



# 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 Report 2018



- I. The Board, Supervisory Committee and Directors, Supervisors and senior management of the Company undertake that this report is true, accurate, complete and without any false record, misrepresentation or material omission and are severally and jointly liable therefor.**
- II. All directors have attended the Board meetings.**
- III. This report is unaudited, of which, the interim financial information prepared in accordance with IFRS has been reviewed by PricewaterhouseCoopers.**
- IV. The person in charge of the Company Mr. Jian Mingjun, the chief financial officer Mr. Chang Junsheng and the Chief Accountant Mr. Li Zhaoxin and Officer-in-charge of the accounting institution (the head of financial division) Mr. Guo Liangyong declare that they undertake the financial reports in this report are true, accurate and complete.**
- V. The plan for profit distribution or capitalization of capital reserve for the Reporting Period has been approved by the Board**

The Company's profit distribution plan for the first half of 2018 approved at the 54th meeting of the fifth session of the Board shall be a cash dividend of RMB0.10 for every 10 shares (tax inclusive) which is subject to approval of the general meeting of the Company.

**VI. Risks relating to forward-looking statements**

The forward-looking statements in this report such as future plans and development strategies do not constitute an actual 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.

**VII. There is no non-operating misappropriation of funds of the Company by any of the controlling shareholders and their related parties**

**VIII. The Company has not provided any guarantee in favour of others in violation of the decision-making procedures**

**IX. Material risk alert**

The Company's business is largely dependent on the Chinese economy and market condition as most assets of the Company are located in China and the income is mainly derived from domestic security market. The operating results of the Company and the performance of the security market are strongly correlated. The security market is relatively cyclical and volatile as it may be affected by a number of factors, including macroeconomic performance and policies, the level of market development, fluctuations in financial market and investors' actions.

In the face of intense competition in China's securities industry, the Company's business may be materially and adversely affected if it fails to compete effectively. The challenges from internet finance in recent years have already led to a declining commission rate of the Company's brokerage business. The commission rates of securities brokerage business may continue to go downward, the trading volume in and the activity of the market can hardly remain at a high level continuously, and the spreads of capital-based intermediary business may further narrow down, all of which may adversely affect the Company's profit growth. As the capital market reform continues to develop, the Company's investment banking business will be challenging in terms of customer base expansion, pricing and ability in distribution, which may cause adverse impact on the income of the Company's investment banking business. Besides, along with the intensified cross-industry competitions in the asset management industry and de-leveraging of the financial sector, the asset under management of the Company may be reduced, which may result in a negative impact on the asset management fees or performance rewards charged by the Company. Since the performance of the Company's investment and trading business and that of domestic security market are closely related, it may be difficult for the Company to effectively defend itself from market risks in the event of extreme security market condition and inadequate hedging strategies. Against the backdrop of continuous industry innovation, the Company has been committed to providing its customers with new products and services in order to strengthen its competitive position in the industry. However, business innovation also bring greater risks as business innovation will bring the Company into new market sectors and provide new products, and thus leading to new risk exposures to the Company. Moreover, the Company's operation relies on the management and professionals. Due to keen market competition for this kind of talents, failure in attracting or retaining these talents may have adverse impact on the Company's business.

The Company manages risks according to internal risk management framework and procedures, but certain risk management measures are based on historical market data or past experience which may fail to predict future risks accurately, especially those on extreme market events lacking effectiveness. The Company has further exposure to various risks, such as failure of information technologies, which would result in adverse impact on business operation. Any force majeure may have material adverse impact on the Company's business, financial conditions and operating results.

For the risks in the Company's operation, investors are advised to carefully read the relevant parts in Section 4 "Discussion and Analysis on Operating Conditions II. (II) Potential Risks" in this report.

### **X. Others**

The report of the company is prepared in both Chinese and English. In the event of any inconsistency the Chinese version should prevail.

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## SECTION 1 DEFINITIONS

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

### DEFINITIONS OF COMMON TERMS

The Company, Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
The Group or 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
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
This report	this interim report
SSE	the Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SFC	the Securities and Futures Commission of Hong Kong
HKEXnews Website	The HKEXnews website operated by the Hong Kong Stock Exchange, its website is <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
SSE Composite Index	composite stock price index of the SSE
Wind Info	Wind Information Co., Ltd. (萬得信息技術股份有限公司)
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 six months period ended from 1 January 2018 to 30 June 2018
End of the Reporting Period	30 June 2018
The End of Last Year	31 December 2017
PRC or China	the People's Republic of China, for the purpose of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan
Hong Kong	Hong Kong Special Administrative Region of the PRC
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
Henan Branch of the CSRC	Henan Branch of the China Securities Regulatory Commission (中國證券監督管理委員會河南監管局)
Henan SASAC	State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會)
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司)
China Bond Insurance	China Bond Insurance Co., Ltd. (中債信用增進投資股份有限公司)
Central China Futures	Central China Futures Co., Ltd. (中原期貨股份有限公司)
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司)
ZZKY Venture Capital	Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. (河南中證開元創業投資基金管理有限公司)
Central China Blue Ocean or CCBO	Central China Blue Ocean Investment Management Company Limited (中州藍海投資管理有限公司)
Central China International	Central China International Financial Holdings Company Limited
Equity Exchange Co.	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司)

## SECTION 1 DEFINITIONS

Central China Micro-lending	Henan Central China Micro-lending Company Limited (河南省中原小額貸款有限公司)
Zhongyuan Trust	Zhongyuan Trust Co., Ltd. (中原信託有限公司)
Articles of Association	the prevailing valid Articles of Association of the Company
Company Law	the Company Law of the PRC (中華人民共和國公司法)
Securities Law	the Securities Law of the PRC (中華人民共和國證券法)
RMB	the lawful currency of China – Renminbi, with the basic unit of “yuan”
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong
IPO	initial public offering of shares
New Third Board, NEEQ	abbreviation for “National Equities Exchange and Quotations System” (全國中小企業股份轉讓系統), a national securities trading venue established upon approval by the State Council of the People’s Republic of China whose operating entity is National Equities Exchange and Quotations Co., Ltd.
securities-backed lending transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and release the pledge some day in the future
IFRS	International Financial Reporting Standards, including standards, revisions and interpretations promulgated by International Accounting Standards Board, and International Accounting Standards and Interpretations promulgated by International Accounting Standards Committee
Margin financing and securities lending	a collateral-backed operating activity in which clients will be provided with monies to buy listed securities or with listed securities for sale
Securities repurchase	a transaction in which eligible clients sell underlying securities to the securities firms that manage their securities at an agreed price and agree to repurchase such securities from the securities firms at another agreed price on a future date, and the securities firms will return to the clients relevant yields arising from the underlying securities during the agreed repurchase period according to the agreement signed with the clients
APP	Application
%	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 <sup>Note</sup>
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	Chang Junsheng

Note: The Company is a joint stock company incorporated on 8 November 2002 in Henan Province, the PRC with limited liability and carrying on business in Hong Kong as “中州证券”

### Registered Capital and Net Capital

Unit: Yuan Currency: RMB

	At the End of the Reporting Period	At the End of Last Year
Registered Capital	3,869,070,700.00	3,923,734,700.00
Net capital	7,619,530,242.48	7,837,072,661.73

### 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 underwriting business as a lead underwriter
9. Sponsorship of offering and listing of securities
10. Entrusted internet securities business



## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

11. Proxy sale of open-end securities investment funds
12. Clearing participants of China Securities Depository and Clearing Corporation Limited
13. Foreign exchange business
14. National inter-bank funding business
15. Intermediary introduction business for futures companies
16. Agency system host securities dealer business
17. Host securities dealer business of New Third Board business
18. Margin financing and securities lending business
19. Proxy sale of financial products
20. Exchange-quoted bond repurchase business
21. Agreed repurchase type securities trading business
22. Capital refinancing business
23. Agency service for registration of pledge of securities
24. Securities-backed lending
25. Securities refinancing and lending business
26. Shanghai-Hong Kong Stock Connect business
27. Market-making business on the NEEQ
28. Piloting of OTC market business
29. Piloting of internet securities business
30. Option brokerage business on SSE

31. Market-making business on quotation system of inter-institutional private products
32. Shenzhen-Hong Kong Stock Connect business
33. Member of SSE
34. Member of Shenzhen Stock Exchange
35. Member of Securities Association of China
36. IPO enquiry and placing
37. Trading on Integrated Electronic Platform of Fixed-income Securities of SSE as a primary dealer
38. Investment through block trading system as a qualified investor
39. Trading of inter-bank bonds
40. Stock option proprietary business on SSE
41. Market-making business of market-maker on the NEEQ

## II. CONTACT PERSONS AND CONTACT METHODS

	<b>Secretary of the Board</b>	<b>Representative of securities affairs</b>
Name	Zhu Qiben	Xu Changyu
Address	19F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (postcode: 450018)	19F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China (postcode: 450018)
Tel	0371-69177590	0371-69177590
Fax	0371-86505911	0371-86505911
Email address	zhuqb@ccnew.com	xucy@ccnew.com

	<b>Company secretary</b>
Name	Kwong Yin Ping Yvonne
Address	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong

### 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	Suite 3108, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Designated newspaper for disclosure of the Company's information	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for publishing this report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publishing this report	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place for inspection of the Company's this report	19F, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China

### V. SHARES OF THE COMPANY

Type of shares	Place of listing	Stock abbreviation	Stock code	Stock abbreviation before change
A Shares	SSE	中原证券	601375	N/A
H Shares	Hong Kong Stock Exchange	中州证券	01375	N/A

## VI. OTHER RELEVANT INFORMATION

Domestic accountant engaged by the Company	Name	ShineWing Certified Public Accountants (Special General Partnership)
	Office address	8F, Fu Hua Mansion, No.8 ChaoYang Men Beidajie, Dongcheng District, Beijing City
	Names of signing accountants	Yan Fanqing and Cui Weiwei
Overseas accountant engaged by the Company	Name	PricewaterhouseCoopers
	Office address	22/F, Prince's Building, Central, Hong Kong
	Names of signing accountants	Yip Siu Fun (葉少寬)
Sponsor performing the duty of continuous supervision during the Reporting Period	Name	Changjiang Financing Services Co. Limited
	Office address	28F, No. 1198 Century Avenue, China (Shanghai) Pilot Free Trade Zone
	Names of signing sponsors	Gu Yuanfeng (Note) and Zhang Junqing
	Term of continuous supervision	6 July 2017 – 31 December 2019
Legal advisors as to PRC Law	Beijing Junzhi Law Firm	
Legal advisors as to Hong Kong (PRC) Law	Li & Partners	
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	

Note: On 10 August 2018, the Company received "the letter of Changjiang Financing Services Co. Limited about changing the continuous supervision sponsor representative of Central China Securities Co., Ltd." 《長江證券承銷保薦有限公司關於更換中原證券股份有限公司持續督導工作保薦代表人的函》 issued by Changjiang Financing Services Co. Limited. The sponsor representative Miss Zhang Wei succeeded Mr. Gu Yuanfeng as a signing sponsor because of change of job arrangement of Mr. Gu Yuanfeng. For more details, please refer to the related announcement disclosed by the Company on 11 August 2018 (announcement no.: 2018-051) and the overseas regulatory announcement published on the HKEXnews website of the Hong Kong Stock Exchange on 10 August 2018.

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

Accounting data and financial indicators set out herein are prepared in accordance with IFRS and unaudited.

### PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Items	January-June 2018	January-June 2017	Growth of this period from last period
<b>Operating results (RMB'000)</b>			
Revenue and other income <sup>Note (1)</sup>	1,496,359	1,310,274	14.2%
Profit before income tax	211,151	226,445	-6.8%
Net profit attributable to shareholders of the Company	145,734	133,374	9.3%
Net cash inflow/(outflow) from operating activities	(661,410)	1,593,761	Not applicable
<b>Earnings per share (RMB/share)</b>			
Basic earnings per share	0.04	0.03	33.3%
Diluted earnings per share	0.04	0.03	33.3%
<b>Profitability index</b>			
Weighted average return on net assets	1.43%	1.27%	Up by 0.16 percentage points

Items	30 June 2018	31 December 2017	Growth of the end of this period from the end of last period
<b>Scale merit (RMB'000)</b>			
Total assets	45,863,742	40,661,468	12.8%
Total liabilities	34,544,002	29,209,349	18.3%
Accounts payable to brokerage clients	8,048,365	7,526,503	6.9%
Equity attributable to shareholders of the Company	10,050,116	10,169,852	-1.2%
<b>Total share capital ('000 shares)</b>	<b>3,869,071</b>	3,923,735	-1.4%
<b>Net assets per share attributable to shareholders of the Company (RMB/share)</b>			
	2.60	2.59	0.4%
Gearing ratio <sup>note(2)</sup> (%)	70.1	65.0	Up by 5.1 percentage points

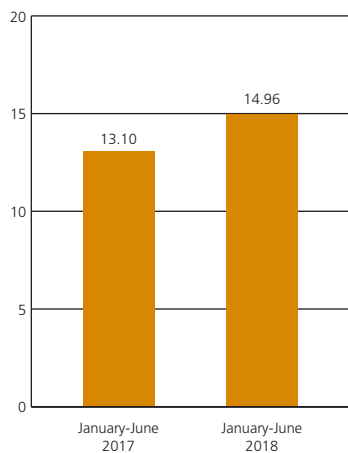
Note:

- Revenue and other income = total revenue and other income + share of profits of associates
- 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)

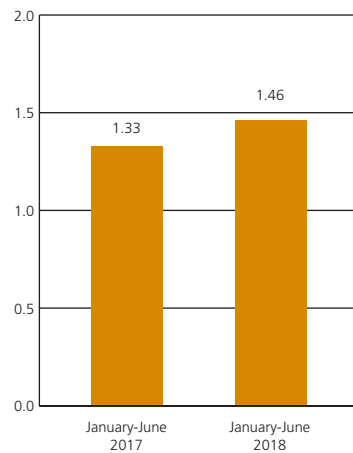


## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

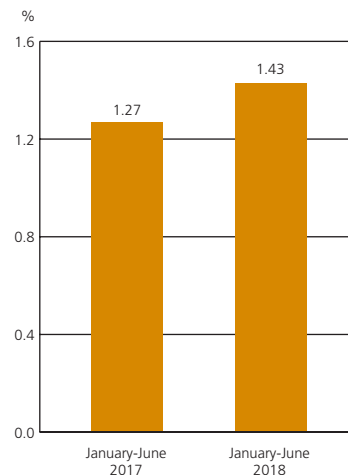
**Revenue and other income  
(RMB100 million)**



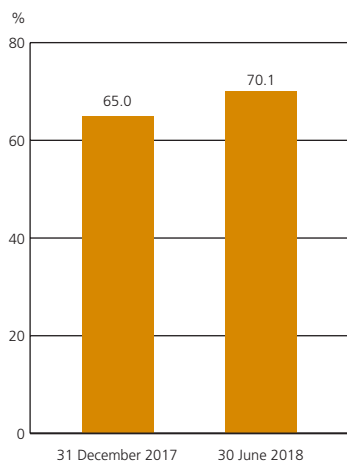
**Profit for the period –  
attributable to shareholders of  
the Company (RMB100 million)**



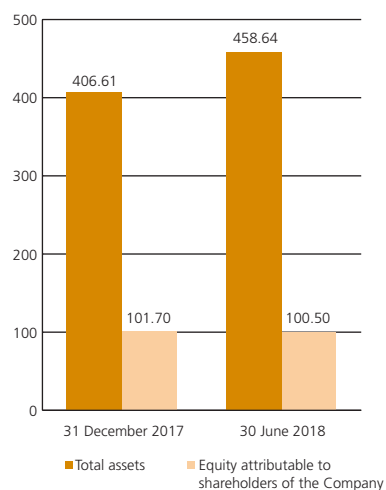
**Weighted average  
return on net assets**



**Gearing ratio**



**Scale merit  
(RMB100 million)**



## NET CAPITAL AND RISK CONTROL INDICATORS OF THE PARENT COMPANY

Unit: Yuan Currency: RMB

Items	At the End of the Reporting Period	At the End of Last Year
Net capital	<b>7,619,530,242.48</b>	7,837,072,661.73
Net assets	<b>9,874,670,029.57</b>	10,066,054,127.25
Sum of various risk capital provisions	<b>3,131,973,710.93</b>	2,118,425,002.87
Total on- and-off balance sheet assets	<b>34,124,709,706.11</b>	28,955,919,340.53
Risk coverage ratio (%)	<b>243.28</b>	369.95
Capital leverage ratio (%)	<b>15.28</b>	18.71
Liquidity coverage ratio (%)	<b>420.95</b>	794.42
Net stable funding ratio (%)	<b>138.72</b>	144.98
Net capital/net assets (%)	<b>77.16</b>	77.86
Net capital/liabilities (%)	<b>31.83</b>	42.27
Net assets/liabilities (%)	<b>41.26</b>	54.30
Proprietary equity securities and its derivatives/net capital (%)	<b>10.94</b>	7.75
Proprietary non-equity securities and its derivatives/ net capital (%)	<b>189.25</b>	127.46
Amount of margin financing (securities lending inclusive)/net capital (%)	<b>120.45</b>	132.78

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

## SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

### I. PARTICULARS OF THE PRINCIPAL BUSINESSES ENGAGED BY THE COMPANY, OPERATING MODELS AND INDUSTRIAL STATUS DURING THE REPORTING PERIOD

#### (I) Principal businesses engaged by the Company and operating models during the Reporting Period

The Company is principally engaged in the brokerage business, investment banking business, investment management business, proprietary trading business and offshore business.

