,493,724.23	14,720,814,704.35
Less: Opening balance of cash	14,870,067,135.88	13,312,322,291.24
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalent	1,170,426,588.35	1,408,492,413.11



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 58. Supplementary information on consolidated cash flow statement (continued)

#### (2) Cash and cash equivalents

Item	30 June 2022	30 June 2021
Cash	<b>16,040,493,724.23</b>	14,720,814,704.35
Including: Cash on hand	<b>174,020.58</b>	111,475.46
Bank deposits available for payment	<b>12,999,491,738.18</b>	12,190,465,092.03
Other cash	<b>17,158,204.21</b>	13,925,639.44
Clearing settlement funds	<b>3,023,669,761.26</b>	2,516,312,497.42
Cash equivalents		
Including: bond investment maturing within three months		
Cash and cash equivalents at the end of the period	<b>16,040,493,724.23</b>	14,720,814,704.35

### 59. Assets with restricted ownership or use rights

Item	Book value as of 30 June 2022	Reasons
Cash and bank balances	<b>16,242,794.35</b>	Risk reserve account for asset management business
	<b>13,711,453,380.54</b>	Pledged for repurchase financing, pledged for bond lending
	<b>24,902,306.61</b>	Securities lending
Financial assets at fair value through profit or loss	<b>193,514,137.77</b>	Share Reduction and Restriction
	<b>18,849,600.00</b>	Restricted by bulk trading
	<b>1,196,100.00</b>	Undue underlying trust assets
Financial assets at fair value through other comprehensive income	<b>128,093,826.32</b>	Pledge for refinancing
	<b>197,267,171.63</b>	Pledge for repurchase financing

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 60. Entrusted asset management business

Item	Collective asset management business	Single asset management business	Special asset management business
Product quantity at the end of the period	46.00	3.00	1.00
Number of customers at the end of the period	29,663.00	3.00	2.00
Including: individual clients	29,621.00	1.00	
Institutional clients	42.00	2.00	2.00
Entrusted funds at the beginning of the period	5,631,365,502.34	2,256,105,150.42	451,888,652.41
Including: Own capital investment	10,000,149.71		279,614,073.61
Individual clients	2,583,062,017.22		
Institutional clients	3,038,303,335.41	2,256,105,150.42	172,274,578.80
Entrusted funds at the end of the period	7,971,624,610.16	1,142,210,851.10	283,242,729.47
Including: Own capital investment	34,350,068.05		198,564,134.72
Individual clients	4,768,629,093.97	10,000,000.00	
Institutional clients	3,168,645,448.14	1,132,210,851.10	84,678,594.75
Initial cost of main entrusted assets at the end of the period	7,452,968,947.06	1,788,205,020.40	257,440,000.00
Including: Stocks	4,622,973.90	17,074,488.94	
National debt			
Other bonds	4,930,845,858.00	1,618,840,255.43	
Funds	117,454,390.15	149,965,071.03	
Trust plans	2,385,500,000.00		
Others	14,545,725.01	2,325,205.00	257,440,000.00
Net income of asset management business in the current period	15,793,138.13	2,923,481.23	7,761.25

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 61. Foreign currency

Item	Original currency amount as of 30 June 2022	Exchange rate	RMB amount as of 30 June 2022
Cash and bank balances			293,717,950.43
Including: USD	10,832,210.50	6.7114	72,699,323.65
EUR	473,894.25	7.0084	3,321,241.30
HKD	254,271,606.38	0.8552	217,450,535.06
CAD	760.04	5.2058	3,956.62
AUD	47,229.81	4.6145	217,942.08
JPY	222,795.00	0.0491	10,947.96
THB	0.13	0.1906	0.03
GBP	1,721.10	8.1365	14,003.73
Clearing settlement funds			12,482,427.49
Including: USD	568,272.64	6.7114	3,813,905.12
HKD	10,131,101.58	0.8552	8,664,016.75
MYR	2,954.42	1.5250	4,505.62
Refundable deposits			897,393.00
Including: USD	70,000.00	6.7114	469,798.00
HKD	500,000.00	0.8552	427,595.00
Accounts receivable			46,258,854.07
Including: HKD	29,956,821.61	0.8552	25,618,774.27
USD	3,074,077.72	6.7114	20,631,365.21
JPY	177,345.00	0.0491	8,714.59
Other receivables			8,917,145.76
Including: HKD	8,857,523.15	0.8552	7,574,865.22
USD	200,000.08	6.7114	1,342,280.54
Accounts payable to brokerage clients			178,674,118.01
Including: USD	5,689,726.11	6.7114	38,186,027.81
HKD	162,746,372.19	0.8552	139,179,070.06
EUR	182,644.77	7.0084	1,280,047.93
JPY	310,040.00	0.0491	15,235.11
GBP	1,688.33	8.1365	13,737.10
Short-term loans			38,511,769.78
Including: HKD	45,032,998.25	0.8552	38,511,769.78
Accounts payable			1,317,076.37
Including: HKD	1,540,097.96	0.8552	1,317,076.37
Other payable			110,595,284.38
Including: HKD	129,322,471.48	0.8552	110,595,284.38
Bonds payable			673,249,217.53
Including: USD	100,314,231.38	6.7114	673,249,217.53
Financial assets sold under repurchase agreements			179,402,198.61
Including: USD	26,730,953.70	6.7114	179,402,198.61

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

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

### 62. Overseas business entities

The consolidated statements of the Company from January to June 2022 include overseas subsidiaries such as Central China International Financial Holdings Co., Ltd., Central China International Securities Co., Ltd., Central China International Futures Co., Ltd., Central China International Investment Co., Ltd., Central China International Financing Co., Ltd., Central China International Holdings Co., Ltd., Central China International Financial Group Ltd., and Wending Zhongyuan Co., Ltd. The assets and liabilities in the foreign currency balance sheet are exchanged at the spot exchange rate on the balance sheet date (HK \$1: RMB0.855190); 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: RMB0.828360). The differences arising from the above exchanging of foreign currency statements shall be separately presented under the item of owners' equity. Foreign currency cash flows are exchanged using the approximate exchange rate of the spot exchange rate on the date of cash flow. The impact of exchange rate changes on cash shall be separately presented in the cash flow statement.

## VII. EQUITY IN OTHER ENTITIES

### 1. Equity in subsidiaries

#### (1) Composition of enterprise groups

Name of subsidiary	Main places of business	Places of registration	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Central China Futures Co., Ltd.	Zhengzhou	Zhengzhou	Futures brokerage	51.36		Acquisition
Yuxin Investment Management (Shanghai)Co. Ltd	Zhengzhou	Shanghai	Investment management		51.36	Investment establishment
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Zhengzhou	Beijing	Private equity investment fund management	100.00		Investment establishment
Henan Kaiyuan 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	Holding company	100.00		Investment establishment
Central China International Holdings Co., Ltd.	Hong Kong	British Virgin Islands	Holding company		100.00	Investment establishment

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### (1) Composition of enterprise groups (continued)

Name of subsidiary	Main places of business	Places of registration	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Central China International Financial Group Ltd.	Hong Kong	Cayman Islands	Holding company		100.00	Investment establishment
Central China Financing International Co., Ltd.	Hong Kong	Hong Kong	Investment bank		100.00	Acquisition
Central China International Securities Co., Ltd.	Hong Kong	Hong Kong	Securities brokerage		100.00	Investment establishment
Central China International Investment Co., Ltd.	Hong Kong	Hong Kong	Portfolio investment		100.00	Investment establishment
Central China International Futures Co., Ltd.	Hong Kong	Hong Kong	Futures brokerage		100.00	Investment establishment
Wending Zhongyuan Co., Ltd.	Hong Kong	British Virgin Islands	Other		100.00	Investment establishment

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

Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a concerted action agreement with three other investors. Through this agreement, the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd.