The brokerage business of the Company refers to the Company's business of trading of stocks, funds, bonds and futures on behalf of the customers based on their engagement in return for customers' commission. During the year, in conjunction with the Company's new milestone of "Second Take-off" (二次騰飛), the brokerage business adhered to the goal of "Back to original, Adjust Structure" (回歸本源·調整結構) and focused on "integration of online and offline business" (線上線下一體化) to consolidate the foundation of clients, assets and services and enhance its product sales capability, thereby pushing forward the transformation towards wealth management, adjusting the structure of securities brokerage business and enhancing the professional level and comprehensive customer services ability.

The investment banking business of the Company mainly includes the securities underwriting and sponsorship business, the underwriting business of products with fixed income, the financial consultancy business, and host brokerage business for the New Third Board. In 2018, the Company readjusted and rebuilt the organizational structure and internal control structure of the business lines under investment banking business. Firstly, the Company has established an investment banking management committee, which is the chief decision-making authority for internal operation and management of business lines under investment banking business. Secondly, the Company has established a quality control headquarters in accordance with regulatory requirements and set up "three lines of defense" (三道防線) for internal control of investment banking business that comprises internal audit, compliance and risk management at project division, quality control headquarters and the company level, thereby realizing initial optimization of management structure and comprehensive enhancement of internal control quality. Thirdly, the Company actively introduced new teams to consolidate the development of various talent bases for the investment banking business. Adhering to the strategic vision of "based in Henan with a global perspective", while making dedicated efforts in developing the Henan market, the Company's investment banking business also actively expanded into other regions such as Beijing, Shanghai and Shenzhen with a view to developing the investment banking brand of the Company in full swing.

The Company's investment management business is mainly comprised of asset management business, private fund management business, equity investment and financial asset investment business. The asset management business strives to provide clients with professional and diversified financial products and services, including asset management products and services such as equity, fixed income, MOM/FOF, non-standard financing and ABS. Under the current form of regulation with stringent control, de-leveraging, risk prevention and back to original asset management business, the Company carried out its asset management business based on the concept of "being entrusted by and managing wealth for customers" (受人之托·代人理財). It has also enhanced management responsibility and management level, explored its differentiated advantages and developed the core competitiveness of the asset management business. On the premise of compliance with regulatory requirements, the Company has designed different asset management products for different organizations. The Company carried out its private fund management business by adhering to two major approaches. Firstly, the Company cooperated with local governments to establish industrial funds, which will focus on investment in nurturing local advantageous industries and key enterprises. Secondly, the Company operated with listed companies or large-scale enterprises to establish M&A funds with a view to support the development of the real economy. For equity investment and financial assets investment business, the Company further optimized its investment strategies and pushed ahead with both equity investment and financial assets investment with a focus on both revenue in the current period and revenue in mid-to-long term.

The scope of investment of the proprietary trading business includes publicly offered stocks, bonds, funds, derivatives and other financial products approved by the CSRC. During the development process, the proprietary securities business of the Company has adhered to the principles of value investing and "flexible allocation and stable operation" (靈活配置·穩健操作), resulting in the effective control of investment risks. On the basis that all risks are under control, the Company invested in fixed income products to capture stable and long-term profit. It has also actively created profit for the Company through investment and trading by organizing and implementing the use of capital and deploying fixed income products.

During the Reporting Period, on the basis of the Type 1, Type 2, Type 4, Type 5, Type 6 and Type 9 licenses granted by the SFC, as well as the money lender's license issued by the Court of Hong Kong, the business scope of the Company's overseas business covers comprehensive capital market services, including securities brokerage, margin financing, futures brokerage, investment banking, asset management, securities research, stock-secured financing and proprietary investment, etc. During the first half of 2018, with the rate hike and shrinking scale of balance sheet in the US and the progress of de-leveraging in Mainland China, together with the trade friction resulted from the protectionism of the US, the capital and foreign exchange markets in the PRC and Hong Kong have experienced greater fluctuation. During the first half of 2018, Hang Seng Composite index continued its growth trend in 2017 and reached the high point of 33,484 at the end of January, and dropped subsequently amid fluctuation. It continued to drop to a new low of 27,830 since June. Against the backdrop of a capital market with greater fluctuation, the Company has strictly controlled the risks of its overseas business and thus maintained a stable business scale as a whole. It has also adjusted the asset structure gradually, hence all of its business have developed steadily during the first half of the year.

## **(II) Development stage and cyclical characteristic of the Company's industry and its industry position during the Reporting Period**

The securities industry is a typical cyclical industry that the operation condition of the industry is closely related to the trends of the securities market and the macro-economy. The Chinese securities market has gone through over 30 years of development and gradually developed from an immature and unregulated market into a mature and soundly regulated market. The industry has also been expanding from its original scale. Following the regulated development of the securities market in China, the securities industry has now become a major industry of China's national economy with great contribution in giving support to the real economy and the promotion of national economic growth. The securities industry demonstrates a spiral growth pattern in general.

Currently, the Company is the only securities company that was registered by legal persons in Henan Province. After over 10 years of development, the Company has developed itself into a comprehensive securities company with distinctive advantages in the region. According to Securities Association of China, in the first half of 2018, the Company ranked 39th, 49th and 59th in terms of total assets, net assets and net capital, respectively; and ranked 60th and 64th in terms of operating income and net profits, respectively. The Company was classified into Grade "C" under Class "C" in the 2018 classification and evaluation of securities companies by the CSRC.

## **II. SIGNIFICANT CHANGES OF THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD**

Please refer to Part 1. of the subsection "(III) 2. Asset structure and asset quality" in Section 4 "Discussion and Analysis on Operating Conditions" of this report.

Of which: total overseas assets amounted to RMB2.949 billion, accounting for 6.43% of the total assets.

## **III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD**

### **1. Advantage with shares listed in both Shanghai and Hong Kong**

On 3 January 2017, the Company was listed on the SSE and thus became the eighth securities company whose shares are listed in both A-share and H-share markets among 131 securities companies across China. Accordingly, the Company has the platform for smooth and direct financing both in Shanghai and Hong Kong and for capital operation, which has vigorously expanded the channels for replenishing net capital and working capital.



## 2. Advantage of “six-in-one” whole industry chain service

Currently, the Company has established the “six-in-one” (六位一體) whole industry chain in which Equity Exchange Co. acts as the first part of the chain and covered businesses such as the Fourth-board Market, investment, the New Third Board, IPO and refinancing, providing integrated services of the capital market for enterprises in the real economy and basically forming its own core competitive advantages.

## 3. Unique advantage of Henan

Henan is where the six national strategies are implemented, namely the Central Plains Economic Zone, Zhengzhou Airport Integrated Experimental Zone, the National Core Producing Area of Grains, Zheng – Luo New National Independent Innovation Demonstration Zone, Henan Free Trade Zone and China (Zhengzhou) Cross-Border E-Commerce Pilot Zone. The Central Plains Urban Agglomeration, one of the nation-level urban agglomerations, is also under rapid development. The total GDP of Henan continues to rank fifth across China and it is also the province with the largest population across China, which provides huge room for development of the financial industry. The Company is the only securities company that was registered by legal persons in Henan Province. After 15 years of efforts in Henan, the Company has established good working relationship with local governmental authorities and most of the enterprises with advantages in the province, and thus its business development enjoyed distinctive advantages from being based in Henan.

## 4. Attaching importance to social responsibility performance

The Company placed great emphasis on bringing great rewards to investors and has distributed seven cash dividends since its listing in Hong Kong in 2014, with an accumulated amount distributed of about RMB2.9 billion in aggregate. Meanwhile, the Company continued to make external donations and proactively participated in poverty alleviation by rolling out targeted poverty alleviation programs in Shangcai, Tongbai, Gushi and other under-privileged counties at national-level, which gained a positive social image for the Company.

## 5. POSITIVE CORPORATE CULTURE

Through its long operation and development history, the Company has established its corporate culture founded on the core values of “integrity and kindness, faithfulness and generosity, stringency and perseverance, pragmatism and effectiveness” (樸實善良、誠信厚道、嚴謹執着、務求實效), which vigorously strengthened the Company's cohesion and loyalty, thereby ensuring and promoting the implementation of the Company's development strategies so as to enhance the competitiveness of the Company.

### I. DISCUSSION AND ANALYSIS ON OPERATING CONDITIONS

#### (I) GENERAL OPERATING CONDITIONS

During the first half of the year, as affected by factors such as financial de-leveraging in the PRC, frequent occurrence of risk events and the Sino-US trade war, the securities market has experienced significant downturn and the results of securities dealers recorded decreases in general. The operation of companies were under relatively great pressure. Facing such a difficult operation condition, since March this year, the Company focused on building up its core competitiveness and vigorously carried out comprehensive reform in various aspects from operation philosophy, development planning, organizational structure, performance assessment and work flow, thereby further optimized its market-oriented mechanism, strengthened its endogenous power and enhanced various professional ability, and hence forming a customer-oriented operation model and realizing intrinsic growth. Based on priority of business product lines and the simultaneous reform order of key management areas, the Company has successively reformed and rationalized the investment banking business lines, the proprietary investment business lines, alternative investment subsidiaries, research institutes, Central China Futures and Equity Exchange Co. Meanwhile, the Company also expedited the pilot work of contractual management at management level, through which it has reformed and perfected the decision-making system and mechanism of the Company, and all works in relation to the reform proceeded in a steady and orderly manner. These efforts have brought about a number of positive changes, including enhanced professional quality of the team, significant increase in the number of quality project reserve and increased staff motivation.

During the second half of the year, the Company continued to adhere to the main theme of reform and promoted development by steadily pushing ahead with the reform of the brokerage business lines, asset management business lines, private fund management subsidiaries and Hong Kong subsidiaries, thereby comprehensively completing the reform of all business lines. The Company also increased its support for aspects such as financial technology at headquarters, enhanced the operation efficiency and refined management level of the Company, gradually deepened the reform of functional management segment, and further strengthened its work in relation to compliance and risk control. It also duly fulfilled its social responsibilities and timely formulated strategic plan for development with a view to facilitating the Company in developing its core competitiveness and achieving better development.

#### (II) ANALYSIS OF PRINCIPAL OPERATIONS

##### 1. Brokerage business

During the Reporting Period, the revenue and other income generated from brokerage business amounted to RMB692 million, representing a decrease of 8.51% as compared to the same period of last year.

### (1) Securities brokerage

During the Reporting Period, the accumulated trading amount of shares and funds in Shanghai and Shenzhen stock market reached RMB57.4 trillion, representing a growth of 1.4% over corresponding period last year. [Source: Wind Info]

During the Reporting Period, the Company actively captured the development opportunities arising from the “Second Take-off” (二次騰飛) after its listing to continuously promote business transformation, gradually adjust its business structure, as well as change and enhance its brokerage business with the concept of internet. Adhering to the goal of transformation towards wealth management business, the Company actively commenced its investment advisory business to proactively transform its brokerage business from a channeling services provider to a wealth manager. During the Reporting Period, the Company continuously enriched the content of “Central China Wealth” (財富中原) and its advisory products. Through investment advisory competitions and online and offline training programs, the Company has strengthened the professional training for its investment advisors and enhanced their comprehensive capabilities, optimized the requirements and procedures for standardized services of investment advisors and enhanced the service experience of customers.

As at the end of the Reporting Period, the total number of customers of the Company was 1,745,800, representing an increase of 1.34% as compared to the End of Last Year. The market value of entrusted securities (including the market value of restricted shares) of the Company was RMB150.199 billion; the trading amount of A shares and funds amounted to RMB618.463 billion, with market share of 0.54%; the balance for margin financing and securities lending amounted to RMB4.785 billion, representing a decrease of 16.67% as compared to the End of Last Year. The number of accumulated credit accounts opened was 41,999, representing an increase of 0.97% as compared to the End of Last Year. During the Reporting Period, accumulated credit transaction volume amounted to RMB38.708 billion, representing a decrease of 14.24% as compared to the same period of last year.

As at the end of the Reporting Period, the Company cumulatively had 261,368 signed customers of the “Central China Bible” (中原寶典) and “Central China Housekeeper” (中原管家) investment advisory services. During the Reporting Period, the Company realised commission and fee income of RMB31 million from investment advisory, representing a decrease of 24% as compared to the same period of last year. This was mainly attributable to the decrease in asset scale of customers and significant decrease of commission rate of signed customers due to the fluctuations in the A shares market during the Reporting Period.

### (2) Futures brokerage

During the Reporting Period, the accumulated trading volume in the national futures market was 1.405 billion board lots with an aggregate transaction amount of RMB96.10 trillion, representing a period-on-period decrease of 4.94% and increase of 11.86% respectively. [Sources: China Futures Association]

The Company commenced futures brokerage business through Central China Futures. During the first half of the year, more stringent regulatory requirements have been imposed on the futures market. Central China Futures actively adapted to the new regulatory requirements by adhering to the main principle of “focusing on scale expansion while enhancing efficiency with a firm commitment to transformation” (主攻規模、兼顧效益、堅定轉型) and giving support to the real economy, industry and organization as the foundation, thereby forming a foundation for brokerage business, expanding the scale of asset management business and creating efficiency for risk management business, at the same time enhancing the synergy between the three major business. During the Reporting Period, aggregate trading volume was 8.6858 million board lots, and the accumulated turnover amounted to RMB490.762 billion. As at the end of the Reporting Period, the client margin deposit amounted to RMB631 million, representing an increase of 3.37% as compared to the End of Last Year. Central China Futures is in the mid-range of the industry during the first half of the year.

### (3) Distribution of financial products

The Company made dedicated efforts in establishing a one-stop integrated financial service platform, continuously enriched its financial product lines such as cash management, fixed income, equity investment and promoted its wealth management services portfolio with a focus on financial product allocation. Since this year, the Company firmly adhered to its strategy of transformation towards wealth management and vigorously promoted the sales of its financial products through the establishment of a sales service system for financial products.

During the Reporting Period, the accumulated proxy sale of public fund of the Company amounted to RMB751 million, representing an increase of 223.71% as compared to the same period last year. The accumulated proxy sale of bank wealth management product amounted to RMB1,214 million, representing an increase of 104.38% as compared to the same period last year. Accumulated sales of beneficiary certification products amounted to RMB986 million.

### (4) Internet finance

During the Reporting Period, by pushing ahead works such as iterative development of “Cai Sheng Bao (財升寶)”, establishment of internet marketing service operation system and exploration of intelligent services, the Company has enriched the functions of its internet financial platform, enhanced its online marketing services ability and promoted the enhancement of the degree of satisfaction of the Company’s online customer services, which is a strong support to the transformation and development of the Company’s brokerage business. During the Reporting Period, the Company has had 25,000 securities accounts newly opened through internet. The sales of product on the internet financial platform of the Company amounted to RMB2,558 million, representing an increase of 147.63% as compared to the same period last year.

During the Reporting Period, the Company continued to strengthen its “Media + Finance” (媒體+金融) cross-sector cooperation with Henan Daily Press Group, the most influential local media group in Henan, and promoted the development of new product and new model of “Financial Media + Internet Finance”.

## 2. Investment banking business

During the Reporting Period, the revenue and other income generated from investment banking business amounted to RMB28 million, representing an increase of 15.07% as compared to the same period of last year.

### (1) Equity financing and financial advisory

As at the end of the Reporting Period, the Company completed 1 non-public issuance project of listed company; provided guidance for 6 IPO projects; and 1 IPO project in which the Company acted as the joint lead underwriter has been approved by the Issuance Examination Committee of the CSRC. The Company completed 1 recommended listing project in the New Third Board as the host securities dealer; and completed 3 private offer projects on the New Third Board as the lead underwriter.

### (2) Debt financing

As at the end of the Reporting Period, the Company completed 1 corporate bond underwriting project as the lead underwriter and 1 financial bond project as the joint lead underwriter. During the Reporting Period, the Company has 4 new bond projects that have obtained approval but remained unissued, among which 3 were corporate bonds and 1 was tier-two capital bonds of commercial bank. The Company also completed a medium term note project as the financial advisor.



### 3. Investment management business

During the Reporting Period, the revenue and other income generated from investment and asset management business amounted to RMB136 million, representing an increase of 108.64% as compared to the same period of last year.

#### (1) Asset Management

During the Reporting Period, the Company developed its asset management in strict compliance with the regulatory requirements and provided investors with diversified wealth management products, including collective products, directional products, specialized products, thereby providing high quality services to investors by leveraging its regional advantages and comparative advantages in terms of product design, and thus facilitated the cooperation of investment and financing between investors and borrowers and facilitated the real economy.

As at the end of the Reporting Period, 40 products in the total amount of RMB19.295 billion were managed by the Company, representing a decrease of 8.32% as compared to the End of Last Year. Among them, 23 asset products in the amount of RMB7,059 million were under collective asset management scheme, representing an increase of 4.59% as compared to the End of Last Year, 15 asset products in the amount of RMB11.406 billion were under targeted asset management scheme, representing a decrease of 13.94% as compared to the End of Last Year, and 2 asset products in the amount of RMB831 million were under specific asset management scheme, representing a decrease of 20.33% as compared to the End of Last Year.

#### (2) Private fund management

The Company commenced private fund management business through ZDKY Venture Capital. ZDKY Venture Capital pushed ahead with its private fund management business through two major approaches. Firstly, by integrating the resources advantages and organizational advantages of the government with the Company's advantages in professional and market-oriented operation of funds, the Company cooperated with local governments to establish industrial funds in accordance with the industrial plans of the local governments. The funds will focus on the investment in relation to nurturing of local advantageous industries and key enterprises, at the same time attract investment and capital from local investors and facilitate industry transfer. Secondly, by integrating the industrial advantages of listed companies and large-scale enterprises with the Company's advantages in terms of capital operation, the Company has cooperated with listed companies or large-scale enterprise to establish M&A funds to facilitate the industrial layout, M&A and reorganization of the above enterprises.

During the Reporting Period, the Company newly established 4 funds with a total amount under management of RMB4 billion. The funds under managed made a total of 6 investments with a total investment amount of RMB536 million. The Company exited 2 equity investment projects and recovered capital of RMB16.7786 million; and partially exited 1 debt investment project with a total amount of RMB108,000.

### (3) Equity investment and financial assets investment

The Company commenced equity investment and financial assets investment through Central China Blue Ocean. Central China Blue Ocean further optimized its investment strategy and pushed ahead with both equity investment and financial assets investment with a focus on both revenue in the current period and revenue in mid-to-long term. Meanwhile, Central China Blue Ocean gave its best efforts in post-investment management of its investment projects to ensure safety of capital. Central China Blue Ocean actively rationalized the regulatory documents in relation to risk and compliance management of alternative subsidiaries of securities dealers. It has also gradually established a sound risk and compliance management system for investment-related businesses and pushed ahead the rectification works, thereby maintaining stringent risk control. During the Reporting Period, Central China Blue Ocean completed a total of 19 equity investment projects and 20 financial product investment projects.

## 4. Proprietary trading

During the Reporting Period, the revenue and other income generated from proprietary trading business amounted to RMB334 million, representing an increase of 95.83% as compared to the corresponding period of last year.

### (1) Equity investment

Against the backdrop of financial de-leveraging, due to the Sino-US trade war and the exposure to risks in relation to pledge of equity, the A-share market experienced systematic decrease during the first half of the year. SSE Composite Index, Shenzhen Stock Exchange Component Index, Shenzhen Stock Exchange Small and Medium Enterprise Index and Shenzhen Stock Exchange Growth Enterprise Index closed at 2,847.42, 9,379.47, 6,477.76 and 1,606.71, representing decreases of 13.90%, 15.04%, 14.26% and 8.33%, respectively. [Source: Wind Info]

In the face of the systematic decrease of the market, equity investment actively adjusted its investment scale and strictly controlled risks in relation to its business. It has also strengthened its efforts in team building and enhancing professional capabilities, and actively optimized its strategies in diversifying its products, thereby laying a sound foundation for capturing investment opportunities.

### (2) Fixed income investment

During the Reporting Period, the bond market has shifted from a bear market to a bull market. However, the lowered risk preference has resulted in concentrated renewal in interest rate bond and high-rated credit bond. The interest rate of bonds was highly divergent with greater term spread and credit spread. As at the end of the Reporting Period, the ChinaBond Composite Index (net price) increased from 97.97 from the beginning of the year to 99.78, up by 1.85%; while the ChinaBond Composite Index (full price) increased from 113.37 from the beginning of the year to 115.82, up by 2.16%. [Sources: Wind Info]

In response to the market trends, the Company would make appropriate allocation of its positions for investment in fixed income products by increasing its positions for bonds with high credit rating with a view to preventing and controlling credit risks. On the basis of strengthening and maintaining the relationship with existing clients, the Company also continued to explore new quality clients and capture market trends and opportunities for business expansion to create revenue with its proactive efforts. It has also carried out its work in relation to compliance and risk management properly to enhance internal management quality.

### 5. Overseas business

During the Reporting Period, the revenue and other income generated from overseas business amounted to RMB67 million, representing a decrease of 21.79% as compared to the same period of last year.

During the Reporting Period, the average daily trading amount in the Hong Kong securities market amounted to HK\$126.6 billion, representing an increase of 67% as compared with the same period last year; the total amount of funds raised through IPO amounted to HK\$50.409 billion, representing a decrease of 8.1% as compare to the same period last year, while the number of newly listed companies was 108 [Source: website of the Hong Kong Stock Exchange]. Amid the market environment of great fluctuation in the Hong Kong securities market, Central China International upheld the development direction of internationalization, marketization and professionalization as determined by the Board and focused on the industrial chain of full-licensed securities business in Hong Kong. It has implemented sound compliance policy and moderately aggressive risk control policies so as to enhance professional qualities, strengthen licensing business, optimize capital business. Under the guidance of the goal of "maximizing profits that are comparable with Chinese securities dealer of the same type in Hong Kong", it has achieved steady development for its various businesses. As at the end of the Reporting Period, Central China International basically maintained steady development of its securities brokerage business by leveraging the growth of accounts of the brokerage business. The number of securities brokerage business accounts reached 5,871, representing an increase of 11.45% as compared to the End of Last Year. The market value of client positions amounted to HK\$7.839 billion, and the accumulated share transaction volume amounted to HK\$6.929 billion, representing an increase of 39.39% as compared to the same period last year. Against the backdrop of greater fluctuation in the Hong Kong securities market, Central China International actively rationalized the conditions of margin financing projects by increasing measures for risk assurance and lowering risk tolerance. As at the end of the Reporting Period, the balance of margin financing amounted to HK\$745 million, representing a decrease of 11.41% as compared to the End of Last Year. Under the operating guidance of full-licensed business, the futures business of Central China International has achieved rapid growth. As at the end of the Reporting Period, the number of futures brokerage business accounts reached 86 with entrusted capital from client of HK\$55.0782 million, and the number of accumulated transaction contract amounted to 2.576 million. As for asset management business, as at the end of the Reporting Period, the accumulated number of fund established was 10, with assets under management amounted to HK\$5.113 billion, representing an increase of 2.26% as compared to the End of Last Year. For investment banking business, the Company has completed the organization and establishment of a team for bond business, which is responsible for actively promoting bond business and a series of investment banking projects. As at the end of the Reporting Period, the Company is acting as sponsor and joint sponsor for 5 investment banking projects, 1 independent financial advisor project, 5 compliance advisor projects and 1 additional placing project.

## 6. Headquarters and others

### (1) Securities-backed lending and securities repurchase

During the Reporting Period, the average daily scale of securities-backed lending business made with its own funds logged RMB4.574 billion, up by 88.54% as compared to the same period last year. The interest income came to RMB127 million, representing an increase of 89.94% as compared to the same period last year. As at the end of the Reporting Period, the initial transaction amount to be repurchased amounted to RMB4.40 billion, representing a decrease of 4.39% as compared to the end of last year, with an average performance guarantee percentage of to-be-completed transactions of 198.78%.

As at the end of the Reporting Period, 806 new accounts were opened for securities repurchase business transaction, up by 1.00% as compared to the end of last year; while the balance to be repurchased amounted to RMB39 million. During the Reporting Period, the interest income from securities repurchase business amounted to RMB0.868 million, representing a decrease of 32.61% as compared to the same period of last year.

### (2) Market-making business on New Third Board

During the Reporting Period, the market-making business on New Third Board recorded index fall of 14.87% [source: wind Info]. In view of the market-making business on New Third Board faced systematic risks of continuous index fall and sluggish trading market, the Company has stepped up its efforts in following up post-investment projects, optimizing position structure, exercising strict control over trading risks. Through these measures, the number of market-making entities decreased substantially and the business scale was depressed.

As at the end of the Reporting Period, the Company has 71 market-making stocks on the New Third Board, ranked 30th in the industry in terms of number of market-making entities.



### (3) Innovative business

OTC market:

The Company developed its Over-the-counter (“OTC”) market business in a steady manner. It continued to improve the OTC market business system and actively promote the transfer of OTC market products by launching the transfer function for OTC market products in its mobile App “Cai Sheng Bao (財升寶)”, which supported the liquidity of beneficiary certificates products. It has also developed a normalized issuance mechanism for OTC market products. During the Reporting Period, the Company created and issued 113 series of beneficiary certificates in the OTC market with a total issue size of RMB986 million, which has diversified and perfected the Company's proprietary products portfolio.

Stock option:

The Company continued to organize option investment education and business promotion activities. Through marketing activities such as “Advanced Option Lecture (期權進階講堂)”, Lecture tour on options at branches, “Unique to the Derivatives (慧衍獨到)”, the professional ability of its business personnel in serving clients improved continuously, and the trading volume also recorded steady growth and attained the expected results. During the Reporting Period, the number of accounts newly opened of stock option business of the Company amounted to 124 with a trading volume of options contracts of 638,000 and income of RMB1.969 million. As at the end of the Reporting Period, the Company was ranked 28th and 29th in the industry in terms of market shares in the accumulated number of customers and accumulated trading volume during the Reporting Period, respectively. [Source: SSE]

### (4) Equity Exchange Co.

The Company commenced the business of the Fourth Board through Equity Exchange Co.. During the Reporting Period, Equity Exchange Co. actively promoted the introduction of subsidies and compensation policies by the People's Government of Sanmenxia City. As at the end of the Reporting Period, 18 local governments in Henan Province have introduced financial subsidies and compensation policies to encourage local enterprises to get listed through Equity Exchange Co., which has given strong motivation for enterprises to get listed.

As at the end of the Reporting Period, the number of listed enterprises on the Equity Exchange Co. exceeded 2,700. There were over 260 member units, comprising 221 custodian enterprises with 32.322 billion entrusted shares. During the Reporting Period, the Company facilitated new financing of RMB800 million for various enterprises.

### (5) Research business

During the Reporting Period, the Company's Securities Research Institute released 469 research reports, organized 119 morning meetings and issued morning meeting products, and provided about 106 service items to support the development of the Company's major businesses actively, which provided important research support for the Company's decision-making.

During the Reporting Period, the Company's Securities Research Institute provided support to various researches organized by the competent authorities, including the Henan SASAC, Henan Branch of the CSRC, the National Council for Social Security Fund, the Zhengzhou Branch of People's Bank of China, and compiled various targeted research reports with the contents of which covering various aspects, such as the analysis on landscape of the real estate industry in Henan Province. The Company has also successfully completed the topic presentation at the Securities Association of China, the selected topics was titled "Study on the Reform and Development of State-owned Enterprises from the Perspectives of the Capital Market" (基於資本市場視角的國企改革發展研究).

### (6) Micro-lending business

The Company commenced micro-lending business through Central China Micro-lending. China Micro-lending has enhanced its measures for risk prevention and control with a view to facilitate steady development of business. It has implemented full-process risk control measures over its lending business. Pursuant to which, it has formulated guidance for credit granting, determined positioning of target customers, determined asset portfolio, adopted the "white list" system. Such measures will be revised and perfected based on market conditions on a continuous basis. It also adopted a system of "separation of due diligence and approval (審貸分離)" and "classified examination (分級審批)" to enhance the inspection quality after granting of loans. As at the end of the Reporting Period, the balance of loans amounted to RMB1,316 million, which was mainly invested in enterprises engaging in industrial and agriculture-related businesses, small and micro-sized companies and other entities and enterprises, with a view to supporting the development of the real economy in Henan Province. During the Reporting Period, the interest income from loans amounted to RMB64.5884 million.

### (III) FINANCIAL STATEMENTS ANALYSIS

#### 1. Analysis on the profitability of the Company during the Reporting Period

The Group realized total revenue and other income of RMB1,496 million, representing an increase of 14.2% as compared to the same period last year, of which securities brokerage business accounting for RMB294 million, representing a decreased by 13.6% as compared to the same period last year; futures brokerage business accounting for RMB167 million, representing a decreased by 2.1% as compared to the same period last year; margin financing and securities lending businesses accounting for RMB231 million, representing a decreased by 5.9% as compared to the same period last year; investment banking business accounting for RMB28 million, representing a increased by 15.1% as compared to the same period last year; proprietary trading business accounting for RMB334 million, representing a increased by 95.8% as compared to the same period last year; investment and asset management business accounting for RMB136 million, representing a increased by 108.6% as compared to the same period last year; overseas business accounting for RMB67 million, representing a decreased by 21.8% as compared to the same period last year; headquarters and others accounting for RMB255 million, representing a decreased by 6.8% as compared to the same period last year.

During the Reporting Period, the Group's total expenses were RMB1,285 million, representing an increase of 18.6% as compared to the same period last year.

During the Reporting Period, the Group realized net profit attributable to shareholders of the Company of RMB146 million, representing an increase of 9.3% as compared to the same period last year; basic/diluted earnings per share of RMB0.04, representing an increase of 33.3% as compared to the same period last year; weighted average return on net assets of 1.43%, representing an increase of 0.16 percentage points as compared to the same period last year.

#### 2. Asset structure and asset quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB45,864 million, representing an increase of 12.8% as compared to RMB40,661 million as at the End of Last Year. Total liabilities amounted to RMB34,544 million, representing an increase of 18.3% as compared to RMB29,209 million as at the End of Last Year. Equity attributable to shareholders of the Company amounted to RMB10,050 million, representing a decrease of 1.2% as compared to RMB10,170 million as at the End of Last Year.

Our asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of the following: cash assets, which primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB10,185 million, representing 22.2% of our total assets. Financing assets, which primarily included margin accounts receivables and financial assets held under resale agreements, amounted to RMB19,198 million, representing 41.9% of our total assets. Financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB15,034 million, representing 32.8% of our total assets. Other operating assets, which primarily included property and equipment, investment properties and intangible assets, amounted to RMB1,447 million, representing 3.1% of our total assets. As at the end of the Reporting Period, the Group has mainly made corresponding impairment provision for margin accounts receivable and financial assets held under resale agreements.

Our gearing ratio remained stable. As at the end of the Reporting Period, the total self-owned liabilities of the Group after deducting accounts payable to brokerage clients from total liabilities amounted to RMB26,496 million, representing an increase of RMB5,247 million or 24.7% as compared to the total self-owned liabilities of RMB21,248 million as at the end of last year, mainly attributable to the increase in the Company's financial assets sold under repurchase agreements and bonds payables. Calculated by assets and liabilities after deducting accounts payable to brokerage clients, the gearing ratio as at the end of the Reporting Period was 70.1%, up by 5.1 percentage points from the gearing ratio of 65.0% as at the end of last year.

### 3. Cash flow

Excluding the effect of changes in client margin deposit, due to the cash outflow generated from operating activities, investment activities and financing activities of the Group during the Reporting Period, the net increase in cash and cash equivalents of the Group amounted to RMB-1,200 million during the Reporting Period.

During the Reporting Period, net cash flow arising from operating activities amounted to RMB-661 million, representing a period-on-period decrease of RMB2,255 million from RMB1,594 million in the corresponding period last year which was mainly due to the increase in financial assets measured at fair value through profit or loss and the increase in net cash outflow from repurchasing business. During the Reporting Period, net cash flow arising from investment activities amounted to RMB-150 million, representing a period-on-period increase of RMB440 million from RMB-590 million in the corresponding period last year, which was mainly due to the decrease in net cash outflow arising from the disposal and acquisition of available-for-sale financial assets. During the Reporting Period, net cash flow arising from financing activities amounted to RMB-388 million, up by RMB3,449 million period-on-period from RMB-3,837 million in the corresponding period last year which was mainly attributable to an decrease in cash paid for redemption of corporate bonds and the increase in cash received from issuance of bonds.

#### 4. Changes in significant accounting policies and accounting estimates

Please refer to the changes mentioned in note 2, note 3 and note 4 to the condensed interim financial information in section X of this report "Report on Review of Interim Financial Information". Except for the change mentioned, during the Reporting Period, there is neither material change in the significant accounting policies and significant accounting estimates of the Company, nor the correction of material accounting errors.

#### (IV) Analysis on major holding and investee companies

Central China Futures: Central China Futures has a registered capital of RMB330 million and was held as to 51.357% equity interests by Central China Securities. As at the end of the Reporting Period, the total assets and net assets of Central China Futures amounted to RMB1,023 million and RMB400 million respectively. During the Reporting Period, Central China Futures recorded operating income of RMB152 million and net profit of RMB10.4011 million.

ZDKY Venture Capital: ZDKY Venture Capital has a registered capital of RMB2 billion and was held as to 100% equity interests by Central China Securities. As at the end of the Reporting Period, the total assets and net assets of ZDKY Venture Capital amounted to RMB1,258 million and RMB993 million respectively. During the Reporting Period, ZDKY Venture Capital recorded operating income of RMB52.9408 million and net profit of RMB35.7494 million.

Central China International: Central China International has a registered capital of HK\$500 million and was held as to 100% equity interests by Central China Securities. As at the end of the Reporting Period, the total assets and net assets of Central China International amounted to HK\$3,497 million and HK\$1,067 million respectively. During the Reporting Period, Central China International recorded operating income of HK\$33 million and net profit of HK\$-23 million.

Central China Blue Ocean: Central China Blue Ocean has a registered capital of RMB3 billion and was held as to 100% equity interests by Central China Securities. As at the end of the Reporting Period, the total assets and net assets of Central China Blue Ocean amounted to RMB2,407 million and RMB2,395 million respectively. During the Reporting Period, Central China Blue Ocean recorded operating income of RMB44.7246 million and net profit of RMB28.5385 million.