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

As of 30 June, 2022, as the executive partner of the partnership, the Company and its subsidiaries owned Henan Zhongyuan Science and Innovation Venture Capital Fund (Limited Partnership), Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership), Henan Zhongzheng Kaiyuan Yucai Agricultural Venture Capital Fund (Limited Partnership) and Anyang Purun High-tech Industry Investment Fund (Limited Partnership). The Company can control them. Therefore, the above four partnerships are included in the scope of consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### (1) Composition of enterprise groups (continued)

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

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 30 June 2022, the details of important structured entities included in the consolidation scope are as follows:

Structured Entities Name	Total Share/ Registered Capital	Proportion of Shares Held by the Company on 30 June 2022	Direct/Indirect Investment
Tianyuan 1 Collective Asset Management Plan	8,256,805.03	19.98%	Indirect
Henan Central China Science and Innovation Venture Capital Fund (Limited Partnership)	500,000,000.00	50.00%	Indirect
Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership)	110,000,000.00	15.00%	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

#### (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	3,074,670.45		219,815,358.28	
Central China Equity Exchange Co., Ltd.	65.00	-35,372,760.20		252,149,415.32	

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.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### (3) Main financial information of important non-wholly owned subsidiaries

The main financial information of these subsidiaries is the amount before mutual offset between enterprises in the Company, but after adjustment of fair value and unified accounting policies on the merger date:

Item	Ending balance/Current amount	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	2,049,540,417.96	432,092,264.28
Total liabilities	1,607,783,146.92	41,839,487.20
Operating income	112,871,804.19	-62,989,468.79
Net profit	6,320,889.83	-54,419,631.07
Total comprehensive income	6,320,889.83	-54,419,631.07
Cash flow from operating activities	52,831,340.05	-3,556,692.10

Item	Opening balance/Previous period	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	1,998,238,078.41	510,565,352.87
Total liabilities	1,562,801,697.20	65,892,944.72
Operating income	1,074,348,131.23	63,975,536.99
Net profit	529,264.84	36,586,117.42
Total comprehensive income	529,264.84	36,586,117.42
Cash flow from operating activities	197,970,055.70	-13,729,012.48

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 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	1,541,328,650.73	1,659,879,203.08
The total of the following items calculated according to the shareholding ratio		
Net profit	15,450,238.48	54,397,626.13
Other comprehensive income	522,776.54	-1,259,678.70
Total comprehensive income	15,973,015.02	53,137,947.43

#### (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.

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VII. EQUITY IN OTHER ENTITIES (continued)

### 3. Equity in structured entities not included in the scope of consolidated financial statements (continued)

As of 30 June, 2022, the total assets of the collective asset management plan managed by the Group that are not included in the scope of the consolidated financial statements are RMB8,068,160,320.95, the total assets of the single asset management plan are RMB1,939,160,409.26, the total assets of the special asset management plan are RMB259,594,727.75, and the total assets of the partnership are RMB1,038,506,254.11.

As of 30 June, 2022, the Group's equity in structured entities not included in the scope of consolidated financial statements is classified as trading financial assets, debt investment, and management fees and commissions receivable included in accounts receivable. The relevant book value and maximum risk exposure are as follows:

Items	30 June, 2022	31 December, 2021
Financial assets at fair value through profit or loss	2,121,703,855.70	2,173,401,808.84
Debt investment and receivables	455,535,638.69	490,195,882.80
<b>Total</b>	<b>2,577,239,494.39</b>	<b>2,663,597,691.64</b>

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS

The Group's risk management objective is to uphold the risk management concept of matching capital, risk and income, so as to bear appropriate risks, achieve the optimal balance of business scale, profitability and risk tolerance, and bring sustained and stable profit returns to shareholders. The Group's risk management strategy aims to identify and evaluate various risks faced by the Group, set an appropriate risk tolerance level, timely and reliably measure and monitor risks, and ensure that risks are controlled within an acceptable range.

The main risks faced by the Group include: credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risk. The Group has adopted risk management policies and procedures to identify and assess these risks, established appropriate risk indicators, risk limit levels, risk policies and internal control procedures, and continuously monitored and managed risks through the information system.

The organizational structure of risk management is divided into four levels, including (i) The board of directors and the board of supervisors; (ii) Risk control committee, audit committee and management; (iii) Compliance management headquarters, legal affairs headquarters, risk management headquarters and audit headquarters; and (iv) Departments, branches and subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### Level 1: Board of directors and board of supervisors

The Board of Directors is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. 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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. 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 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, 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.

Internal Auditing Headquarters is responsible for organizing the audit of all departments, business lines, branches and subsidiaries of the Company, and performing the functions of checking, evaluating, reporting and advising on the appropriateness and effectiveness of business activities, internal control and risk management.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

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

The fourth level of risk control is the front-line risk control systems by business departments branch outlets and subsidiaries, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

#### 1. Credit risk

Credit risk refers to the risk of losses due to defaults by financing parties, counterparties or issuers. The Company's credit risks mainly come from financial assets which include bank balances, clearing settlement funds, financial assets at fair value through other comprehensive income, financial assets held under resale agreements, financial assets at amortized costs, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited, with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or China Securities Depository and Clearing Corporation Limited the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Company invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 30 June, 2022, and 31 December, 2021, the collateral value of the Group's customers is sufficient to resist the credit risk of financing business.

The Group's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Group may use its own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before it settles on behalf of customers, so as to mitigate and manage the credit risk properly.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 1. Credit risk (continued)

The Group's debt investment projects are carried out through entrusted loans. The credit risk management of such projects includes project establishment, due diligence, internal review, investment decision-making, and follow-up management. The Group assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Entrusted loans are approved by the authorized approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have an impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks.

The Group invests in financial products, trust plans, asset management plans with a proper approval process.

Control of credit risk from securities financing business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the accounting standards of China Accounting Standards for Business Enterprises 22.

#### (1) Expected credit loss measurement

Since the first implementation of the new financial instrument standards on 1 January, 2018, for financial assets measured at amortized cost (including margin accounts receivable, financial assets held under resale agreements, financial instruments measured at amortized cost) and financial assets instruments at fair value through other comprehensive income. The Company uses general methods to measure its expected credit losses, models and assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behavior (for example, the likelihood of customer default and associated losses). The Company uses a simple method to measure the expected credit losses of accounts receivable and other receivables. According to the simple method, the Company measures the loss provision based on the expected credit losses of the entire duration.

For financial assets that use general methods to measure expected credit losses, the Company uses an impairment model in which the credit quality of the financial assets has changed in three stages since the initial recognition of the financial assets to measure the expected credit losses respectively, including:

- A financial instrument whose credit risk has not increased significantly since initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, but it will not be regarded as the instrument for credit impairment, the Company will transfer it to "Stage 2".
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. 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 judgement, assumptions and estimations, including: determination of the criteria for SICR; selection of the appropriate models and assumptions; establishment of the number and relative weightings of forward-looking scenarios for each type of product.

#### (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).

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 1. Credit risk (continued)

#### (3) Judgment criteria of significant increase in credit risk

The Company evaluates the financial instruments at each financial statement date after considering whether SICR has occurred since initial recognition. An ECL allowance for financial assets is recognized according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking. The Company considers a financial instrument to have experienced SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

The Company considers margin financing to have experienced SICR if margin calls were triggered by a decrease in the ratio of margin loan to collateral below the liquidation line.

A financial instrument is considered to have experienced SICR if the borrower or the debtor is overdue for more than 30 days after the contract payment date.

On 30 June, 2022, the Company has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements, and no longer compared whether the credit risk on the balance sheet date increased significantly compared with that at the time of initial recognition.



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 1. Credit risk (continued)

#### (4) Definition of credit-impaired assets

The Company considers whether a financial instrument is credit-impaired according to the new financial instrument based on criteria, which is consistent with the internal credit risk management practice. The consideration includes quantitative criteria and qualitative criteria. The Company defines a financial instrument as credit-impaired, which is fully aligned with the definition of in default, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For margin financing or stock-pledged repurchase agreements, a forced liquidation of a client's position is triggered when the collateral valuation falling short of the related loan amounts;
- The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor is in significant financial difficulty;
- An active market for that financial asset has disappeared because of financial 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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. 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, 2022 and 30 June, 2022, for all portfolios the Company concluded that 3 scenarios appropriately captured the non-linearities of economic variable. The scenario weightings are determined by a combination of statistical analysis and experts' judgement, taking account of the range of possible outcomes represented by each scenario.

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. The Company measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stage 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

#### (6) Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variable in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments impact the assessment of SICR and the measurement of ECL.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 1. Credit risk (continued)

#### (7) Collateral and other credit enhancements

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

#### (8) Maximum credit risk exposure

The Group's financing business customers have considerable asset quality. Over 90% of the Margin accounts receivable and bond reverse repurchase business maintain guarantee ratios above the liquidation line, and there is sufficient collateral information to indicate that the assets are not expected to default.

The maximum credit risk exposure of the Group is as follows:

Expressed in RMB'0000

Item	30 June 2022	31 December 2021
Cash and bank balances	1,303,731.84	1,233,203.04
Clearing settlement funds	302,430.29	255,821.91
Margin accounts receivable	715,075.81	814,801.71
Refundable deposits	72,798.11	80,225.61
Accounts receivable	9,891.07	9,805.59
Financial assets held under resale agreements	126,882.12	97,287.01
Financial assets at fair value through profit or loss	2,160,602.57	2,116,797.57
Financial assets measured at amortized cost	21,773.19	26,345.25
Financial assets at fair value through other comprehensive income	78,262.94	97,042.65
Other assets	29,130.39	17,018.40
<b>Total</b>	<b>4,820,578.33</b>	<b>4,748,348.74</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 1. Credit risk (continued)

#### (9) Credit quality analysis

The credit quality of each financial asset item is as follows as of 30 June, 2022:

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Entrusted loans			2,215.49	2,215.49
Margin accounts receivable	716,202.29	52.22	6,189.46	722,443.97
Financial assets at fair value through other comprehensive income	65,777.51		12,485.43	78,262.94
Financial assets measured at amortized costs			55,484.54	55,484.54
Financial assets held under resale agreements	120,657.73		62,377.00	183,034.73
<b>Subtotal</b>	<b>902,637.53</b>	<b>52.22</b>	<b>138,751.92</b>	<b>1,041,441.67</b>
Less: Provision for impairment	2,249.47	0.34	105,111.68	107,361.49
<b>Total</b>	<b>900,388.06</b>	<b>51.88</b>	<b>33,640.24</b>	<b>934,080.18</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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. 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	30 June, 2022							Total
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	
Short-term loans				4,651.40				4,651.40
Short-term financing instruments payable		68,202.64	116,124.63	298,637.01				482,964.28
Due to banks and other financial institutions		140,226.43	20,143.11					160,369.54
Financial liabilities at fair value through profit or loss		48,056.45			64,768.65			112,825.10
Financial assets sold under repurchase agreements		1,216,233.49						1,216,233.49
Accounts payable to brokerage clients	147,237.95	1,324,394.21						1,471,632.16
Bonds payable					527,104.63			527,104.63
Accounts payable							8,938.27	8,938.27
Long-term borrowings								
Other liabilities							23,114.09	23,114.09
<b>Total</b>	<b>147,237.95</b>	<b>2,797,113.22</b>	<b>136,267.74</b>	<b>303,288.41</b>	<b>591,873.28</b>		<b>32,052.36</b>	<b>4,007,832.96</b>

  

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>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 3. Market risk

Market risk refers to the risk of the fair value of financial instruments held due to adverse changes in market prices, including interest rate risk, price risk, exchange rate risk, etc. Since the Company's main positions are self-operated investments, the price risk and interest rate risk of stocks and derivatives have a greater impact on the investment business.

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

#### (1) Exchange rate risk

The fluctuation of exchange rate will bring certain exchange risk to the Group. As of 30 June, 2022, the Group's foreign currency assets accounted for less than 5% of total assets and total liabilities. Due to the low proportion of foreign currency in the Group's asset liability and income structure, the Group believes that exchange rate risk has little impact on operation.

#### (2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the financial status and cash flow of the Group due to changes in market interest rates. The interest-earning assets of the Group affected by changes in market interest rates are mainly bank deposits, clearing settlement funds, refundable deposits, and 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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 3. Market risk (continued)

#### (2) Interest rate risk (continued)

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

Expressed in RMB'0000

Item	30 June, 2022						Total
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Cash and bank balances	1,303,714.44					17.40	1,303,731.84
Clearing settlement funds	302,430.29						302,430.29
Margin accounts receivable	53,518.67	210,530.75	451,026.39				715,075.81
Derivative financial assets							
Refundable deposits						72,798.11	72,798.11
Accounts receivable						9,891.07	9,891.07
Financial assets held under resale agreements	34,750.32	28,383.67	58,305.98	5,442.15			126,882.12
Financial assets at fair value through profit or loss	98,699.42	38,291.42	354,629.59	1,223,969.53	283,381.18	520,844.11	2,519,815.25
Financial assets at amortized costs	21,773.19						21,773.19
Financial assets at fair value through other comprehensive income	5,202.80	12,309.56	20,409.21	40,341.37			78,262.94
Other assets						28,578.44	28,578.44
<b>Subtotal of financial assets</b>	<b>1,820,089.13</b>	<b>289,515.40</b>	<b>884,371.17</b>	<b>1,269,753.05</b>	<b>283,381.18</b>	<b>632,129.13</b>	<b>5,179,239.06</b>
Short-term loans			4,651.40				4,651.40
Short-term financing instruments payable	68,096.25	115,383.70	291,551.15				475,031.10
Due to banks and other financial institutions	140,175.10	20,082.44					160,257.54
Financial liabilities at fair value through profit or loss	48,056.45			64,768.65			112,825.10
Financial assets sold under repurchase agreements	1,234,173.71						1,234,173.71
Accounts payable to brokerage clients	1,324,394.21					147,237.95	1,471,632.16
Derivative financial liabilities						100.85	100.85
Bonds payable				484,292.35			484,292.35
Accounts payable						8,938.27	8,938.27
Long-term borrowings							
Other liabilities						23,114.09	23,114.09
<b>Subtotal of financial liabilities</b>	<b>2,814,895.72</b>	<b>135,466.14</b>	<b>296,202.55</b>	<b>549,061.00</b>		<b>179,391.16</b>	<b>3,975,016.57</b>
<b>Interest rate sensitivity gap</b>	<b>-994,806.59</b>	<b>154,049.26</b>	<b>588,168.62</b>	<b>720,692.05</b>	<b>283,381.18</b>	<b>452,737.97</b>	<b>751,484.52</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 3. Market risk (continued)

#### (2) Interest rate risk (continued)

Item	31 December, 2021					Non-interest bearing	Total
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years		
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
<b>Subtotal of financial assets</b>	<b>2,372,554.12</b>	<b>9,793.17</b>	<b>157,720.95</b>	<b>1,326,915.06</b>	<b>536,568.63</b>	<b>676,933.34</b>	<b>5,080,485.27</b>
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
<b>Subtotal of financial liabilities</b>	<b>2,524,951.32</b>	<b>111,019.64</b>	<b>500,660.01</b>	<b>533,277.92</b>		<b>164,198.43</b>	<b>3,834,107.32</b>
<b>Interest rate sensitivity gap</b>	<b>-152,397.20</b>	<b>-101,226.47</b>	<b>-342,939.06</b>	<b>793,637.14</b>	<b>536,568.63</b>	<b>512,734.91</b>	<b>733,643.04</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 3. Market risk (continued)

#### (3) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity, securities, investment funds, convertible bonds, derivatives and collective asset management plans whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the higher volatility of the domestic stock markets.