## SECTION 4 DISCUSSION AND ANALYSIS ON OPERATING CONDITIONS

The significant growth of the results of Central China Blue Ocean during the Reporting Period was mainly attributable to: Firstly, it has adhered to and effectively implemented an appropriate investment strategy. Central China Blue Ocean has formulated and effectively implemented an appropriate investment strategy. During the Reporting Period, it continued to increase its investment and focused on the active management and value-added services of its investment project, thereby realizing the organic integration of both revenue in the current period and revenue in the long term. Secondly, the contribution from investment gains of individual key investment projects increased. During the Reporting Period, investment projects in respect of dividends for preference shares continued to deliver dividends, thereby contributed stable investment gains.

Equity Exchange Co.: Equity Exchange Co. has a registered capital of RMB350 million and was held as to 35% equity interests by Central China Securities. As at the end of the Reporting Period, the total assets and net assets of Equity Exchange Co. amounted to RMB341 million and RMB336 million respectively. During the Reporting Period, Equity Exchange Co. recorded operating income of RMB16.70 million and net profit of RMB3.60 million.

### (V) OUTLOOK

The outlook of the Company towards the general operating conditions and the main business development of the Group in 2018 has no significant change after the release of the 2017 annual report of the Company.

The Company will continue to expedite the expansion of its brokerage, investment banking, investment and asset management businesses, further develop the Company's international business chain and expand the geographic coverage of the business of the Company and its subsidiaries so as to facilitate business synergy.

It will broaden its international network with a focus on "enhancing professional abilities, ensuring compliant operation and enhancing both quality and efficiency" by adhering to the principle of "one strategy", implementing "four layouts" and strengthening "three aspects of security" under the condition of maintaining stringent control over risks, with a view to achieving rapid growth of the Company's operating results, bringing better returns to its investors and contributing to the community.

At the same time, the Company will enhance operation efficiency, deepen reforms and further strengthen compliance and risk control.



## II. OTHER DISCLOSURE

### (I) Warning and explanation on the expected potential loss in accumulated net profit from the beginning of the year to the end of the next reporting period or the significant changes therein as compared with the same period last year

Applicable Not applicable

### (II) Potential Risks

Major risks include: credit risk, market risk, liquidity risk, operational risk, compliance risk, etc. To fully uncover its operational risks and control them within a reasonable range, the Company measured risks by such means as duration analysis, sensitivity analysis and scenario analysis and differentiated, prevented and managed various risks by screening, classification, analysis, etc. in order to achieve the Company's strategic development goal and maximize the interests of the shareholders and the Company. Specific details are set out as follows:

#### 1. Credit risk and polices

Credit risks refer to risks of losses arising from a borrower or counterparty's failure to perform an agreement as agreed. Since full margin settlement for brokerage can practically avoid relevant credit risks, currently the Company's credit risk mainly comes from bond investment, margin financing and securities lending, securities-backed lending and securities repurchases, specifically in the following aspects: (1) default or ratings downgrade of investment targets; (2) a counterparty's default; (3) customers' failure to duly repay loans or securities; and (4) receivables' becoming bad debts.

With regard to credit risk management in bond investment, the Company, via credit rating, assessed the credit risks of investment products of different credit ratings in terms of investment product, issuer and counterparty; risk supervision and control include classification management of various investment products and counterparties as well as daily monitoring on credit of position investment products. As stipulated by the Company, all transactions beyond the authorized trading volume shall be reported to the Risk Management Headquarters as well as the upper authority for examination and approval. Then the Risk Management Headquarters would examine the transaction and settlement methods, credit rating of the counterparty and other aspects concerning the investment product and point out any transaction risk. As for the credit risk of receivables, the Company has fully made provision for bad debts according to the debtor's business operation, cash flow and bad debt provision policies.

With regard to credit risk management of margin financing and securities lending and securities repurchases, the Company, by formulating various strict regulations and measures, controlled credit risk in these businesses in such steps as credit investigation, credit granting, marking to market and closed position, including strict customer entry barrier, credit investigation and credit standards and credit granting by the headquarters only, strict requirements on collateral, discount rate, deposit ratio and collateral ratio, daily marking for transactions, mandatory closing position when agreed level has been met, and subsequent asset claims against customers in case the capital or securities from the mandatory closing of the securities companies was not adequate to settle the Company's debts arising from margin financing and securities lending provided to the customers. The Company also implemented customer credit rating through a special rating template and reviews on the results and the template.

With regard to credit risk management of securities-backed lending, the Company has established a stringent client selection and project risk assessment system. Branches are responsible for the preliminary review of project information provided by clients in order to understand clients' identities, income, and investment experience and risk appetite. The business departments of the headquarters will then compile a due diligence report on a "case-by-case" basis and submit to the relevant decision committee for risk assessment, in addition to daily marking and dynamic monitoring of the ratio of performance to collateral. The Risk Management Headquarters of the Company is responsible for risk monitoring after the account has been approved, which mainly includes such risk control indicators as business scale, concentration per client, concentration per stock, ratio of performance to collateral, to ensure effective prevention against credit risk.

As for margin financing and securities lending, securities-backed lending and securities repurchases, the Company has made provision for bad debts as at the end of the period.

### **2. Market risk and policies**

Market risk refers to the possibility of losses or reduced income due to general or local changes in the market. It consists of risk of price fluctuations of equity assets, interest rate risk, exchange rate risk, etc. Price risk mainly refers to the risk of losses in the company due to unfavorable changes in the price of securities like stocks brought by fluctuations in the securities market. Quantitatively, market price fluctuations of financial instruments held for trading will impact the Group's profit; and the market price fluctuations of available-for-sale financial instruments will impact shareholders' equity of the Company in the same proportion. Interest rate fluctuation risk refers to the risk of fluctuations in the Company's financial position and cash flow due to interest rate changes in the market. In particular, the interest-bearing assets susceptible to market interest rate changes are mainly bank deposits, settlement reserves, guarantee deposits paid and bond investments. Exchange rate risk refers to the possibilities that the Company may suffer losses from operating activities which involve holding or using foreign exchange due to change in exchange rate. The Company has had relatively few foreign currency assets susceptible to exchange rate fluctuations.

To prevent market risks, the Company took the following measures: (1) followed a strict investment authorization system. The management of the Company is responsible for breaking down and allocating business size and risk limits for equity products proprietary trading and fixed income products proprietary trading during the year within the authorization granted by the Board, while the Risk Management Headquarters is responsible for monitoring relevant indexes and warning of risks; (2) established a multi-index risk monitoring and evaluation system. A quantitative index system was established to measure and evaluate risks in proprietary businesses by such means or tools as restriction on concentrated investment, scenario analysis, stress test, sensitivity analysis, etc.; (3) controlled trading procedures in an all-round way. The Company monitored various indexes via the investment management system, controlled the quota, bond rating and concentration ratio of proprietary bond trading in advance and responsively evaluated and reported business risks brought by market changes.

### 3. Liquidity risk and policies

Liquidity risk refers to the risk which 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 view of the liquidity risk, the Company controls investment size of its proprietary business in a rational manner by diversifying share investments, paying attention to liquidity risk management, setting small quotas against all marketable securities within the same type of investments, thereby maintains liquidity risk at a relatively low level. Based on conditions such as business development, financing ability and control index of liquidity risks, the Company has rationally determined the scale of debt financing and term of financing, strengthened its real time monitoring and management of significant amount of funds so as to achieve centralised allocation and coordination of capital and avoid liquidity risks resulted from centralised maturity of debts. The Company also made use of various financing methods and channels in a comprehensive manner to timely satisfy the Company's liquidity needs. Moreover, the Company used net capital and liquidity-based monitoring system for monitoring risk control indicators, and used stress tests to assess the impact of business activities on net capital and liquidity.

### 4. Operational risk and policies

Operational risk refers to risk of financial loss resulting from improper operation of transaction process or management system.

In view of operational risk management, the Company's employees in various business risk control posts control and report the frontline risks involved in the businesses in their charge and ensure the respective independence of both functional departments and frontline business departments. The Risk Management Headquarters of the Company join hands with relevant departments to monitor the operational risk profile of brokerage business, proprietary business, fixed income business and others if and when appropriate, and has formulated a risk control system. In view of adopting quantitative management, the Company has decreased the technological and artificial risks and improved the risk management efficiency through stringent operational control procedure for risks not quantifiable.

### 5. Compliance risk and polices

Compliance risk refers to the risk of legal sanction, being subjected to supervisory measure, self-discipline penalty, loss of property or reputation on companies arising from violation of laws, regulations or rules due to the operation and management or practices of the Company or its personnel.

Compliance risks of the Company include the risk of operational non-compliance of brokerage business, such as acceptance of discretionary entrustment of client, engagement of personnel without qualification for dealing with securities in marketing activities, the shareholding in a single stock in proprietary business and asset management business exceeding the specified proportion under regulatory requirements, failure to meet due diligence obligations of sponsors for investment banking business, failure to complete filing procedures for consultation on foreign investment in investment advisory business, etc.

The Company conducted effective management and control on the legal compliance risk through legal compliance review, legal compliance monitoring, legal compliance examination, legal compliance supervision and legal compliance training.

### (III) EMPLOYEES, REMUNERATION POLICIES AND TRAINING

As at the end of the Reporting Period, the Group has a total of 2,833 employees, including 2,458 from the Company and 375 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 directly to business performances. Under a strict performance assessment mechanism, it also increased incentives for special contributors to inspire the staff. Through remuneration research, the Company formulated corresponding remuneration policies according to the characteristics and market value of different talent under the condition of ensuring a generally competitive remuneration. The Company's remuneration consists of basic salary, floating salary, 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, to further enhance its ability in providing enterprise welfare and protection.

The Company provided tailor-made training programs to its cadres and staff, and continued to strengthen trainings 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 trainings in the first half of the year.

### (IV) Other disclosure

Applicable Not applicable

## I. SUMMARY OF GENERAL MEETING

<b>General meeting</b>	<b>Date of convention</b>	<b>Directory to designated site of publication of the resolution</b>	<b>Date of disclosure of the publication of resolution</b>
Annual General Meeting 2017	17 May 2018	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	17 May 2018
1st A Shares Class Meeting 2018	17 May 2018	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	17 May 2018
1st H Shares Class Meeting 2018	17 May 2018	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	17 May 2018



### Particulars of general meetings

During the Reporting Period, the Company convened 3 general meetings in total, including 1 annual general meeting, 1 A share class meeting and 1 H share class meeting, with the information about the meetings and resolutions set out as follows:

1. Central China Securities Co., Ltd. convened the annual general meeting 2017 on 17 May 2018, and considered and approved the resolution on the election of Mr. Chang Junsheng as a Director for the fifth session of the Board, the work report of the Board for the year of 2017, the work report of the supervisory committee for the year of 2017, the profit distribution plan for the second half of 2017, the annual report for the year of 2017 and the summary of the report, the final accounts report for the year of 2017, the resolution on the reappointment of domestic and overseas auditing firms for the year of 2018, the remuneration and evaluations of the Directors for the year of 2017, the remuneration and evaluations of the supervisors for the year of 2017, the proposal of determination of remuneration of the legal representative (chairman) of Central China Securities Co., Ltd. for the year of 2016, the proposal of determination of remuneration of the president (executive Director) of Central China Securities Co., Ltd. for the year of 2016, the proposal of determination of remuneration of the chairman of supervisory committee of Central China Securities Co., Ltd. for the year of 2016, the resolution on the business scale and affordable risk limits of securities proprietary trading for the year of 2018, the resolution on the provision of guarantee for the subsidiary Central China International Financial Holdings Company Limited, the resolution on the estimated ordinary related party/connected transactions for the year of 2018, the resolution on the amendments to the Articles of Association, the resolution on the amendments to the Rules of Procedures for the Meeting of the Supervisory Committee, the resolution on the extension of the validity period of issuance of A Share Convertible Bonds and the authorization period in relation to the issuance and the resolution on the election of supervisors of the fifth session of the supervisory committee of the Company.
2. Central China Securities Co., Ltd. convened the 1st A Shares Class Meeting 2018 on 17 May 2018, and considered and approved the resolution on the extension of the validity period of issuance of A Share Convertible Bonds and the authorization period in relation to the issuance.
3. Central China Securities Co., Ltd. convened the 1st H Shares Class Meeting 2018 on 17 May 2018, and considered and approved the resolution on the extension of the validity period of issuance of A Share Convertible Bonds and the authorization period in relation to the issuance.

## II. PROPOSAL OF PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL

### (I) DECLARED INTERIM PROPOSAL OF PROFIT DISTRIBUTION AND TRANSFER OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

Whether making profit distribution or transferring capital reserves into share capital	Yes
Amount of dividend for every 10 shares (RMB) (including tax)	0.10

Explanation of proposal of profit distribution or transfer of capital reserve fund into capital

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

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

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

In view of long-term development and sustainable reward to investors, the Company made the following distribution plan of profits for the first half of 2018 which approved that based on the total share capital of 3,869,070,700 Shares as of 30 June 2018 as the basis, the Company may distribute cash dividends of RMB0.10 per 10 shares (tax inclusive) to all shareholders whose names appeared on the Company's register of members on the record date thereof, with total cash dividends of RMB38,690,707.00. Cash dividends are dominated and declared in Renminbi, and paid in Renminbi and HK Dollars to holders of A Shares and H Shares, respectively. The actual amount in HK Dollars will be based on the average benchmark rate between Renminbi and HK Dollar published by the People's Bank of China five working days prior to the date of the general meeting to be held to consider the distribution plan of profits for the first half of 2018. The distribution budget plan of profits for the first half of 2018 was considered and approved by the 54th meeting of the 5th session of the Board of the Company and the independent directors have expressed their independent opinions thereon, which is subject to the consideration and approval by the general meeting.

After the distribution plan of profits for the first half of 2018 being considered and approved at general meeting, the cash dividends will be paid within 2 months from the date of such general meeting.

The distribution budget plan of profits aforesaid is of high transparency and in compliance with regulations and the Company's Articles of Associations and approval procedures that the criteria and proportions of dividends are definite and clear, the relevant decision-making procedures and mechanisms are complete, the independent Directors have fulfilled their responsibilities and duties and expressed their independent opinions in fully protecting the legitimate rights and interests of minority shareholders.

The Company will later announce the record date and the book closure date for the distribution of H Share dividends.

### III. PERFORMANCE OF UNDERTAKINGS

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

Background	Type of undertakings	Undertaking party	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in the next steps
Undertaking in relation to the initial public offering	Shares subject to lockup	Henan Investment Group Co., Ltd	Undertakings by shareholders in relation to voluntary lock-up of shares held	36 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Resolving business competition		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		
	Shares subject to lockup	Bohai Industrial Investment Fund Management Co., Ltd.* (渤海產業投資基金管理有限公司) (representing Bohai Industrial Investment Fund)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Anyang Iron & Steel Group Co., Ltd.* (安陽鋼鐵集團有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	China Pingmei Shenma Energy & Chemical Group Co., Ltd.* (中國平煤神馬能源化工集團有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		

\* For identification purpose only

## SECTION 5 SIGNIFICANT EVENTS

Background	Type of undertakings	Undertaking party	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in the next steps
	Shares subject to lockup	Anyang Economic Development Group Co., Ltd.* (安陽經濟開發集團有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Jiangsu SOHO Holdings Group Co., Ltd.* (江蘇省蘇豪控股集團有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Xuchang Superlift Construction Materials Science & Technology Co., Ltd.* (許昌施普雷特節能科技有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Guangzhou Liby Investment Co., Ltd.* (廣州立白投資有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Henan Shenhuo Group Co., Ltd.* (河南神火集團有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Henan Jinlong Industrial Co., Ltd.* (河南省金龍實業有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Jiaozuo Economic and Technology Development Co., Ltd.* (焦作市經濟技術開發有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		

\* For identification purpose only

## SECTION 5 SIGNIFICANT EVENTS

Background	Type of undertakings	Undertaking party	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in the next steps
	Shares subject to lockup	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd.* (山東環球漁具股份有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Jiangsu Huiyou Woollen Sweater Co., Ltd.* (江蘇惠友毛衫有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Zhangjiagang Freetrade Science & Technology Co., Ltd.* (張家港保稅科技股份有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Shenzhen Rising Investment Development Co., Ltd.* (深圳市廣晟投資發展有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to lockup	Hebi Construction & Investment Group Co., Ltd.* (鶴壁市經濟建設投資集團有限公司)	Undertakings by shareholders in relation to voluntary lock-up of shares held	12 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Resolving business 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		

\* For identification purpose only



#### IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

After the review and approval by the Company's 2017 annual general meeting, the Company has re-appointed ShineWing Certified Public Accountants (Special General Partnership) as its external auditing firm of 2018 for providing statutory auditing services based on China Accounting Standards for Business Enterprises and internal control auditing services in 2018. The Company has re-appointed PricewaterhouseCoopers as its external auditor for the year of 2018 for providing audit and review services based on International Financial Reporting Standards.

#### V. MATTERS RELATING TO BANKRUPTCY AND REORGANISATION

The Company was not involved in any matters relating to bankruptcy or reorganisation during the Reporting Period.

#### VI. MATERIAL LITIGATION AND ARBITRATIONS

There is no material litigation or arbitration of the Company during the Reporting period.