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

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

Expressed in RMB'0000

Item	30 June, 2022		31 December, 2021	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
Increase by 10%	39,119.35	7,826.29	34,499.74	9,704.27
Decrease by 10%	-39,119.35	-7,826.29	-34,499.74	-9,704.27



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

### 4. Operational risk

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

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

### 5. Compliance risk

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

The 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 informational 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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## VIII. 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%.

## IX. FAIR VALUE

### 1. Financial instruments measured at fair value

The Company presents the book value of financial instruments measured at fair value on 30 June, 2022 according to three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest of the three levels of important input values used in fair value measurement. The three levels are defined as follows:

Level 1: it refers to the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;

Level 2: it refers to the directly or indirectly observable input value of relevant assets or liabilities in addition to the input value of level 1;

The second level input values include: 1) quotation of similar assets or liabilities in the active market; 2) Quotation of the same or similar assets or liabilities in the inactive market; 3) Other observable input values other than quotation, including observable interest rate and yield curve, implied volatility and credit spread during normal quotation interval; 4) Input values for market validation, etc.

Level 3: it is the unobservable input value of related assets or liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## IX. FAIR VALUE (continued)

### 2. Fair value measurement at the end of the period

#### (1) Continuous fair value measurement

Item	Fair value at the end of the period			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	2,462,806,195.63	18,893,915,462.09	3,841,430,843.43	25,198,152,501.15
(1) Bond investment	1,883,776,588.20	15,447,823,143.72	97,717,734.72	17,429,317,466.64
(2) Equity investment	404,319,596.59	315,922,823.55	468,749,763.24	1,188,992,183.38
(3) Public fund	174,710,010.84	2,228,424,593.54		2,403,134,604.38
(4) Bills			2,005,004,391.05	2,005,004,391.05
(5) Others		901,744,901.28	1,269,958,954.42	2,171,703,855.70
Derivative financial assets				
Financial assets at fair value through other comprehensive income	246,798,589.34	410,976,561.49	124,854,269.59	782,629,420.42
<b>Total assets</b>	<b>2,709,604,784.97</b>	<b>19,304,892,023.58</b>	<b>3,966,285,113.02</b>	<b>25,980,781,921.57</b>
Financial liabilities at fair value through profit or loss		480,564,431.23	647,686,533.64	1,128,250,964.87
Derivative financial liabilities			1,008,526.45	1,008,526.45
<b>Total liabilities</b>		<b>480,564,431.23</b>	<b>648,695,060.09</b>	<b>1,129,259,491.32</b>

### 3. Basis for determining the market price of the first level fair value measurement project

The fair value of financial instruments traded in an active market shall be determined according to the market quotation on the date of financial report. If quotations are obtained from exchanges and dealers on a timely and regular basis, and such quotations reflect actual and regular market transactions based on fair negotiation, a market is deemed to be active. The fair value is determined by the closing price on the financial reporting date. Such instruments are included in the first level. The instruments included in the first level mainly include the trading securities of Shanghai Stock Exchange and Shenzhen Stock Exchange listed as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## IX. FAIR VALUE (continued)

### 4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted

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

Bond investment:

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

Equity investment:

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

Public fund:

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

Others:

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## IX. FAIR VALUE (continued)

### 4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted (continued)

The following table lists the relevant valuation techniques and input parameters of the main financial instruments at the second level:

Financial instruments	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Impact of unobservable input parameters on fair value
<b>Financial assets at fair value through profit or loss</b>				
<b>Bonds</b>				
Interbank market bond	Second level	Quotation of valuation system of bond registration and settlement institutions	Not applicable	Not applicable
<b>Stocks</b>				
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
<b>Public fund</b>				
Public fund	Second level	Net asset value of the fund on the balance sheet date	Not applicable	Not applicable
<b>Others</b>				
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
<b>Financial assets at fair value through other comprehensive income</b>				
<b>Bond</b>				
Interbank market bond	Second level	Quotation of valuation system of bond registration and settlement institutions	Not applicable	Not applicable

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## IX. FAIR VALUE (continued)

### 5. For the items measured at fair value at the third level of continuous and non-continuous, the valuation techniques and the qualitative and quantitative information of important parameters are adopted

#### (1) Valuation technology and input value description

If one or more main input parameters are not determined based on observable market data, the tool is included in Level 3. For unlisted equity investment, bond investment, trust products and financial liabilities, the Company uses valuation technology to determine their fair value, including discounted cash flow method and market comparison method. Its fair value is measured by important unobservable parameters, such as liquidity discount, volatility and market multiplier. The fair values of unlisted equity investments, bond investments, other investments and financial liabilities are not significantly sensitive to the reasonable changes of these unobservable inputs.

As of June 30, 2022, the valuation technology used by the Group for the above continuous level 3 fair value measurement has not changed.

#### (2) Unobservable input value information

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

Financial assets/ financial liabilities	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Relationship between unobservable input parameters and fair value
<b>Financial assets at fair value through profit or loss</b>				
— Bank financial products	The third level	— Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	— Expected future cash flow; — Expected recovery date;	— The higher the future cash flow, the higher the fair value;
— Asset management products of securities companies			— The discount rate corresponding to the expected risk level;	— The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— Trust plan	The third level	— Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	— Expected future cash flow; — Expected recovery date;	— The higher the future cash flow, the higher the fair value;
			— The discount rate corresponding to the expected risk level;	— The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— Private placement bonds, corporate bonds and convertible bonds	The third level	— Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level; — Option pricing model;	— Expected future cash flow; — Expected recovery date; — The discount rate corresponding to the expected risk level; — Stock price volatility;	— The higher the future cash flow, the higher the fair value; — The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value; — The greater the fluctuation of stock price, the higher the fair value;

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## IX. 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
<b>Financial assets at fair value through profit or loss</b>				
— Unlisted equity	The third level	— Adopt the comparable company method to select comparable companies in the same industry similar to the important financial indicators of the target company, and calculate the PE, PB and PS of comparable companies; Considering the liquidity discount, estimate the expected exit date of equity, calculate the volatility of comparable companies, and use the option model to calculate the liquidity discount of comparable companies;	— Expected recovery date; — Stock price volatility;	— The earlier the expected recovery date, the higher the fair value; — The greater the fluctuation of stock price, the higher the fair value;
Financial liabilities at fair value through profit or loss	The third level	— Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	— Expected future cash flow; — Expected payment date; — Discount rate corresponding to expected risk level;	— The higher the future cash flow, the higher the fair value; — The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— Derivative financial instruments	The third level	— The option pricing model is used for valuation, and the main input parameter is the volatility of the underlying instrument;	— Volatility of the underlying instrument;	— The higher the volatility of the underlying instrument, the higher the fair value;
— Bills	The third level	— Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	— The delivery price agreed with the counterparts;	— The higher the future cash flow, the higher the fair value; — The lower the discount rate, the higher the fair value;

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## IX. FAIR VALUE (continued)

### 6. The movement of Level 3 financial instruments

Item	1 January 2022	Increase	Decrease	30 June 2022
Financial assets at fair value through profit or loss	2,033,679,544.41	1,807,751,299.02		3,841,430,843.43
Financial liabilities as at fair value through profit or loss	971,171,013.72		323,484,480.08	647,686,533.64
Financial assets at fair value through other comprehensive income	115,409,134.24	9,445,135.35		124,854,269.59
Derivative financial liabilities		1,008,526.45		1,008,526.45

  

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

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

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## X. RELATED PARTIES AND RELATED TRANSACTIONS

### 1. Parent company of the Company

As of 30 June, 2022, Henan Investment Group Co., Ltd. (hereinafter referred to as Henan Investment Group) directly or indirectly holds the voting shares of the Company, accounting for 21.44% of the total shares of the Company (Note 1), and is the controlling shareholder of the Company. The basic information of Henan investment group is as follows:

Name of parent company	Enterprise type	Place of registration	Nature of business	Legal representative	Uniform social credit code
Henan Investment Group	Limited liability company (wholly state-owned)	Zhengzhou City	Investment management	Liu Xinyong	914100001699542485

Note 1: As of the end of the reporting period, Henan Investment Group held 822,983,847 A shares of the Company, 46.733 million H shares of the Company directly through its wholly-owned subsidiary Dahe Paper (Hong Kong) Co., Ltd. and 125.92 million H shares of the Company through Hong Kong Stock Connect, with a total of 995,636,847 shares of the Company, accounting for 21.44% of the total share capital of the Company.