#### VII. PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRER

- (1) On 30 November 2017, the Company received an investigation notice from the CSRC (Ji Cha Zong Dui Diao Cha Tong Zi No.171577) (稽查總隊調查通字171577號). The CSRC has decided to initiate investigation proceedings against the Company. On 2 August 2018, the Company received the Decision on Administrative Penalty ([2018] No. 76) (《行政處罰決定書》([2018]76號)) from the CSRC. The CSRC imposed administrative penalties for the fact that the Company is alleged to not perform its due diligence duties as the financial advisor for the equity acquisition of Xuzhou Jieneng Technology Development Investment Co., Ltd (徐州傑能科技發展投資有限公司) by Tianjin Fengli Innovation Investment Co., Ltd. (天津豐利創新投資有限公司). For details, please refer to the relevant announcements disclosed by the Company on SSE on 2 December 2017 and 3 August 2018 (announcement no.: 2017-097 and 2018-050) and the announcements published on the HKEXnews website of the Hong Kong Stock Exchange on 1 December 2017 and 2 August 2018.
- (2) On 9 February 2018, the Company received "Decision on the Order of Rectification for Supervision and Management Measures against Central China Securities Co., Ltd." (No.: Decision Letter on Administrative Regulatory Measures of the Henan Regulatory Bureau ([2018] No.1)), which required the Company to rectify its compliance management rules and internal control management rules. For details, please refer to the relevant announcement disclosed by the Company on SSE on 13 February 2018(announcements no.: 2018-010) and the overseas regulatory announcement published on the HKEXnews website of the Hong Kong Stock Exchange on 12 February 2018.

Save for disclosed above, the Company and its directors, supervisors, senior management, controlling shareholders and de facto controller did not receive any punishment from the relevant regulatory authorities.

## VIII. CREDIT-WORTHINESS OF THE COMPANY, ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, the Company and its controlling shareholder and de facto controller were in good faith. They did not fail to comply with any effective court rulings or settle any material debts which have fallen due.

## IX. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR EFFECTS

On 26 May 2015, Mao Yuan Capital Limited (“Mao Yuan”), a shareholder holding approximately 4.107% of the issued share capital of the Company at the time of issuing the notice, issued a written notice to the Company to propose new resolutions at the extraordinary general meeting and the class meetings regarding the proposed adoption of a share option scheme. Pursuant to the written notice issued by Mao Yuan, it proposed the new resolutions in relation to the adoption of the share option scheme because it hoped that the interest of the Company’s management would be closely bonded with the interest of the Company to make the interests of the management of the Company, investors and the Company aligned, so that the confidence of the shareholders and investors would be enhanced and the interest of the shareholders would be maximized. The share option scheme should be conditional upon: (i) shareholders approve and adopt the Share Option Scheme through a resolution and authorize the Board to grant options according to the share option scheme, and to allot and issue shares upon the exercise of any options; (ii) the implementation of the share option scheme is subject to the laws and regulations of PRC and the jurisdictions in which the shares of the Company are listed; and (iii) the listing committee of the Hong Kong Stock Exchange grants approval of the listing of, and the permission to deal in, any shares to be issued pursuant to the exercise of any options in accordance with the terms and conditions of the share option scheme. The Share Option Scheme had been approved at the 2nd extraordinary general meeting 2015, 1st Domestic Share class meeting and 1st H Share class meeting. The Company will not implement the share option scheme until the conditions for implementation of the Share Option Scheme have been met. For details about the abovementioned share option scheme, please refer to relevant contents in the 2015 annual report of the Company dated 23 March 2016.

### (I) Incentives disclosed in extraordinary announcements without progress or change in the follow-up implementation

Applicable Not applicable

### (II) Incentives not disclosed in extraordinary announcements or with progress in the follow-up implementation

Applicable Not applicable

## X. MATERIAL CONNECTED TRANSACTIONS

On 13 July 2018, Central China Blue Ocean entered into the a capital contribution agreement with Hebi City Economic Construction Investment Group Company Limited\* (鶴壁市經濟建設投資集團有限公司), Henan Coal Storage and Distribution Trading Centre Company Limited\* (河南煤炭儲配交易中心有限公司) (“Henan Coal”), Zhongyuan Dayu Capital Holdings Company Limited\* (中原大禹資本控股有限公司), Hebi City Qibin Development Investment Company Limited\*(鶴壁市淇濱開發投資有限公司), Henan Magnesium Company Limited\* (河南鎂業有限公司) and China Nonferrous Metals Techno-Economic Research Institute\* (有色金屬技術經濟研究院) (collectively referred to as the “Capital Contributors”), pursuant to which the Capital Contributors agreed to establish Hebi Magnesium Trading Centre Company Limited (鶴壁鎂交易中心有限責任公司)(“Hebi Magnesium Trading Centre”) with a registered capital of RMB100 million. Upon completion of the transaction contemplated under the Capital Contribution Agreement, the Group will, through Central China Blue Ocean, hold 10% of the equity interest in Hebi Magnesium Trading Centre.

On 13 July 2018, Henan Investment Group is the largest substantial shareholder of the Company. Meanwhile, Henan Investment Group holds approximately 64.2% of the equity interest in Henan Yuneng Holdings Co., Ltd.\* (河南豫能控股股份有限公司) (“Yuneng Holdings”), which holds approximately 80% of the equity interest in Henan Coal, which in turn is the indirect subsidiary of Henan Investment Group, and thus Henan Coal is an associate of Henan Investment Group pursuant to Rule 14A.13(1) of the Listing Rules. Accordingly, Henan Coal is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The transaction contemplated under the Capital Contribution Agreement constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules. For details of the connected transaction mentioned above, please refer to the announcement of the Company dated 13 July 2018 published on HKEXnews website of the Hong Kong Stock Exchange.

## XI. CONTRACTS OF SIGNIFICANCE AND THEIR EXECUTION

### 1 Trust, contracting and lease matters

The Company was not involved in any matters relating to trust, contracting or lease of material importance during the Reporting Period.

### 2 Guarantee

Unit: Yuan Currency: RMB

Relationship between guarantor and the listed company	Party guaranteed	Amount of guarantee	External guarantees provided by the Company (excluding the guarantees for subsidiaries)				Guarantee type	Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counter-guarantee exists	Related parties guaranteed or not	Related relationship
			Date of provision of guarantee (execution date of agreement)	Commencing date of guarantee	Expiry date of guarantee	Guarantee type							
Total amount of external guarantees incurred in the Reporting Period (excluding the guarantees provided for subsidiaries)													0
Total balance of external guarantees at the end of the Reporting Period (A) (excluding the guarantees provided for subsidiaries)													0
Guarantees provided by the Company and its subsidiaries for subsidiaries													
Total amount of guarantees provided for subsidiaries during the Reporting Period													126,465,000.00
Total guarantee balance provided for subsidiaries at the end of the Reporting Period (B)													676,351,500.00
Total amount of guarantees provided by the Company (including those for subsidiaries)													
Total amount of guarantees (A+B)													676,351,500.00
Percentage of total guarantee over the net assets of the Group (%)													5.97
Including:													
Amount of guarantees provided to shareholders, de facto controller and their related parties (C)													
Portion of amount of debt guarantees directly or indirectly provided for 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 undertake joint liabilities for repayment													
Explanations on guarantees													As at the end of the Reporting Period, the Company provided counter-guarantee for Central China International's overseas loans, with the balance of which amounting to RMB676,351,500.00 in total (of which: HK\$565,000,000.00 and RMB200,000,000.00).

### 3 Other material contracts

Applicable  Not applicable

## XII. POVERTY ALLEVIATION BY THE LISTED COMPANY

### 1. Targeted Poverty Alleviation Planning

- (1) According to the relevant requirements of Opinions on the Performance of Social Responsibility Regarding Poverty Alleviation by the Securities Industry (《關於證券行業履行脫貧攻堅社會責任的意見》) issued by Securities Association of China, the Company established leading groups and offices supporting poverty alleviation in a view to supporting the work in relation to poverty alleviation in Henan Province.
- (2) Provide comprehensive poverty alleviation services to under-privileged counties by leveraging the advantage of “six-in-one” (六位一體) whole industry chain. Firstly, the Company demonstrated the influence of Equity Exchange Co. to meet the targeted demand of small and medium enterprises in under-privileged counties for listing and financing. Secondly, the Company demonstrated the advantages of its investment banking business to assist enterprises in under-privileged counties poverty to be listed on the main board and the New Third Board. Thirdly, the Company invested directly in the enterprises in under-privileged counties.
- (3) Establish industrial investment fund with joint efforts. ZDKY Venture Capital and ZZKY Venture Capital commenced in-depth cooperation with under-privileged counties to establish corresponding industrial investment funds that operate on market-oriented principles, thereby providing funding support and assistance to different quality enterprises in under-privileged counties by leveraging the funds’ manpower and resources advantages.
- (4) Step up its efforts in charity works and poverty alleviation in under-privileged counties by leveraging the advantage offered by the platform of Henan Foundation for Poverty Alleviation.
- (5) Provide targeted poverty alleviation for under-privileged counties and villages.

### 2. Summary of Targeted Poverty Alleviation during the Reporting Period

During the Reporting Period, the Company purchased agricultural by-products through poverty alleviation regarding consumption from under-privileged villagers in villages, like Zhangzhuang Village and Luo Chen Village, with the amount of RMB210,000, assisting directly or indirectly 78 under-privileged individuals and helping 3 under-privileged individuals out of poverty with partnership support. The Company donated 100 wheelchairs to Pingyu County, providing 100 disabled people in Pingyu County with convenience. Furthermore, the executives of the Company donated RMB42,000 to 28 under-privileged individuals in Pingyu County from the Pair-up Assistance fund for the first half of the year. We also recommended 21 excellent enterprises, such as BaiRuen Environment (百潤環保), in Shangcai County to be listed on the Equity Exchange Co.. The Company commenced charitable poverty alleviation activities through Henan Foundation for Poverty Alleviation.

### 3. Effectiveness of Targeted Poverty Alleviation

Unit: 10,000 Currency: RMB

Index	Number and implementation information
I. General information	
Including: 1. Cash converted from materials	27.2
2. Number of registered poor people who were helped to be out of poverty	31
II. Itemized input	
1. Poverty alleviation regarding industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	<input type="checkbox"/> Poverty alleviation regarding agriculture and forestry industry <input type="checkbox"/> Poverty alleviation regarding tourism <input checked="" type="checkbox"/> Poverty alleviation regarding e-commerce <input type="checkbox"/> Poverty alleviation regarding assets and revenues <input type="checkbox"/> Poverty alleviation regarding technology <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount invested in industrial poverty alleviation projects	21
1.4 Number of registered poor people who were helped to be out of poverty	3
2. Poverty alleviation regarding education	
Including: 2.1 Number of endowed poor students	90
2.2 Amount invested in improving education resources in under-privileged areas	1
3. Basic income guarantee	
Including: 3.1 Amount invested in helping the poor and physically disabled people	4.2
3.2 Number of poor and physically disabled people	28
4. Other projects	
Including: 4.1. Number of projects	1
4.2. Amount Invested	1
III. Achievements and honors (content, level)	The Company received the "2017 Caixin Capital Market Achievement Award (2017年度財新資本市場成就獎)" from Caixin Media. The Company was named one of the Top 10 Listed Company in terms of Social Responsibility in the PRC (Poverty Alleviation Special Award) (扶貧攻堅特別獎) in 2017.



#### 4. The progress on performing the social responsibility of targeted poverty alleviation

During the Reporting Period, The progress on performing the social responsibility of targeted poverty alleviation of the Company is as follows:

- (1) The Company actively fulfilled its social responsibilities, facilitated poverty alleviation work, earnestly implemented targeted poverty alleviation and focused on helping every village and every individual through poverty alleviation regarding consumption. During the Reporting Period, the Company purchased agricultural by-products from under-privileged villagers in villages, like Zhangzhuang Village and Luochen Village, with the amount of RMB210,000, assisting directly or indirectly 78 under-privileged individuals and helping 3 under-privileged individuals out of poverty with partnership support.
- (2) The Company attended the award ceremony of “2017 Caixin Capital Market Achievement Award (2017年度財新資本市場成就獎)” organized by Caixin Media (財新傳媒) and was named one of the Top 10 Listed Company in terms of Social Responsibility in the PRC (Poverty Alleviation Special Award) (扶貧攻堅特別獎) in 2017.
- (3) The Company donated money to Gushi County, Shangcai County and Tongbai County, supporting the construction of service centers for party members at grassroots level in 11 villages. The constructions in 9 villages have been completed.
- (4) The Company attended the completion and donation ceremony of construction of basic infrastructure in Guangshan County, and donated RMB20,000.
- (5) The Company donated 100 wheelchairs to Pingyu County. The donation not only helped the beneficiaries to solve their difficulties, but also allowed them to feel the warmth from the family-like society.
- (6) 13 executives of the Company donated RMB42,000 on their own behalf to 28 under-privileged individuals in Pingyu County from the Pair-up Assistance fund for the first half of the year.
- (7) The Company recommended 21 excellent enterprises in Shangcai County for listing. The collective listing ceremony was successfully held in Equity Exchange Co..
- (8) The Company, as the president unit of Henan Foundation for Poverty Alleviation, proactively commenced charitable poverty alleviation through Henan Foundation for Poverty Alleviation and provided support for poverty alleviation work throughout Henan Province, including the “Dawn Scheme (晨曦計劃)”, i.e. self-improvement class project for extremely poor high school students, the targeted poverty alleviation project of China Construction Bank (Henan Branch) and “Fulfilling children’s dreams (助力童夢)”, i.e. caring activities for under-privileged left-behind children.

## 5. Follow-Up Targeted Poverty Alleviation Plan

- (1) The Company will fully leverage its professional advantages and advantages of listing in both the PRC and Hong Kong to further step up its effort in supporting poverty alleviation, striving to provide enterprises in under-privileged counties with a basket of comprehensive financial services including equity, debts and investment so as to support the accelerated development of under-privileged counties in Henan Region from multiple dimension and level, and enhancing the “talent development” ability of local economy.
- (2) The Company will step up its effort in industry poverty alleviation programs in the four targeted counties and other under-privileged counties, in particular, it will fully utilize the four board markets in doing so. We will also strive to increase the number of companies listed on the four boards to over 100 with a view to facilitate the growth of more companies through the capital market.
- (3) The Company will step up its efforts in directly participating in poverty alleviation and particularly leverage on the professional advantages of the Company, so as to facilitate poverty alleviation of Luo Chen Village, striving to establish an under-privileged village that realise poverty alleviation through economic development and enhancement of its “talent development” ability, which will become a benchmark for party organization at grassroots level.
- (4) For the purpose of ensuring greater effect of our poverty alleviation work, the party committee of the Company has decided to adopt eight measures regarding the partnership assistance program in Shangcai County: We will cooperate with Shangcai County in setting up an industry investment fund with the amount of RMB500 million, deploy an outstanding cadre to serve as deputy financial chief of Shangcai County and increase our donations to Shangcai County for poverty alleviation. Moreover, we will actively assist outstanding companies in Shangcai County to get listed and offer direct investment or loans as support to eligible companies, striving to help listing of about 30 small and medium-sized enterprises on Central China Equity Exchange Co. this year. By leveraging Xing Gong Investment Company (興工投資公司) in Shangcai County and helping the company to issue corporate bond, the Company aimed to complete the work in relation to setting up security branches in Shangcai County this year.
- (5) We will continue to support the work of Henan Foundation for Poverty Alleviation with great endeavor and strive to raise RMB500 million. Emphasis will be placed on setting up of a RMB100 million charitable trust regarding poverty alleviation with Evergrande Group (恒大集團) and the promotion of poverty alleviation projects regarding education with Country Garden Group (碧桂園集團) in 6 counties. The Company is targeting to develop Henan Foundation for Poverty Alleviation into a charitable social organization that is “top of the province, pioneer of the country”.

### XIII. CONVERTIBLE CORPORATE BONDS

#### (I) Issuance of convertible bonds

On 22 May 2017, the Company convened the 2016 Annual General Meeting, 1st A Shares Class Meeting 2017 and 1st H Shares Class Meeting 2017 to consider and approve the relevant resolutions regarding the public issuance of A Share Convertible Corporate Bonds. The Company intended to publicly issue corporate bonds which are convertible into A Shares of the Company with an issuing size of not more than RMB2.7 billion (inclusive).

On 14 July 2017, the Company received the Acceptance Notice of Administrative Permission Application from the CSRC (No.171415) (《中國證監會行政許可申請受理通知書》(171415號)), pursuant to which, the CSRC had, according to law, conducted review on the materials relating to the administrative permission application for the Approval on the Issuance of Corporate Bonds which are Convertible into Shares by Central China Securities Co., Ltd. as a Listed Company (《中原证券股份有限公司上市公司發行可轉換為股票的公司債券核准》) lodged by the Company and opined that the application materials were complete and in compliance with the statutory form, and therefore decided to accept such administrative permission application. On 22 August 2017, the Company received the Notice Regarding the CSRC's First Feedback on the Review of Administrative Permission Items (No. 171415) (《中國證監會行政許可項目審查一次反饋意見通知書》(171415號)). The Company and the relevant intermediaries carefully reviewed and discussed, and provided descriptive and explanatory document in response to each of the issues raised in the Feedback based on the principles of due diligence and integrity.