- (1) The actual controller of the Company is Henan Provincial Department of Finance.

### 2. Joint ventures and associates of the Company

For important joint ventures or associates of the Company, see Notes VII/2 Rights and interests in joint ventures and associates.

The associated enterprises are as follows:

Name of joint venture or associated enterprise	Relationship with the Company
Henan Central China Micro-Lending Co., Ltd.	Associates of subsidiaries
Henan Dahe Cailifang Media Holding Co., Ltd.	Associates of subsidiaries
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	Associates of subsidiaries
Luoyang Desheng Biotechnology Co., Ltd.	Associates of subsidiaries
Minquan County Innovation Industry Investment Fund (Limited Partnership)	Associates of subsidiaries
Luohe Huarui Permanent Magnetic Material Co., Ltd.	Associates of subsidiaries

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 3. Major related parties without control relationship

Name of related party	Relationship with the company	Uniform social credit code/ organization code
Henan Xinchuan Software Co., Ltd.	Ultimately controlled by the same controlling party	91410100MA3X691D21
Henan Asset Management Co., Ltd.	Ultimately controlled by the same controlling party	91410000MA448PU6H
Henan Asset Fund Management Co., Ltd.	Ultimately controlled by the same controlling party	91410100MA456R9R3R
Henan Ancai 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
Bohai Industrial Investment Fund Management Co., Ltd.	Non-controlling shareholder	911200007178678241
Anyang Iron & Steel Group Co., Ltd.	Non-controlling shareholder	91410000706780942L
Anyang Steel International Trading Co., Ltd.	Subsidiaries of non-controlling shareholder	91410500172267086K
Anyang Iron & Steel Co., Ltd.	Subsidiaries of non-controlling shareholder	914100007191734203
Zhongyuan Bank Co., Ltd.	Joint venture of affiliated enterprise groups	9141000031741675X6
Bank of Zhengzhou Co., Ltd.	Joint venture of affiliated enterprise groups	914100001699995779
Henan Huaqi Energy Conservation and Environment Protection Venture Capital Co., Ltd.	Joint venture of affiliated enterprise groups	91410000071384697T
Henan Yicheng New Energy Co., Ltd.	Joint venture of affiliated enterprise groups	914102002681294387
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 South-to-North Water Diversion Counterpart Cooperation Industry Investment Fund (Limited partnership)	Joint venture of affiliated enterprise groups	91410000MA40EF1J3Q
Zhengzhou Zhongyuan International Aviation Holding Development Co., Ltd.	Joint venture of affiliated enterprise groups	91410100MA40XF1874
Zhumadian Mayor Longshan Agriculture and Animal Husbandry Co., Ltd.	Subsidiaries of associates	91411700330214925R
Henan Longfengshan Agricultural Development Co., Ltd.	Subsidiaries of associates	914117000547097794

### 4. Related party transactions

#### (1) Commission income generated from providing agency securities trading services

Name of related party	Jan-June 2022	Jan-June 2021
Bohai Industrial Investment Fund Management Co., Ltd.	148,342.83	736,295.46
Henan Investment Group and its subsidiaries and associates	82,310.75	14,710.50
Directors, supervisors and senior managers of the Company and Henan Investment Group and their close family members	17,315.13	18,355.15
Anyang Steel International Trading Co., Ltd.	8,807.25	2,440.67

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 4. Related party transactions (continued)

#### (2) Loans from related parties

Name of related party	30 Jun 2022/Jan-Jun 2022		31 Dec 2021/Jan-Jun 2021	
	Loan balance	Interest income	Loan balance	Interest income
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd				1,555,306.61

#### (3) Related transaction balance

Name of related party	Current account	Transaction content	30 June 2022	31 December 2021
Henan Investment Group Co., Ltd.	Accounts receivable	Income from asset management business	2,295,149.37	1,967,868.64
Luoyang Desheng Biotechnology Co., Ltd.	Accounts receivable	Financial advisory fee	150,000.00	200,000.00
Anyang Iron & Steel Co., Ltd.	Agent for buying and selling securities	Futures Brokerage	1,921,146.96	1,921,146.96
Anyang Steel International Trading Co., Ltd.	Agent for buying and selling securities	Futures Brokerage	1,077,747.91	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	20,416,783.22
Henan Central China Micro-Lending Co., Ltd.	Accounts payable	Trust plan	16,017,647.72	16,017,647.72
Henan Xinchuan Software Co., Ltd.	Intangible assets	Purchase intangible assets	226,696.17	252,359.88
Henan Investment Group and its subsidiaries and associates	Agent for buying and selling securities	Securities Brokerage	350,247,186.75	17,932,558.30
Directors, supervisors, senior managers of the Company and Henan Investment Group and their close family members, etc.	Agent for buying and selling securities	Securities Brokerage	3,687,766.37	4,185,687.79
Bohai Industrial Investment Fund Management Co., Ltd.	Agent for buying and selling securities	Securities Brokerage		2,436,691.26
Anyang Iron & Steel Group Co., Ltd.	Agent for buying and selling securities	Securities Brokerage		0.35
Anyang Iron & Steel Co., Ltd.	Agent for buying and selling securities	Securities Brokerage		387,782.11

Name of related party	Current account	Transaction content	30 June 2022	31 December 2021
Henan Investment Group associates	Financial assets at fair value through profit or loss	Purchase bonds	141,282,837.77	
Henan Investment Group associates	Bank deposit	Bank balance	3,894,829.71	4,068,998.40
Henan Investment Group associates	Other assets	Expenses		132,075.47
Henan Investment Group associates	Bonds payable	Subscription of corporate bonds	305,794,741.40	305,822,609.89

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 4. Related party transactions (continued)

#### (4) Other related party transactions

Name of related party	Transaction content	Jan-June 2022	Jan-June 2021
Henan Investment Group Co., Ltd.	Income from asset management business.	308,755.41	276,821.53
Henan Dahe Cailifang Media Holding Co., Ltd.	Expenses	698,113.19	632,402.07
Anyang Iron & Steel Group Co., Ltd.	Pledge registration fee	32,547.17	
Zhumadian Mayor Longshan Agriculture and Animal Husbandry Co., Ltd.	Pledge registration fee	5,094.34	
Henan Longfengshan Agricultural Development Co., Ltd.	Pledge registration fee	2,830.19	
Anyang Steel International Trading Co., Ltd.	Income from the sale of goods	16,533,628.32	3,284,070.79
Henan Xinchuan Software Co., Ltd.	Expenses	25,663.72	

Name of related party	Transaction content	Jan-June 2022	Jan-June 2021
Henan Investment Group associates	Income from bank deposits and financial products	6,351.91	2,617,506.21
Henan Investment Group associates	Interest expense of pledged repurchase	305,243.08	402,394.09
Henan Investment Group associates	Bond investment income	4,425,821.46	25,313.15
Henan Investment Group associates	Interest income from buyout repurchase		15,899.51
Henan Investment Group associates	Income from financial advisory fee		1,037,735.85
Henan Investment Group associates	Interest expense on subordinated debt payable	6,500,131.50	3,237,172.60

#### (5) Guarantee for subsidiaries

As of June 30, 2022, the Company has provided guarantee for the issuance of overseas bonds of not more than US\$100 million by the overseas wholly-owned subsidiary Wending Zhongyuan Company Limited, with a guarantee amount of RMB671,140,000.00 (US\$100,000,000.00)

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

### 4. Related party transactions (continued)

#### (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 January to June 2022, the benefits (before tax) paid and payable by the Company to key management personnel is as follows:

Expressed in RMB'0000

Item	Jan-June 2022	Jan-June 2021
Benefits of key management personnel (before tax)	1,945.77	2,019.01

##### 2) Loans and advances to key management personnel

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

## XI. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### (1) Capital commitments

The Company has entered into a contract but has not confirmed the capital commitment in the financial statements as follows:

Item	30 June 2022	31 December 2021
Contracted but not paid	566,653,456.07	625,798,267.64
<b>Total</b>	<b>566,653,456.07</b>	<b>625,798,267.64</b>

In addition to the above undertakings, as of 30 June 2022, the Company has no other major commitments that should be disclosed.

### 2. Significant contingencies

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XII. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Significant non adjustment events

According to the China Securities Regulatory Commission's "Approval for the Registration of Central China Securities Co., Ltd.'s Public Issuance of Short-Term Corporate Bonds to Professional Investors" (Zheng Jian Xu Ke [2021] No. 377), July 11, 2022, 22 Zhongyuan S1 (Code: 185754) bonds have been issued, the actual issuance scale is RMB1 billion, the coupon rate is 2.49%, and it will be listed on the Shanghai Stock Exchange on July 19, 2022.

### 2. Profit distribution

The 2021 annual profit distribution plan of the company was reviewed and approved by the 2021 annual general meeting of shareholders held on 24 June, 2022. Based on the total share capital of 4,642,884,700 shares of the company before the implementation of the scheme, the profit distribution distributed a cash dividend of RMB0.021 per share (including tax) to all shareholders (including A-share shareholders and H-share shareholders), with a total cash dividend of RMB97,500,578.70 (including tax). The equity registration date of A-share shareholders is 11 July, 2022, and the ex right (interest) date is 12 July, 2022; The equity registration date of H-share shareholders is 5 July, 2022. As of the approval date of this report, all cash dividends have been paid.

### 3. Other events after the balance sheet date

As at the date of approval of the financial statement, the Company has no other significant events after the balance sheet date that need to be disclosed but have not been disclosed.

## XIII. OTHER SIGNIFICANT EVENTS

### 1. Annuity plan

Central China Securities Co., Ltd. participate in the enterprise annuity plan established by the Company according to the relevant policies of the national enterprise annuity system on the basis of participating in the basic social endowment insurance. The expenses required for the Company's annuity shall be jointly paid by the enterprise and the employees. The total contribution of the Company shall be 8% of the total salary of the employees in the previous year, and the individual contribution of the employees shall be 2% of the total salary of the employees in the previous year.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIII. 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 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIII. 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	Offset	Total
					Investment management business	Futures business				
1. Operating income	29,412.95	14,874.45	11,987.37	20,277.60	4,565.91	11,287.18	-7,497.58	-6,046.01	-94.46	78,767.41
Net fee and commission income	29,297.30		11,801.52	854.62	1,487.66	6,591.50	400.97	683.05	-187.34	50,929.28
Investment income (or less: losses)		42,869.51			27,743.95	-1,699.31	1,072.36	-6,249.68	150.69	63,887.52
Gains on changes in fair value (or less: losses)		-9,295.98			-25,189.18	-9.52	-8,513.29	-3,257.06		-46,265.03
Gains on foreign exchange (or less: losses)	8.93						255.09	34.97		298.99
Other operating income	312.82	76.58	216.98	2.62	2.81	5,941.26	3.41	190.44	-64.29	6,682.63
Net interest income	-206.10	-18,775.66	-31.13	19,420.36	520.67	463.25	-716.12	2,552.27	6.48	3,234.02
2. Operating cost	28,400.64	7,653.50	12,660.56	13,109.05	3,871.48	10,438.56	4,189.43	15,316.34	229.29	95,868.85
3. Operating profit	1,012.31	7,220.95	-673.19	7,168.55	694.43	848.62	-11,687.01	-21,362.35	-323.75	-17,101.44
4. Total Asset	2,632,102.16	2,258,019.99	7,463.06	938,799.49	468,803.14	204,954.04	179,064.51	1,763,156.66	-2,983,085.82	5,469,277.23
5. Total liabilities	2,609,638.50	2,251,895.11	8,136.98	928,596.47	82,155.85	160,778.31	122,316.57	892,891.70	-2,981,182.31	4,075,227.18
6. Supplementary information										
(1) Depreciation and amortization	3,002.73	940.70	406.65	10.27	190.68	292.21	576.38	2,872.42	-44.34	8,247.70
(2) Capital expenditure	1,562.14	74.38	-3.69	3.08	183.65	217.74	14.89	7,325.39		9,377.58

The accounting policies of each operating segment of the Company are the same as those described in "Significant accounting policies and estimates".



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (continued)

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

#### (1) Margin business

The Group's margin business scale is as follows, on 30 June, 2022 and 31 December, 2021:

Item	30 June 2022	31 December 2021
Margin accounts receivable	7,224,439,690.06	8,224,999,802.94
Securities lending	26,573,455.61	15,288,471.47
<b>Total</b>	<b>7,251,013,145.67</b>	<b>8,240,288,274.41</b>

#### (2) Securities lending

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

Item	Fair value on 30 June 2022	Fair value on 31 December 2021
National debt	50,650,500.00	427,403,652.00
Policy-based financial debt	219,935,320.00	
Local government debt		103,563,900.00
<b>Total</b>	<b>270,585,820.00</b>	<b>530,967,552.00</b>

As of 30 June, 2022, among the bonds obtained by the Company through inter-bank and exchange market borrowing, the fair value of bonds that were pledged or transferred for the sale of repurchase business was RMB260,588,800.00.

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (continued)

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

#### (3) Security of customer funds

As of 30 June, 2022, the Company has deposited customer transaction settlement funds in commercial banks with depository qualifications, in compliance with the "Customer Transaction Settlement Fund Management Measures" (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.

#### (4) Assets and liabilities measured at fair value

Item	31 December 2021	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	30 June 2022
Financial assets at fair value through profit or loss (without derivative financial asset)	24,507,919,178.87	-472,361,093.45			25,198,152,501.15
Derivative financial asset	-410,766.83	8,868,031.66			-1,008,526.45
Financial assets measured at fair value through other comprehensive income	970,426,547.78		-4,516,966.60	9,052,982.23	782,629,420.42
Investment in other equity instruments					
Financial liabilities at fair value through profit or loss	971,171,013.72	842,714.35			1,128,250,964.87

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

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (continued)

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

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

Item	30 June 2022				
	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Designated as financial instruments at fair value through other comprehensive income	The change of fair value through profit or loss	
				Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss
					According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Cash and bank balances	13,037,318,378.47				
Clearing settlement funds	3,024,302,883.88				
Margin accounts receivable	7,150,758,061.73				
Derivative financial assets					
Refundable deposits	727,981,144.36				
Accounts receivable	98,910,651.90				
Financial assets held under resale agreements	1,268,821,227.29				
Financial assets at fair value through profit or loss				25,198,152,501.15	
Financial assets measured at amortized cost	217,731,855.41				
Financial assets at fair value through other comprehensive income		782,629,420.42			
Other assets					
<b>Total</b>	<b>25,525,824,203.04</b>	<b>782,629,420.42</b>		<b>25,198,152,501.15</b>	

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (continued)

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

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

Item	31 December 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	12,332,030,422.75					
Clearing settlement funds	2,558,219,120.46					
Margin accounts receivable	8,148,017,143.05					
Derivative financial assets				54,610.00		
Refundable deposits	802,256,089.47					
Accounts receivable	98,055,900.27					
Financial assets held under resale agreements	972,870,075.44					
Financial assets at fair value through profit or loss				24,507,919,178.87		
Financial assets measured at amortized cost	263,452,484.68					
Financial assets at fair value through other comprehensive income		970,426,547.78				
Other assets						
Total	25,174,901,236.12	970,426,547.78		24,507,973,788.87		

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (continued)