On 31 October 2017, the resolution in relation to the decrease of issuing size of the Company's A Share Convertible Corporate Bonds was considered and approved by the 44th meeting of the fifth session of the Board of the Company. The Company intended to decrease the issuing size of the convertible bonds from "not more than RMB2.7 billion (inclusive)" to "not more than RMB2.550 billion (inclusive)".

The Company received an Investigation Notice (Ji Cha Zong Dui Diao Cha Tong Zi No.171577) (稽查總隊調查通字171577號) issued by the CSRC on 30 November 2017 and submitted an application to the CSRC for suspension of review process of the application documents in relation to the public issuance of A Share Convertible Corporate Bonds of the Company on 13 December 2017. The Company received the Notice of the Application for Administrative Permission for Suspension of Review Process of the CSRC (No. 171415) (《中國證監會行政許可申請中止審查通知書》(171415號)) on 12 January 2018, pursuant to which the CSRC has agreed to approve the Company's application for suspension of review process.

On 17 May 2018, the Company considered and approved the resolution on the extension of the validity period of issuance of A Share Convertible Bonds and the Authorization Period in relation to the issuance at the Annual General Meeting 2017, 1st A Shares Class Meeting 2018 and 1st H Shares Class Meeting 2018, and agreed to the related resolution on the extension of the validity period of this public issuance of A Share Convertible Corporate Bonds for 12 months from the previous maturity date to 21 May 2019.

For specific details of the aforementioned, please refer to the relevant announcements disclosed by the Company on SSE on 23 May, 15 July, 16 September, 1 November 2017, 16 January 2018 and 18 May 2018 (announcement no.: 2017-040、2017-061、2017-076、2017-087、2018-004 and 2018-034) and the announcements published on the HKEXnews website of the Hong Kong Stock Exchange on 22 May 2017, 31 October 2017, 16 January 2018 and 17 May 2018 and the overseas regulatory announcements published on the HKEXnews website of the Hong Kong Stock Exchange on 14 July 2017 and 15 September 2017.

#### **XIV. ENVIRONMENTAL INFORMATION**

##### **(I) Description on the environment protection of the Company and its major subsidiaries falling under key sewage emission entities announced by the environment protection authorities of the PRC**

Applicable Not applicable

##### **(II) Environmental information of companies other than those falling under key sewage emission entities**

Emission management:

Business departments and offices are where the Company's businesses mostly take place. Domestic sewage, vehicle exhaust and solid waste constitute the main source of its emission.

1. Domestic sewage: Domestic sewage transferred to the property management company of the business departments and the offices for centralized treatment.
2. Vehicle exhaust: For reduction of fuel emissions from vehicles and air pollution caused by exhaustion, the Company's fleet staff has to perform regular maintenance to raise the efficiency of the vehicles and the running of vehicles at idle speed is avoided.
3. Solid waste: Solid waste can be categorized into non-hazardous solid waste and hazardous solid waste. To reduce non-hazardous solid waste, the Company is encouraging the reuse of envelopes, document labels and stationery instead of one-off and non-recyclable products. For reduction of hazardous solid waste, the Company contacts qualified agents to recycle obsolete computers, and used ink cartridges and batteries are also recycled by professional units. The business departments and offices are also furnished with environmentally friendly materials.

Use of resources:

The Company is striving to reduce its own environmental impact through careful management of energy consumption and resources.

1. Water saving: The Company displays water saving labels in toilets, installs infrared water tap and cistern flush, and repairs dripping tap and other devices in a prompt manner, in order to reduce water wastage.
2. Energy Efficiency : The Company practices the concept of energy efficiency in its daily office operation. During the Reporting Period, measures to enhance electricity efficiency adopted by the Company are as follow:
  - select Energy Star certified computers;
  - require employees to turn off electrical appliances during non-working hours;
  - implement sectional lighting system with independent switches designated for different areas;
  - keep the lighting fixtures clean;
  - set the minimum temperature of air-conditioner at 25.5 degree Celsius.

Green Operation:

The Company proactively implements the concept of green operation. During the Reporting Period, for the purpose of paper reduction, the company fully utilized the Office Automation (OA) System to manage administrative tasks such as material purchase, information dissemination, application and signature. Employees are also encouraged to set double-sided printing by default on their computers and use e-cards during festive seasons. Moreover, we advocate the use of public transport and car-sharing. The Company also continues to expand the operation of big data to provide better online general securities services, including online securities account opening, securities quote, securities trading, securities finance and business self-service. Furthermore, we will continue to explore the application of internet financial technology in various business areas.

### **(III) Explanation of reasons for non-disclosure of environmental information of companies other than those falling under key sewage emission entities**

Applicable   Not applicable

#### **(IV) Description of the follow-up progress or changes in the disclosure of environmental information during the Reporting Period**

Applicable Not applicable

### **XV. EXPLANATION ON OTHER IMPORTANT MATTERS**

#### **(I) COMPLIANCE WITH 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. Reference is made to the announcement of the Company dated 6 September 2017, in relation to Mr. Zhou Xiaoquan's resignation of executive Director and president of the Company. Mr. Jian Mingjun, the executive Director and the chairman of the Company, then temporarily held the position of the president until 25 April 2018. Mr. Jian resigned as president and Mr. Chang Junsheng was appointed as executive Director and president of the Company. From the start of the Reporting Period to 25 April 2018, the temporary arrangement of Mr. Jian to carry out the duties as the chairman and the president of the Company deviated from the code provisions as set out in provision A.2.1 of the Corporate Governance Code, but having considered that (i) the co-performance of the duties of the chairman and the president is a temporary arrangement pending election and appointment of a candidate to fill Mr. Zhou's vacancies; and (ii) the Board meets regularly and whenever needed to consider matters relating to business operations of the Group, the Company is of the view that this temporary arrangement will not impair the balance of power and authority of the Board and the management of the Company. The effectiveness of corporate planning and implementation of corporate strategies and decisions will not be affected. On 25 April 2018, the company appointed Mr. Chang Junsheng as the president of the Company. Hence, the Company has complied with the code provisions as set out in provision A.2.1 of the Corporate Governance Code. Save as aforementioned, during the Reporting Period, the Company has adopted and complied with all code provisions of Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules. The Company will continue to review and improve corporate governance practices to ensure it conforms to Corporate Governance Code. For more details about the aforementioned, please refer to the announcement published by the Company on the HKEXnews website of the Hong Kong Stock Exchange on 25 April 2018.

#### **(II) COMPLIANCE WITH 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.



### **(III) PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Reporting Period, the Company repurchased H Shares. For more details, please refer to Part 2 "(2) Repurchase of H Shares of the Company" in Section 6 of this report.

Save for the abovementioned, during the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

### **(IV) REVIEW OF THE INTERIM 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 consolidated interim financial information (including the unaudited consolidated financial statements set out in this report) 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 International Standard on Review Engagements.

## SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL

#### (I) STATEMENT OF CHANGES IN SHARES

##### 1. Statement of changes in shares

Unit: Share

	Prior to the change		Issuance of new shares	Increase/decrease (+, -)			After the change	
	Number of shares	Percentage (%)		Bonus shares	Shares converted from reserve fund	Other	Sub-total	Number of shares
I. Shares with sale limitations	1,973,723,215	50.3022			-1,102,760,193	-1,102,760,193	870,963,022	22.5109
1. State-owned shares								
2. State-owned legal person shares	1,270,705,700	32.3851			-399,742,678	-399,742,678	870,963,022	22.5109
3. Other domestic shares	703,017,515	17.9171			-703,017,515	-703,017,515		
Of Held by domestic non-state-owned								
which: legal person	703,000,000	17.9167			-703,000,000	-703,000,000		
Held by domestic natural person	17,515	0.0004			-17,515	-17,515		
4. Foreign investor shares								
Of Held by overseas								
which: legal person								
Held by overseas natural person								
II. Circulating shares without sale limitations	1,950,011,485	49.6978			1,048,096,193	1,048,096,193	2,998,107,678	77.4891
1. RMB-denominated ordinary shares	699,982,485	17.8397			1,102,760,193	1,102,760,193	1,802,742,678	46.5937
2. Domestic-listed foreign shares								
3. Overseas-listed foreign shares	1,250,029,000	31.8581			-54,664,000	-54,664,000	1,195,365,000	30.8954
4. Others								
III. Total number of shares	3,923,734,700	100.0000			-54,664,000	-54,664,000	3,869,070,700	100.0000

## 2. Descriptions of changes in shares

### (1) Release of Restricted Shares of the Company

On 3 January 2018, a total of 1,102,760,193 restricted shares under the Company's initial public offering held by 16 founding shareholders including Bohai Industrial Investment Fund Management Co., Ltd.,\* (渤海產業投資基金管理有限公司) on behalf of Bohai Industrial Investment Fund, and 5 shareholders, including Zhang Xu, who are voluntarily subject to lock up restrictions during the subscription of shares under initial public offering, were released. The shares were permissible for listing and trading from 3 January 2018.

For details of the above, please refer to the relevant announcement of the Company disclosed on SSE on 26 December 2017 (announcement no.: 2017-099) and the overseas regulatory announcement published on the HKEXnews website of the Hong Kong Stock Exchange on the same date.

### (2) Repurchase of H Shares of the Company

On 22 May 2017, the Company convened the 2016 Annual General Meeting, 2017 First Class Meeting for Holders of A Shares and 2017 First Class Meeting for Holders of H Shares to consider and approve the Resolution of Central China Securities Co., Ltd. Regarding the Repurchase of its H Shares by way of Market Trades, whereby the Company intended to repurchase certain of its H Shares by way of market trades.

On 5 September 2017, the Company received the Acceptance Notice of Administrative Permission Application from the China Securities Regulatory Commission (No.171390) (《中國證監會行政許可申請受理通知書》(171390號)), pursuant to which, the CSRC had, according to law, conducted review on the materials relating to the administrative permission application for the Review and Approval on the Reduction of the Registered Capital of Central China Securities Co., Ltd. as a Securities Company (《中原證券股份有限公司證券公司減少註冊資本審批》) lodged by the Company and opined that the application materials were complete and in compliance with the statutory form, and therefore decided to accept such administrative permission application.

On 24 January 2018, the Company received the CSRC's Reply Concerning Approval of Change of Registered Capital of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No.144) (《關於核准中原證券股份有限公司變更註冊資本的批覆》(證監許可[2018]144號)), pursuant to which the CSRC has approved the change of the Company's registered capital from RMB3,923,734,700 to not less than RMB3,798,731,800.

On 18 May 2018, the Company completed the implementation of repurchase of its H Shares. The Company has repurchased 54,664,000 H Shares on a cumulative basis on the trading platform of the Hong Kong Stock Exchange, representing 4.37% and 1.39% of the total number of H Shares before the repurchase and total share capital of the Company, respectively. The total amount paid for repurchase of H shares amounted to approximately RMB133,397,684. On 23 May 2018, the Company completed the cancellation of shares repurchased. On 11 July 2018, the Company completed the registration of changes with the Administration of Industry and Commerce and obtained the business licence reissued by the Henan Administration for Industry & Commerce, with the Company's registered capital changed to RMB3,869,070,700.

For details of the above, please refer to the relevant announcement of the Company disclosed on SSE on 23 May 2017, 26 January 2018 and 13 July 2018 (announcement no.: 2017-040, 2018-007 and 2018-045), the circular published on the HKEXnews website of the Hong Kong Stock Exchange on 5 May 2017, and the overseas regulatory announcements published on the HKEXnews website of the Hong Kong Stock Exchange on 25 January 2018 and 12 July 2018.

\* For identification purpose only

### 3. Impact of changes in shares on financial indicators such as the earnings per share and net assets per share after the reporting period and up to the date of disclosure of the interim report (if any)

Applicable  Not applicable

#### (I) CHANGES IN RESTRICTED SHARES

Unit: Share

Name of shareholder	Number of restricted shares as at the beginning of the Reporting Period	Number of restricted shares released during the Reporting Period	Increase in number of restricted shares during the Reporting Period	Number of restricted shares as at the end of the Reporting Period	Reasons for selling restrictions	Date of restricted shares released
Bohai Industrial Investment Fund Management Co., Ltd.* (渤海產業投資基金管理有限公司) (on behalf of the Bohai Industrial Investment Fund)	608,000,000	608,000,000		0	Initial public offering of restricted shares	3 January 2018
Anyang Iron and Steel Group Co., Ltd.* (安陽鋼鐵集團有限責任公司)	177,513,015	177,513,015		0	Initial public offering of restricted shares	3 January 2018
China Pingmei Shenma Energy & Chemical Group Co., Ltd.* (中國平煤神馬能源化工集團有限責任公司)	75,046,245	75,046,245		0	Initial public offering of restricted shares	3 January 2018
National Council for Social Security Fund (全國社會保障基金理事會)	70,000,000	22,020,825		47,979,175	Initial public offering of restricted shares	3 January 2018
Anyang Economic Development Group Co., Ltd.* (安陽經濟開發集團有限公司)	48,824,693	48,824,693		0	Initial public offering of restricted shares	3 January 2018
Jiangsu SOHO Holdings Group Co., Ltd.* (江蘇省蘇豪控股集團有限公司)	27,073,089	27,073,089		0	Initial public offering of restricted shares	3 January 2018
Xuchang Superlift Energy-saving & Technology Co., Ltd.* (許昌施普雷特節能科技有限公司)	24,000,000	24,000,000		0	Initial public offering of restricted shares	3 January 2018
Guangzhou Liby Investment Co., Ltd.* (廣州立白投資有限公司)	20,000,000	20,000,000		0	Initial public offering of restricted shares	3 January 2018
Henan Shenhuo Group Co., Ltd.* (河南神火集團有限公司)	17,749,930	17,749,930		0	Initial public offering of restricted shares	3 January 2018
Henan Jinlong Industrial Co., Ltd.* (河南省金龍實業有限公司)	16,000,000	16,000,000		0	Initial public offering of restricted shares	3 January 2018

\* For identification purpose only

## SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Name of shareholder	Number of restricted shares as at the beginning of the Reporting Period	Number of restricted shares released during the Reporting Period	Increase in number of restricted shares during the Reporting Period	Number of restricted shares as at the end of the Reporting Period	Reasons for selling restrictions	Date of restricted shares released
Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd.* (山東環球漁具股份有限公司)	15,000,000	15,000,000		0	Initial public offering of restricted shares	3 January 2018
Jiaozuo Economic and Technology Development Co., Ltd.* (焦作市經濟技術開發有限公司)	13,613,342	13,613,342		0	Initial public offering of restricted shares	3 January 2018
Jiangsu Huiyou Woollen Sweater Co., Ltd.* (江蘇惠友毛衫有限公司)	10,000,000	10,000,000		0	Initial public offering of restricted shares	3 January 2018
Zhangjiagang Freetrade Science & Technology Co., Ltd.* (張家港保稅科技股份有限公司)	10,000,000	10,000,000		0	Initial public offering of restricted shares	3 January 2018
Shenzhen Rising Investment Development Co., Ltd.* (深圳市廣晟投資發展有限公司)	9,024,363	9,024,363		0	Initial public offering of restricted shares	3 January 2018
Hebi Construction & Investment Group Co., Ltd.* (鶴壁市經濟建設投資集團有限公司)	8,877,176	8,877,176		0	Initial public offering of restricted shares	3 January 2018
Zhang Xu	3,503	3,503		0	Initial public offering of restricted shares	3 January 2018
Sun Na	3,503	3,503		0	Initial public offering of restricted shares	3 January 2018
Ni Ming	3,503	3,503		0	Initial public offering of restricted shares	3 January 2018
Hu Guofang	3,503	3,503		0	Initial public offering of restricted shares	3 January 2018
Bao Jinping	3,503	3,503		0	Initial public offering of restricted shares	3 January 2018
<b>Total</b>	<b>1,150,739,368</b>	<b>1,102,760,193</b>		<b>47,979,175</b>	<b>/</b>	<b>/</b>

\* For identification purpose only

## II. SHAREHOLDERS

### (I) TOTAL NUMBER OF SHAREHOLDERS:

Total number of ordinary shareholders (accounts)	144,815
as at the end of the Reporting Period	Of which 144,525 were holders of A shares and 290 were holders of H shares

### (II) THE TABLE BELOW SETS OUT THE SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS, THE TOP TEN SHAREHOLDERS OF CIRCULATING SHARES (OR SHAREHOLDERS WITHOUT SALE LIMITATIONS) AS AT THE END OF THE REPORTING PERIOD