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

#### (6) Basic classification table for the measurement of financial liabilities

Item	30 June 2022			
	The change of fair value through profit or loss			
			According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
	Financial assets measured at amortized cost	Classified as financial assets at fair value through profit or loss		
Short-term loans	46,514,036.45			
Derivative financial liabilities		1,008,526.45		
Short-term financing instruments payable	4,750,310,984.12			
Due to banks and other financial institutions	1,602,575,388.89			
Financial liabilities at fair value through profit or loss		1,128,250,964.87		
Financial assets sold under repurchase agreements	12,341,737,118.19			
Accounts payable to brokerage clients	14,716,321,579.88			
Accounts payable	89,382,671.72			
Bonds payable	4,842,923,526.37			
Long-term borrowings				
Other liabilities	41,140,101.59			
<b>Total</b>	<b>38,430,905,407.21</b>	<b>1,129,259,491.32</b>		

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (continued)

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

#### (6) Basic classification table for the measurement of financial liabilities (continued)

Item	31 December 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	256,191,822.27			
Derivative financial liabilities		465,376.83		
Short-term financing instruments payable	7,032,271,969.93			
Due to banks and other financial institutions	2,900,742,263.92			
Financial liabilities at fair value through profit or loss		971,171,013.72		
Financial assets sold under repurchase agreements	10,548,472,328.09			
Accounts payable to brokerage clients	12,571,797,812.48			
Accounts payable	143,594,220.52			
Bonds payable	3,685,225,541.41			
Long-term borrowings				
Other liabilities	50,880,913.21			
Total	37,189,176,871.83	971,636,390.55		

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIII. OTHER SIGNIFICANT EVENTS (continued)

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

#### (7) Foreign currency financial assets

Item	31 December 2021	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	30 June 2022
<b>Financial assets</b>					
Financial assets at fair value through profit or loss	655,655,885.88	-85,132,865.66			1,213,887,905.46
Account receivable	36,827,993.39				46,258,854.07
Financial assets measured at amortized cost	17,169,600.00			17,395,560.00	
<b>Subtotal</b>	<b>709,653,479.27</b>	<b>-85,132,865.66</b>		<b>17,395,560.00</b>	<b>1,260,146,759.53</b>

#### (8) Significant investment

Investment projects	Annual interest rate	Investment cost as at 30 June 2022	Fair value as at 30 June 2022	Percentage to the Group's total assets as at 30 June 2022	Gains on changes in fair value in the first half of 2022	Investment income for the first half of 2022
2022 book-entry interest-bearing (four tranches) National debt	2.26%	3,150,198,363.06	3,172,208,854.80	5.80%	-2,838,363.06	12,060,809.77

The Group's proprietary investment business adheres to a diversified and diversified investment strategy and balances the relationship between income and risks. National debt has strong security, good mobility and strong liquidity, and is a good investment target. Going forward, the Group expects to generate investment income from these investments and the Group intends to actively explore other potential investment opportunities to maximize value for the shareholders.

## XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 1. Long-term equity investments

#### (1) Classification of long-term equity investments

Item	Book balance	30 June 2022 Provision for impairment	Book value	31 December 2021 Book balance	31 December 2021 Provision for impairment	Book value
Investment in subsidiaries	5,509,728,953.95	213,448,720.01	5,296,280,233.94	5,509,728,953.95	213,448,720.01	5,296,280,233.94
<b>Total</b>	<b>5,509,728,953.95</b>	<b>213,448,720.01</b>	<b>5,296,280,233.94</b>	<b>5,509,728,953.95</b>	<b>213,448,720.01</b>	<b>5,296,280,233.94</b>

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### 1. Long-term equity investments (continued)

#### (2) Investment in subsidiaries

Investee	31 December 2021	Increase	Decrease	30 June 2022	Provision for impairment in the current period	Balance of impairment provision
Central China Futures Co., Ltd.	188,061,592.08			188,061,592.08		
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	700,530,961.87			700,530,961.87		
Central China International Financial Holdings Co., Ltd.	1,522,636,400.00			1,522,636,400.00		213,448,720.01
Central China Blue Ocean Investment Management Co., Ltd.	2,976,000,000.00			2,976,000,000.00		
Central China Equity Exchange Co., Ltd.	122,500,000.00			122,500,000.00		
<b>Total</b>	<b>5,509,728,953.95</b>			<b>5,509,728,953.95</b>		<b>213,448,720.01</b>

### 2. Net interest income

Item	Jan-June 2022	Jan-June 2021
<b>Interest income</b>	<b>412,272,153.84</b>	466,354,189.22
Including: Interest income from cash and bank balances and clearing settlement funds	114,984,399.73	106,988,607.99
Interest income from margin accounts receivable	249,304,024.09	258,278,421.53
Interest income from financial assets held under resale agreements	28,948,517.87	48,580,032.16
Including: Interest income from agreed repurchase	268,371.91	534,054.56
Interest income from stock pledge repurchase	27,763,486.18	40,650,743.65
Interest income from financial assets at fair value through other comprehensive income	17,869,724.71	42,242,124.95
Others	1,165,487.44	10,265,002.59
<b>Interest expenses</b>	<b>382,702,804.37</b>	404,261,835.08
Including: Interest expenses of short-term financing instruments payable	38,642,863.06	52,159,337.01
Interest expenses of due to banks and other financial institutions	7,072,896.21	39,313,222.45
Including: Refinancing interest expenses	2,524,207.41	24,279,722.23
Interest expenses on financial assets sold under repurchase agreements	133,957,244.38	146,061,370.66
Interest expenses of accounts payable to brokerage clients	20,705,849.50	18,470,764.86
Interest expenses of bonds payable	172,469,982.65	138,754,633.04
Including: Interest expenses of subordinated bonds	80,407,299.06	81,414,124.35
Interest expenses of bond lending	2,908,898.80	6,398,188.52
Others	6,945,069.77	3,104,318.54
<b>Net interest income</b>	<b>29,569,349.47</b>	62,092,354.14



# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### 3. Net fee and commission income

#### (1) Details

Item	Jan-June 2022	Jan-June 2021
<b>Securities brokerage services net income</b>	<b>270,898,531.16</b>	327,841,755.59
— Securities brokerage services income	<b>369,323,607.69</b>	421,054,122.37
— Funds received as agent of stock exchange	<b>357,857,098.69</b>	382,702,574.04
Leasing of trading unit seats	<b>105,574.95</b>	98,726.15
Sales agent of financial products	<b>10,962,461.94</b>	37,800,922.11
— Securities brokerage services expenses	<b>98,425,076.53</b>	93,212,366.78
— Funds received as agent of stock exchange	<b>98,394,290.08</b>	93,186,440.61
Sales agent of financial products	<b>17,918.63</b>	19,520.57
Investment bank business net income	<b>118,325,212.67</b>	263,310,408.94
— Investment bank business income	<b>118,466,722.10</b>	265,940,107.01
— Securities underwriting business	<b>110,817,047.06</b>	256,088,834.87
Sponsor business of securities	<b>2,830,203.77</b>	1,415,094.34
Financial advisory business	<b>4,819,471.27</b>	8,436,177.80
— Investment bank business expenses	<b>141,509.43</b>	2,629,698.07
— Securities underwriting business	<b>141,509.43</b>	1,049,132.07
Sponsor business of securities		
Financial advisory business		1,580,566.00
Asset management business net income	<b>8,865,064.78</b>	13,333,462.06
— Asset management business income	<b>8,916,626.92</b>	13,381,679.13
— Asset management business expenses	<b>51,562.14</b>	48,217.07
Investment consulting business net income	<b>28,906,819.72</b>	28,224,175.69
— Investment consulting business income	<b>28,906,819.72</b>	28,224,175.69
— Investment consulting business expenses		
Other fee and commission net income	<b>7,114,990.61</b>	16,794,485.21
— Other fee and commission income	<b>7,114,990.61</b>	16,794,485.21
— Other fee and commission expenses		
<b>Total</b>	<b>434,110,618.94</b>	649,504,287.49
<b>Including: Total fee and commission income</b>	<b>532,728,767.04</b>	745,394,569.41
<b>Total fee and commission expenses</b>	<b>98,618,148.10</b>	95,890,281.92

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### 4. Investment income

#### (1) Classification details

Item	Jan-June 2022	Jan-June 2021
Long-term equity investments income calculated by cost method		15,693,080.20
Financial instruments investment income	<b>429,768,431.63</b>	408,789,329.59
Including: Income generated during holding period	<b>343,214,198.72</b>	361,480,743.03
Including: Financial assets at fair value through profit or loss	<b>351,072,654.19</b>	373,466,483.49
Financial liabilities at fair value through profit or loss	<b>-7,858,455.47</b>	-11,985,740.46
Disposal income of financial instruments	<b>86,554,232.91</b>	47,308,586.56
Including: Financial assets at fair value through profit or loss	<b>32,265,076.23</b>	70,643,592.56
Financial assets at fair value through other comprehensive income	<b>-13,610,651.11</b>	3,949,840.43
Derivative financial instruments	<b>63,872,453.39</b>	-18,341,962.76
Financial liabilities at fair value through profit or loss	<b>4,027,354.40</b>	-8,942,883.67
<b>Total</b>	<b>429,768,431.63</b>	424,482,409.79

#### (2) Detailed statement of investment income of trading financial instruments

Trading financial instruments	Jan-June 2022
Financial assets classified as financial assets measured at fair value through profit or loss	Holding period income <b>351,072,654.19</b>
	Disposal income <b>32,265,076.23</b>
Financial assets designated to be measured at fair value through profit or loss	Holding period income Disposal income
Financial liabilities classified as measured at fair value through profit or loss	Holding period income <b>-7,858,455.47</b>
	Disposal income <b>4,027,354.40</b>
Financial liabilities designated to be measured at fair value through profit or loss	Holding period income

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### 5. Business and administrative expenses

Item	Jan-June 2022	Jan-June 2021
Employee benefits	458,758,020.98	595,772,550.55
Depreciation of right-of-use assets	29,217,107.35	27,148,989.86
Electronic equipment operating fee	22,244,620.60	15,811,257.35
Amortization of intangible assets	22,220,247.73	16,852,552.85
Advertising expenses	16,750,663.48	3,614,534.95
Depreciation of fixed assets	14,262,410.16	13,125,877.67
Consulting fee	10,644,643.11	6,738,940.68
Securities investors protection funds	10,355,888.54	5,584,563.23
Member fee	7,408,372.52	7,497,302.13
Communication fee	6,845,591.28	9,387,079.72
Information fee	5,669,373.24	1,432,486.39
Amortization of long-term deferred expenses	5,505,036.06	5,787,365.79
Property management fee	4,291,373.35	4,274,788.53
Business entertainment expenses	4,085,002.29	5,222,955.03
Water and electricity	4,026,899.24	2,327,433.30
Others	17,738,104.27	21,125,685.27
Total	640,023,354.20	741,704,363.30

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

### 6. Supplementary information of cash flow statement of parent company

Item	Jan-June 2022	Jan-June 2021
<b>1. Adjusting net profit to cash flow from operating activities:</b>		
Net profit	24,266,468.73	259,955,011.71
Plus: expected credit losses	133,945,730.60	51,812,132.15
Provision for impairment of other assets		
Accumulated depreciation of investment properties and fixed assets	14,815,259.70	13,681,754.03
Depreciation of right of use assets	29,217,107.35	27,148,989.86
Amortization of intangible assets	22,220,247.73	16,852,552.85
Amortization of long-term deferred expenses	5,505,036.06	5,787,365.79
Losses on disposal of fixed assets, intangible assets and other long-term assets (or gains expressed with "-")	497,529.36	291,618.88
Losses on changes in fair value (or gains expressed with "-")	125,305,532.57	31,922,415.88
Interest expenses	216,076,783.40	194,018,127.60
Exchange losses (or gains expressed with "-")	-439,017.61	104,484.05
Investment losses (or gains expressed with "-")	-4,259,073.60	-61,885,045.58
Decrease in deferred income tax assets (or increase expressed with "-")	-97,379,827.77	-81,333,160.11
Increase in deferred income tax liabilities (or decrease expressed with "-")	759,588.93	6,452,534.05
Decrease of operating receivables (or increase expressed with "-")	3,072,096,228.85	-1,458,549,106.96
Increase of operating payable (or decrease expressed with "-")	-380,179,518.71	101,831,884.03
Net cash flow from operating activities	3,162,448,075.59	-891,908,441.77
<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	14,263,370,014.26	12,388,343,813.30
Less: opening balance of cash	13,041,401,477.73	11,500,913,337.34
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase of cash and cash equivalents	1,221,968,536.53	887,430,475.96

# NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2022 to 30th June, 2022 (The currency is in RMB except otherwise stated)

## XV. SUPPLEMENTARY INFORMATION

### 1. Detailed statement of current non-recurring profit and loss

Item	Amount	Description
Gains and losses on disposal of non-current assets	-504,184.40	
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)	7,946,109.93	
Other non-operating income and expenses other than the above items	53,617.40	
Other profit and loss items conforming to the definition of non-recurring profit and loss		
Less: income tax impact	1,873,885.73	
Influence amount of minority shareholders' equity (after tax)	276,245.42	
<b>Total</b>	<b>5,345,411.78</b>	

### 2. Return on net assets and earnings per share

Profit for the reporting period	Weighted Average Return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	-0.92	-0.03	-0.03
Net profit attributable to common shareholders of the Company after deducting non-recurring profits or losses	-0.96	-0.03	-0.03

## SECTION 9 INFORMATION DISCLOSURE OF SECURITIES COMPANY

### I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

#### Administrative licensing of relocation of securities branches during the Reporting Period

Relocated branch offices	Relocated securities branches	Closed securities branches
2	3	2

#### 1. Administrative licensing of the relocation of branch offices during the Reporting Period

No.	Name of branch office before relocation	Name of branch office after relocation	New address	License obtained on
1	Central China Securities Co., Ltd. Shangqiu Branch Office	Central China Securities Co., Ltd. Shangqiu Branch Office	Jinsui Guomao Building, northeast corner of the Shangzi of Nanjing Road, Suiyang District, Shangqiu City	22 June 2022
2	Central China Securities Co., Ltd. Kaifeng Branch Office	Central China Securities Co., Ltd. Kaifeng Branch Office	1/F, Building 1, Zone C, Longcheng Jinxiu Garden, Jiying Street, Kaifeng City	27 April 2022

#### 2. Administrative licensing of relocation of securities branches during the Reporting Period

No.	Name of securities branch before relocation	Name of securities branch after relocation	New address	License obtained on
1	Central China Securities Co., Ltd. Pingdingshan Lingyun Road Securities Branch	Central China Securities Co., Ltd. Pingdingshan Guangming Road Securities Branch	No. 106 + 206 Store, 1-2/F, Building 6, Jinghua Jinyu Lanwan, Southwest corner of the intersection of Guangming Road and Zhannan Road, Zhanhe District, Pingdingshan City, Henan Province	28 June 2022
2	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	Southeast corner of the intersection of Meidong Road and Wenfeng Avenue, No. 413 Wenfeng Avenue, Longan District, Anyang City, Henan Province	17 June 2022
3	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	No. 102 Store, Building 8, Huatong Century City, Hua County New District, Anyang City, Henan Province	17 June 2022

## SECTION 9 INFORMATION DISCLOSURE OF SECURITIES COMPANY

### 3. Administrative licensing for the cessation of business departments during the Reporting Period

No.	Name of the ceased business department	Cessation date
1	Central China Securities Co., Ltd. Beijing North Yuetan Street Securities Branch	January 2022
2	Central China Securities Co., Ltd. Beijing Branch Office	March 2022

### 4. Administrative licensing for name change of branch office during the Reporting Period

No.	Original name	Current name
1	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	Central China Securities Co., Ltd. Beijing Branch Office