Unit: Share

Name of shareholders (Full name)	Changes during the Reporting Period	Shareholdings of the top ten shareholders		Number of shares held with sale limitations	Pledge or lock-up of shares held		Nature of shareholders
		Number of shares held as at the end of the Reporting Period	Percentage (%)		Particulars of shares	Number of Shares	
HKSCC Nominees Limited	-54,645,000	1,195,149,000	30.89		Nil		Overseas legal person
Henan Investment Group Co., Ltd.		822,983,847	21.27	822,983,847	Nil		State-owned legal person
Bohai Industrial Investment Fund Management Co., Ltd.* (holds the equity interest in the Company on behalf of the Bohai Industrial Investment Fund) (渤海產業投資基金管理有限公司)		608,000,000	15.71		Nil		Others
Anyang Iron and Steel Group Co., Ltd.* (安陽鋼鐵集團有限責任公司)		177,514,015	4.59		Pledge	50,930,000	State-owned legal person
China Pingmei Shenma Energy & Chemical Group Co., Ltd.* (中國平煤神馬能源化工集團有限責任公司)		75,046,245	1.94		Pledge	37,500,000	State-owned legal person
National Council for Social Security Fund (Transfer Account No.1) (全國社會保障基金理事會轉持一戶)		70,000,000	1.81	47,979,175	Nil		Others
Anyang Economic Development Group Co., Ltd.* (安陽經濟開發集團有限公司)		48,824,693	1.26		Pledge	24,412,346	State-owned legal person
Jiangsu SOHO Holdings Group Co., Ltd.* (江蘇省蘇豪控股集團有限公司)		27,073,089	0.70		Nil		State-owned legal person
Guangzhou Liby Investment Co., Ltd.* (廣州立白投資有限公司)		20,000,000	0.52		Nil		Domestic non state-owned legal person
Xuchang Superlift Energy-saving & Technology Co., Ltd.* (許昌施普雷特節能科技有限公司)	-4,029,998	19,970,002	0.52		Nil		Domestic non state-owned legal person

\* For identification purpose only



## SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

### Shareholdings of the top ten shareholders without sale limitations

Name of shareholders	Number of circulating shares held without sale limitations	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	1,195,149,000	Foreign shares listed overseas	1,195,149,000
Bohai Industrial Investment Fund Management Co., Ltd.* (渤海產業投資基金管理有限公司) (holds the equity interest in the Company on behalf of the Bohai Industrial Investment Fund)	608,000,000	RMB-denominated ordinary shares	608,000,000
Anyang Iron and Steel Group Co., Ltd.* (安陽鋼鐵集團有限責任公司)	177,514,015	RMB-denominated ordinary shares	177,514,015
China Pingmei Shenma Energy & Chemical Group Co., Ltd.* (中國平煤神馬能源化工集團有限責任公司)	75,046,245	RMB-denominated ordinary shares	75,046,245
Anyang Economic Development Group Co., Ltd.* (安陽經濟開發集團有限公司)	48,824,693	RMB-denominated ordinary shares	48,824,693
Jiangsu SOHO Holdings Group Co., Ltd.* (江蘇省蘇豪控股集團有限公司)	27,073,089	RMB-denominated ordinary shares	27,073,089
National Council for Social Security Fund (Transfer Account No.1)* (全國社會保障基金理事會轉持一戶)	22,020,825	RMB-denominated ordinary shares	22,020,825
Guangzhou Liby Investment Co., Ltd.* (廣州立白投資有限公司)	20,000,000	RMB-denominated ordinary shares	20,000,000
Xuchang Superlift Energy-saving & Technology Co., Ltd.* (許昌施普雷特節能科技有限公司)	19,970,002	RMB-denominated ordinary shares	19,970,002
Henan Shenhua Group Co., Ltd.* (河南神火集團有限公司)	17,749,930	RMB-denominated ordinary shares	17,749,930
Descriptions of connected relationship or acting in concert relationship among the above-mentioned shareholders	The Company is not aware of any other connected relationship or acting in concert relationship (as defined in the Measures for the Administration of the Takeover of Listed Companies (上市公司收購管理辦法)) among the above-mentioned shareholders		

\* For identification purpose only

## SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

Unit: Share

### Shareholdings of the top ten shareholders with sale limitations and sale limitations

No.	Name of shareholders with sale limitations	Number of shares held with sale limitations	Shares with sale limitations permissible for listing and trading		Sale limitations
			Date permissible for listing and trading	Number of additional shares permissible for listing and trading	
1	Henan Investment Group Co., Ltd.	822,983,847	3 January 2020	822,983,847	Not transferable within 36 months commencing from the listing date
2	National Council for Social Security Fund (Transfer Account No.1)* (全國社會保障基金理事會轉持一戶)	47,979,175	3 January 2020	47,979,175	Not transferable within 36 months commencing from the listing date
Descriptions of connected relationship or acting in concert relationship among the above-mentioned shareholders		The Company is not aware of any other connected relationship or acting in concert relationship (as defined in the Measures for the Administration of the Takeover of Listed Companies (上市公司收購管理辦法)) among the above-mentioned shareholders.			

\* For identification purpose only

### (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, based on the information acquired by the Company and the knowledge of the Directors, the Directors, Supervisors and senior management officers of the Company have the following (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with Section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO):

Name	Class of shares	Nature of interest	Number of shares held (shares)	Percentage of the Company's total number of issued shares (%)	Percentage of the Company's total issued H shares (%)	Long position/ short position
Jian Mingjun	H shares	Beneficial owner	750,000	0.019	0.063	Long position
		Beneficiary of a trust	539,754	0.014	0.045	Long position

Except as disclosed above, as at the end of the Reporting Period, no Directors, Supervisors or their respective spouse or children under the age of 18 have been given the right to purchase the shares or debentures of the Company to obtain benefit, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries so that the Directors, Supervisors or their respective spouse or children under the age of 18 are entitled to such right in any other body corporate.

#### (IV) INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of the end of the Reporting Period, 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 number of issued shares (%)	Percentage of the Company's total issued A shares/H Shares (%)	Long position/ short position
Bohai Industrial Investment Fund* (渤海產業投資基金)	A shares	Beneficial owner	608,000,000	15.714	22.740	Long position
Bohai Industrial Investment Fund Management Co., Ltd. (渤海產業投資基金管理有限公司) (on behalf of the Bohai Industrial Investment Fund)	A shares	Investment manager	608,000,000	15.714	22.740	Long position
Anyang Iron & Steel Group Co., Ltd. (安陽鋼鐵集團有限責任公司)	A shares	Beneficial owner	177,514,015	4.588	6.639	Long position
Henan Investment Group (Note)	A shares	Beneficial owner	822,983,847	21.271	30.781	Long position
	H shares	Interest of controlled corporation	46,733,000 <sup>(1)</sup>	1.208	3.910	Long position
		Beneficial owner	14,533,000	0.376	1.216	Long position
China Industrial International Trust Company Limited (興業國際信託有限公司)	H shares	Trustee	58,789,000	1.519	4.918	Long position
Citigroup Inc. <sup>(2)</sup>	H shares	Security Interest	61,160,050 <sup>(3)</sup>	1.581	5.116	Long position
		Interest of controlled corporation	37,216,250 <sup>(3)</sup>	0.962	3.113	Long position
		Approved lending agent	1,356,300 <sup>(3)</sup> 27,386,839 <sup>(4)</sup>	0.035 0.708	0.113 2.291	Short position Long position
ICBC International Asset Management Limited	H shares	Investment manager	95,949,000	2.48	8.027	Long position

Note: Henan Investment Group, through its own benefits and Dahe Paper (Hong Kong) Co., Ltd., its indirect wholly-owned subsidiary, was interested in the long position of a total of 61,286,000 H Shares in the issued H Shares of the Company.

## SECTION 6 CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

- (1) Dahe Paper (Hong Kong) Co., Limited was directly interested in the long position of 46,733,000 H shares of the Company. Henan Investment Group held the entire equity interest in Dahe Paper Company Limited (大河紙業有限公司), which held all the issued shares of Dahe Paper (Hong Kong) Co., Limited (大河紙業(香港)有限公司). Therefore, Henan Investment Group was deemed to be interested in the long position of Dahe Paper (Hong Kong) Co., Limited in 46,733,000 H shares of the Company under the SFO.
- (2) The interest of Citigroup Inc. included derivative interest in 23,000 H shares of the Company (being long position and unlisted cash settled derivatives).
- (3) Citigroup Global Markets Inc. was directly interested in the long position of 700,000 H shares and the short position of 1,100,000 H shares of the Company. Citigroup Global Markets Limited was directly interested in the long position of 97,676,300 H shares and the short position of 256,300 H shares of the Company.

Citigroup Global Markets Inc. was a wholly owned subsidiary of Citigroup Financial Products Inc., which was a wholly owned subsidiary of Citigroup Global Markets Holdings Inc., which in turn was a wholly owned subsidiary of Citigroup Inc..

Citigroup Global Markets Limited was owned as to 92% by Citigroup Global Markets Holdings Bahamas Limited, which was owned as to 49.5% by Citigroup Financial Products Inc. and 50.2% by Citigroup Global Markets (International) Finance AG, which was a wholly owned subsidiary of Citigroup Financial Products Inc.. As mentioned above, Citigroup Financial Products Inc. was an indirect wholly owned subsidiary of Citigroup Inc..

Citigroup Inc. was therefore deemed to be interested in (1) the long position and short position, respectively, of Citigroup Global Markets Inc. in 700,000 H shares and 1,100,000 H shares, respectively, of the Company under the SFO; and (2) the long position and short position, respectively, of Citigroup Global Markets Limited in 97,676,300 H shares and 256,300 H shares, respectively, of the Company under the SFO (i.e. the long position of a total of 98,376,300 H shares and the short position of a total of 1,356,300 H shares of the Company).

- (4) Citibank, N.A. was directly interested in the long position of 27,386,839 H shares of the Company. Citibank, N.A. was the wholly owned subsidiary of Citicorp LLC, which was the wholly owned subsidiary of Citigroup Inc.. Therefore, Citigroup Inc. was deemed to be interested in the long position of Citibank, N.A. in 27,386,839 H shares of the Company under the SFO.

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.

## SECTION 7 PREFERENCE SHARES

The Company was not involved in any matters relating to preference shares during the Reporting Period.



### I. CHANGES IN THE SHAREHOLDING

#### (I) CHANGES IN THE SHAREHOLDING OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE LEAVING OFFICE DURING THE REPORTING PERIOD

There was no change in the shareholding of current and retired Directors, Supervisors and senior management of the Company during the Reporting Period.

#### (II) EQUITY INCENTIVES GRANTED TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the Reporting Period, no equity incentive was granted to Directors, Supervisors and senior management by the Company.

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

Name	Position	Change
Jian Mingjun	President	Resigned
Chang Junsheng	Director	Elected
	President	Appointed
Zhu Junhong	Chief accountant, principal officer of finance department	Resigned
Xu Haijun	Secretary to the Board	Resigned
Li Zhaoxin	Chief accountant, principal officer of finance department	Appointed
Hua Jinzhong	Chief compliance officer	Appointed
Xie Xuezhu	Chief compliance officer	Resigned
Zhu Qiben	Secretary to the Board Chief risk officer	Appointed Resigned
Wang Jinchang	Supervisor	Resigned
Wang Jing	Chief risk officer Employee supervisor	Appointed Resigned
Cao Zongyuan	Supervisor	Elected
Zhang Xiansheng	Supervisor	Elected
Xiao Yichen	Employee supervisor	Elected
Zhao Lifeng	Vice president	Resigned

## SECTION 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Particulars of changes in directors, supervisors and senior management of the Company

On 12 January 2018, the Supervisory Committee of the Company received a written letter of resignation from the former employee supervisor Ms. Wang Jing. Due to change of job arrangement, Ms. Wang Jin resigned as an employee representative supervisor of the fifth session of the Supervisory Committee of the Company. On the same date, Ms. Xiao Yichen was elected as the employee representative supervisor of the fifth session of the Supervisory Committee and the resignation of Ms. Wang Jing formally took effect. Ms. Xiao Yichen's terms of office shall end on the expiry of the current session of the Supervisory Committee.

On 17 January 2018, the Board of the Company received a written letter of resignation from the former secretary to the Board Mr. Xu Haijun. Due to adjustment in work allocation, Mr. Xu Haijun resigned as a secretary to the Board of the Company and remained as the vice president of the Company upon the resignation. On 18 January 2018, the 46th meeting of the fifth session of the Board of the Company considered and approved the Resolution on Changing the Secretary to the Board and Resolution on the Appointment of Chief Risk Officer, and approved Mr. Zhu Qiben's appointment as secretary to the Board until the expiry of the term of office of the current session of the Board. Mr. Zhu Qiben ceased to be the Company's chief risk officer and Ms. Wang Jing was appointed as Company's chief risk officer until the expiry of the term of office of the current session of the Board.

On 29 January 2018, the 47th meeting of the fifth session of the Board of the Company considered and approved the Resolution on Changing the Chief Accountant and Principal Officer of Finance Department, and approved Mr. Li Zhaoxin's appointment as the Company's chief accountant and principal officer of finance department until the expiry of the term of office of the current session of the Board. The Company's vice president, chief accountant and principal officer of finance department Ms. Zhu Junhong ceased to be chief accountant and principal officer of finance department.

On 26 February 2018, the Supervisory Committee of the Company received a written letter of resignation from the supervisor Mr. Wang Jinchang. Due to change of job arrangement, Mr. Wang Jinchang resigned as a supervisor of the fifth session of the Supervisory Committee of the Company.

On 12 April 2018, the 50th meeting of the fifth session of the Board of the Company considered and approved the Resolution on Changing the Chief Compliance Officer, and approved Mr. Hua Jinzhong's appointment as the Company's chief compliance officer until the expiry of the term of office of the current session of the Board. The Company's vice president and chief compliance officer Ms. Xie Xuezhu ceased to be chief compliance officer.

On 25 April 2018, the Board of the Company received the chairman and president Mr. Jian Mingjun's application for resignation as the president of the Company. Upon resignation of the president of the Company, Mr. Jian Mingjun continued to act as the Company's chairman. On the same date, the Company convened the 52nd meeting of the fifth session of the Board, and considered and approved the Resolution on Changing the President of the Company, and approved Mr. Chang Junsheng's appointment as the Company's president until the expiry of the term of office of the current session of the Board.

## SECTION 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 17 May 2018, the 2017 annual general meeting of the Company considered and approved the Resolution on the Election of Mr. Chang Junsheng as a Director for the Fifth Session of the Board and Resolution on Election of Supervisors of the Fifth Session of the Supervisory Committee, and approved Mr. Chang Junsheng to act as the Company's director for the fifth session of the Board, Mr. Cao Zongyuan and Mr. Zhang Xiansheng to act as the supervisor of the fifth session of the supervisory committee of the Company until the expiry of the term of office of the current session of the Board and the supervisory committee, respectively.

On 10 July 2018, the Board of the Company received a written letter of resignation from the vice president Mr. Zhao Lifeng. Due to personal reasons, Mr. Zhao Lifeng resigned as the vice president of the Company.

For details of the above, please refer to the relevant announcement of the Company disclosed on SSE on 13 January, 19 January, 30 January, 27 February, 13 April, 26 April, 18 May and 11 July 2018 (announcement no.: 2018-003, 2018-005, 2018-006, 2018-008, 2018-011, 2018-023, 2018-029, 2018-034 and 2018-044) and the announcements published on the HKEXnews website of the Hong Kong Stock Exchange on 12 January 2018, 25 April 2018 and 17 May 2018 and the overseas regulatory announcements published on the HKEXnews website of the Hong Kong Stock Exchange on 18 January 2018, 19 January 2018, 29 January 2018, 26 February 2018, 12 April 2018 and 10 July 2018.

## I. BASIC INFORMATION OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation on	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
2013 Corporate Bonds of Central China Securities Co., Ltd.	13 Central China Bond	122299	2014/4/23	2019/4/23	15	6.20	Simple annualised interest rate	SSE
2016 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	16 Central China 01	135418	2016/4/21	2019/4/22	25	4.20	Simple annualised interest rate	SSE
2016 Subordinated Bonds (Tranche 2) of Central China Securities Co., Ltd.	16 Central China 02	145085	2016/10/25	2018/10/26	15	3.30	Simple annualised interest rate	SSE
2017 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	17 Central China 01	145644	2017/7/25	2020/7/26	15	5.15	Simple annualised interest rate	SSE
2017 Subordinated Bonds (Tranche 2) of Central China Securities Co., Ltd.	17 Central China 02	145663	2017/11/16	2020/11/17	10	5.49	Simple annualised interest rate	SSE
2018 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	18 Central China 01	150323	2018/4/26	2021/4/27	15	5.58	Simple annualised interest rate	SSE

## Interest Payment and Due Repayment of Corporate Bonds

During the Reporting Period, the interests of "13 Central China Bond" and "16 Central China 01" were paid in full as scheduled. "16 Central China 02", "17 Central China 01", "17 Central China 02" and "18 Central China 01" have not reached the maturity date and interest payment date and there are no due repayment and interest payment.

## SECTION 9 CORPORATE BONDS

### Further Descriptions of Corporate Bonds

1. Arrangement Regarding Appropriateness of Investors: targets of “13 Central China Bond” include (1) online issuance: social public investors who hold security accounts with the initial letters of A, B, D or F opened in the securities registered institutions (excluding purchasers prohibited by laws and regulations) and (2) offline issuance: institutional investors opening eligible security accounts in the securities registered institutions (excluding purchasers prohibited by laws and regulations). Targets of “16 Central China 01”, “16 Central China 02”, “17 Central China 01”, “17 Central China 02” and “18 Central China 01” are institutional investors satisfying the requirements of the Provisions on the Management of Subordinated Debts of Securities Companies.
2. “13 Central China Bond” is of a term of 3+2 years, with the issuer’s option to raise the coupon rate and investor’s put option at the end of the third year (i.e. 23 April 2017). According to the resolution of the 29th meeting of the fifth session of the Board of the Company in 2017, it was resolved not to raise the coupon rate of “13 Central China Bond”. The coupon rate for the remaining 2 years of the corporate bond remains at 6.20%. As at the end of the registration period for put option of “13 Central China Bond”, no bond was put bank. No bondholders have exercised the put option. The maturity date of “13 Central China Bond” is 23 April 2019. The relevant announcements of the above mentioned matters were disclosed according to requirements.

## II. LIAISON PERSONS, CONTACT DETAILS OF THE CORPORATE BOND TRUSTEE AND CONTACT DETAILS OF THE CREDIT-RATING AGENCY

### (I) Intermediaries of “13 Central China Bond”

Bond trustee	Name	CreditSuisse Founder Securities Limited
	Office address	15/F, South Tower, Financial Street Centre, No. 9A Financial Street, Xicheng District, Beijing
	Contact Persons	Song Ya-Fen, Liu Xiaoxiao
	Tel	010-66538666
Credit-rating agency	Name	United Credit Rating Co., Ltd.
	Office address	No. 80 Qu Fu Dao, Heping District, Tianjin City

### (II) Intermediaries of “16 Central China 01” and “16 Central China 02” Subordinated Bonds

Bond trustee	Name	Huaxi Securities Co., Ltd.
	Office address	Room 1107, No. 198 2nd Tianfu Street, High-Tech Zone, Chengdu City
	Contact Persons	Luo Yiming
	Tel	028-86158285
Credit-rating agency	Name	United Credit Rating Co., Ltd.
	Office address	No. 80 Qu Fu Dao, Heping District, Tianjin City

### (III) Intermediaries of “17 Central China 01”, “17 Central China 02” and “18 Central China 01” Subordinated Bonds

Bond trustee	Name	Huaxi Securities Co., Ltd.
	Office address	Room 1107, No. 198 2nd Tianfu Street, High-Tech Zone, Chengdu City
	Contact Persons	Luo Yiming
	Tel	028-86158285
Credit-rating agency	Name	No
	Office address	No

## III. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

Agreed use of proceeds set out in the prospectus of “13 Central China Bond” is to replenish working capital of the Company. The Company strictly complied with the use of proceeds agreed in the prospectus. After deducting issuance expenses, all proceeds were applied to replenish the working capital of the Company, with no remaining amount recorded as of the end of the Reporting Period. For “16 Central China 01”, “16 Central China 02”, “17 Central China 01” and “17 Central China 02” subordinated bonds, the use of proceeds agreed in respective prospectuses are to satisfy the business operational needs of the Company, to adjust debt structures of the Company and to replenish the liquidity of the Company. The Company strictly complied with the use of proceeds agreed in the respective prospectuses. All proceeds were applied to replenish the liquidity of the Company, with no remaining amount recorded as of the end of the Reporting Period. Agreed use of proceeds set out in the prospectus of “18 Central China 01” is to replenish working capital of the Company, to satisfy the business operational needs of the Company and to adjust debt structures of the Company. The Company strictly complied with the use of proceeds agreed in the prospectus. All proceeds were applied to replenish the working capital of the Company, with no remaining amount recorded as of the end of the Reporting Period.



### IV. INFORMATION ON CREDIT-RATING OF CORPORATE BONDS

On 29 May 2018, United Credit Rating Co., Ltd. conducted follow-up ratings for the “13 Central China Bond”, “16 Central China 01” and “16 Central China 02” issued by the Company. Of which, the Company obtained AA+ rating for the follow-up rating of “13 Central China Bond”, indicating that the Company has a strong solvency, is less likely to be affected by adverse economic environment and the default risk is low. For the credit rating assessment, it is rated as AAA, indicating that the Company has an extremely strong solvency, is basically unaffected by adverse economic environment and the default risk is extremely low. The above result is consistent with the follow-up rating result issued by United Credit Rating Co., Ltd. on 26 May 2017. The Company obtained AA+ rating for the follow-up rating of “16 Central China 01” and “16 Central China 02”, indicating that the Company has a strong solvency, is less likely to be affected by adverse economic environment and the default risk is low. For the credit rating assessment, it is rated as AA, indicating that the Company has a strong solvency, is less likely to be affected by adverse economic environment and the default risk is low. The above result is consistent with the follow-up rating result issued by United Credit Rating Co., Ltd. on 26 May 2017. During the Reporting Period, United Credit Rating Co., Ltd. did not conduct random follow-up ratings for the above-mentioned bonds. There was no credit rating assessment conducted on “17 Central China 01”, “17 Central China 02” and “18 Central China 01” and no follow-up rating arrangement would be made.

### V. CREDIT ENHANCEMENT MECHANISMS FOR CORPORATE BONDS, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION DURING THE REPORTING PERIOD

#### (I) Guarantee Institution of “13 Central China Bond”

“13 Central China Bond” is provided with irrevocable guarantee with joint liability by China Bond Insurance. According to the rating result disclosed on the official website of China Bond Insurance, the Company obtained AAA rating and its rating prospect was stable. As at 30 June 2018, the accumulated balance of external guarantees provided by China Bond Insurance amounted to RMB110.523 billion, representing 1373.81% of its net assets. The following data is derived from the interim financial report (audited) for 2018 on the official website of China Bond Insurance. As at the end of the Reporting Period, its key financial indicators are as follows:

Financial Indicators	30 June 2018
Net assets (RMB0'000)	804,481.77
Gearing ratio (%)	41.20
Return on net assets (%)	5.16
Current ratio	1.25
Quick ratio	1.02

### **(II) Repayment Plan for Corporate Bonds and Payment of Interests during the Reporting Period**

#### **1. Repayment Plan**

The interests of “13 Central China Bond”, “16 Central China 01”, “16 Central China 02”, “17 Central China 01”, “17 Central China 02” and “18 Central China 01” are payable annually in arrears when they are still outstanding and the interest payable for the last period shall be paid upon repayment of principal.

#### **2. Supporting Measures for Repayment**

##### **(1) Corporate Bonds**

During the Reporting Period, the Company has continuously strengthened its efforts in developing businesses such as securities brokerage business, investment banking business, securities business on its own account, asset management, margin financing and securities lending, stock pledged repurchase transaction and therefore strengthening its solvency and capitalization capabilities. The Company implemented strict capital management in accordance with financial system and continued to optimize asset-liability management, strengthen liquidity management, and formulate annual and monthly planning for use of proceeds based on the debt structure of the Company so as to repay adequate proceeds in a timely manner. Meanwhile, the Company, giving full play to its role as bond and debt agency, secured bondholders’ interests with various measures, such as strict implementation of the rules for the bondholders’ meeting, maintenance of good liquidity, provision of guarantees by China Bond Insurance and establishment of a working group for repayment. During the Reporting Period, there were no events of expected inability to repay the principal and interests of “13 Central China Bond” as scheduled or that the Company is unable to repay upon maturity. Therefore, the Company did not raise the proportion of the discretionary surplus reserve or the general risk reserve, nor not to distribute dividends to the shareholders, suspend the implementation of projects that incur capital expenditures such as material external investments and acquisitions and mergers, adjust, reduce or cease the payment of salary and bonus of the directors and senior management of the Company, and allow key personnel accountable for such event for re-designation.

## SECTION 9 CORPORATE BONDS

### (2) Subordinated Bonds

During the Reporting Period, the Company secured bondholders' interests with various measures, such as continuously improving its governance structure and risk management system, giving full play to its role as bond trustee, strict implementing the rules for the bondholders' meeting, appointing specific personnel responsible for repayment of principal and payment of interests and strict compliance with information disclosure. During the Reporting Period, there were no major events due to significant deterioration of economic environment or other unforeseen factors that may affect the capability of the Company to incur cash liquidity through own operation for bonds repayment. As a result, the Company did not adopt any supporting measures including obtaining proceeds in a low-cost approach by realization and making up temporary proceeds by financing. During the Reporting Period, there are no events of expected inability to repay the principal and interests of the Corporate Bonds as scheduled or that the Company is unable to repay upon maturity. Therefore, the Company did not take following actions such as: not to distribute dividends to the shareholders, suspend the implementation of projects that incur capital expenditures such as material external investments and acquisitions and mergers, adjust, reduce or cease the payment of salary and bonus of the directors and senior management of the Company, and allow key personnel accountable for such event for re-designation.

### (III) Other Relevant Information

The Company strictly complied with the laws and regulations in appointing CreditSuisse and Huaxi Securities as debt agency and bond trustee of "13 Central China Bond" as well as "16 Central China 01", "16 Central China 02", "17 Central China 01", "17 Central China 02" and "18 Central China 01", respectively. CreditSuisse, pursuant to the Trustee Agreement of Bonds and Debts entered into between Central China Securities Co., Ltd. (as the issuer) and CreditSuisse Founder Securities Limited (as the debt agency), and Huaxi Securities, pursuant to the 2016 Trustee Agreement of Subordinated Bonds of Central China Securities Co., Ltd. and the 2017 Trustee Agreement of Subordinated Bonds of Central China Securities Co., Ltd., protected bondholders' interests by strictly complying information disclosure requirements. Specific accounts were maintained for the abovementioned bonds and the withdrawal and use of funds from the specific accounts were consistent with such commitments as described in the prospectus.

## VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

During the Reporting Period, the Company has no events required to convene meeting for bondholders and therefore no such meeting was convened.

## VII. DUTY PERFORMANCE OF THE BOND TRUSTEE OF THE CORPORATE BONDS

### (I) Corporate Bonds

There were no conflicts of interests between CreditSuisse and bondholders when it fulfills its duties. During the Reporting Period, CreditSuisse, the debt agency of “13 Central China Bond”, strictly complied with the Trustee Agreement of Bonds and Debts entered into between Central China Securities Co., Ltd. (as the issuer) and CreditSuisse Founder Securities Limited (as the debt agency) and fulfilled its duties as a debt agency. Pursuant to relevant regulations and agreement, CreditSuisse disclosed the Report of Debt Agency Regarding the 2013 Corporate Bonds of Central China Securities Co., Ltd. (2017) as scheduled.

As at the end of April 2018, since the accumulated new loans of the Company for 2018 exceeded 20% of its net assets as of the end of last year, CreditSuisse issued the Temporary Announcement Regarding Material Events of Debt Agency as required.

CreditSuisse entered into the trustee agreement of bonds and debts with the Company and acted as lead underwriter and debt agency of “13 Central China Bond”. Saved for the relationships mentioned above, debt agency did not have any other conflicts of interests with the issuer that may affect the impartiality of the Company in fulfilling its agency duties for this tranche. For any potential conflicts of interests, debt agency and issuer agreed to establish risk prevention mechanism as follows:

1. Debt agency will exercise its rights and fulfil its duties on behalf of bondholders in compliance with relevant laws and regulations, departmental provisions, commitments of the Trustee Agreement of Bonds and Debts entered into between Central China Securities Co., Ltd. (as the issuer) and CreditSuisse Founder Securities Limited (as the debt agency) and authorization from bondholders’ meeting, and is committed to guarantee bondholders’ best interests and legal rights, and prohibited from establishing any conflicts of interests with bondholders, except for any conflicts of interests that may incur or exist during the ordinary course of business with bondholders.
2. Debt agency shall not provide guarantee for this tranche and commits that any transactions existed with the issuer or any actions posed on the issuer will not infringe bondholders’ interests and rights.
3. In the case of breaching prevention mechanism of the conflicts of interests by both parties, bondholders can legally file compensation application if there is any loss incurred thereof.

### (II) Subordinated Bonds

There were no conflicts of interests between Huaxi Securities and bondholders when it fulfills its duties. During the Reporting Period, Huaxi Securities fulfilled its duties as a debt agency in strict compliance with the 2016 Trustee Agreement of Subordinated Bonds of Central China Securities Co., Ltd. and the 2017 Trustee Agreement of Subordinated Bonds of Central China Securities Co., Ltd.. Pursuant to relevant regulations and agreement, Huaxi Securities disclosed the 2016 and 2017 Trust Management Report of Subordinated Bonds of Central China Securities Co., Ltd. (2017) as scheduled.

As at the end of April 2018, since the accumulated new loans of the Company for 2018 exceeded 20% of its net assets as of the end of last year, Huaxi Securities issued the Temporary Report Regarding Material Events of Trustee Management as required.

Huaxi Securities entered into the trustee agreement with the Company and acted as the bond trustee of "16 Central China 01", "16 Central China 02", "17 Central China 01", "17 Central China 02" and "18 Central China 01". Saved for the relationships mentioned above, bond trustee did not have any other conflicts of interests with the issuer that may affect the impartiality of the Company in fulfilling its entrusted management duties of the above-mentioned bonds. Conflicts of interest that may exist when Huaxi Securities perform its entrusted management duties as a bond trustee are as follows:

In the course of carrying out its investment banking activities (including investment advisory, financial advisory, asset management, research, securities issuance, trading and brokerage), the bond trustee, by itself or through agents, may have conflicts of interest between its duties under this agreement and its duties under other business agreements: The bond trustee may at any time contact other business departments or related parties to (i) provide services to any other clients; (ii) engage in any transaction in relation to the issuer or any members under the same group of the issuer; or (iii) to act for matters in relation to any person whose interest may be in conflicts with that of the issuer or other members under the same group of the issuer (the "Third Parties"), and to retain any relevant remunerations or profits for their own benefit. The bond trustee and its employees who provide services, execute transactions or act on behalf of the Third Parties may have conflicts of interest when using the confidential information about the issuer or the bonds to provide services, execute transactions or act on behalf of the Third Parties.

## SECTION 9 CORPORATE BONDS

To avoid conflicts of interest when Huaxi Securities perform its entrusted management duties, Huaxi Securities and Central China Securities have agreed on the relevant risk prevention mechanism as follows:

The bond trustee has established comprehensive internal information barriers and firewalls in accordance with the regulatory requirements with a view to guarantee that: (i) the employees of the bond trustee who assume the duties under this agreement will not be affected by the conflicts of interest; (ii) the confidential information held by the employees of the bond trustee who assume the duties under this agreement will not be disclosed to any other persons that are irrelevant to this agreement; (iii) the relevant confidential information will not be used by the bond trustee for any other purpose other than this agreement; (iv) the inappropriate flow of sensitive information in relation to this agreement will be avoided and that effective management will be in place for potential conflicts of interest.

### VIII. ACCOUNTING DATA AND FINANCIAL INDEXES AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF LAST YEAR)

Unit: Yuan Currency: RMB

Major indexes	At the End of the Reporting Period	Changes at the end of the Reporting Period compared with the end of last year (%)	
		At the End of Last Year	
Current ratio	1.51	1.83	-17.49
Quick ratio	1.51	1.83	-17.49
Gearing ratio (%)	70.07	64.98	7.83
Loan repayment ratio (%)	100.00	100.00	0.00

	The Reporting Period (January- June)	Changes of the Reporting Period compared with the corresponding period of last year (%)	
		The corresponding period of last year	
EBITDA interest coverage ratio	1.48	1.75	-15.43
Interest payment ratio (%)	100.00	100.00	0.00



### IX. OVERDUE DEBTS

During the Reporting Period, the Company did not have overdue debt.

### X. PAYMENT OF INTERESTS AND REPAYMENT OF PRINCIPAL OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Other bonds and debt financing instruments of the Company mainly include transfer of the rights to income from debts of margin financing and securities lending, beneficiary certificates and refinancing of CSF, etc. During the Reporting Period, the repayment and interest payment of bonds and debt financing instruments was settled in full as scheduled according to contractual terms or relevant agreements and there was no default recorded.

### XI. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As of the end of the Reporting Period, the Company obtained total banking facilities amounting RMB41.1 billion, in which RMB8.3 billion was utilized while all banking facilities were in normal use. During the Reporting Period, various banking borrowings obtained by the Company have no breach or delay in interest payment.

### XII. IMPLEMENTATION OF AGREEMENTS OR COMMITMENTS AS DESCRIBED IN THE PROSPECTUS IN CONNECTION WITH ISSUANCE OF CORPORATE BONDS DURING THE REPORTING PERIOD

During the Reporting Period, the Company strictly implemented the agreements or commitments as described in the above-mentioned prospectus in connection with issuance of corporate bonds. That was no breach of the agreements and commitments made in the prospectus.

### XIII. MATERIAL EVENTS AND IMPACT THEREOF ON THE OPERATIONS AND SOLVENCY OF THE COMPANY

During the Reporting Period, there was a material event that the accumulated new loans of the Company exceeded 20% of its net assets as of The End of Last Year, the details of which please refer to the announcement dated 9 May 2018 on the website of SSE (announcement no.: 2018-031) and the overseas regulatory announcement dated 8 May 2018 on the HKEXnews website of the Hong Kong Stock Exchange disclosed by the Company. During the Reporting Period, the Company completed the repurchase of certain H Shares, the details of which please refer to Part I. (I) "2. Descriptions of changes in shares" in Section 6 "Changes in Ordinary Shares and Shareholders" of this report. During the Reporting Period, the Company received the Decision on Administrative and Supervisory Measures from Henan Branch of the CSRC and was aware of that one of the investing banking projects of the Company was under investigation by CSRC, the details of which please refer to "VII. Punishment on and Rectification of the Listed Company, its Directors, Supervisors, Senior Management, Controlling Shareholders, De Facto Controller and Acquirer" in Section 5 "Significant Events" of this report.

The above-mentioned matters posed no material and negative impact on the operations and solvency of the Company. Save as disclosed above, the Company has no other material events as described in Article 45 of the Administrative Measures for the Issue and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》).

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CENTRAL CHINA SECURITIES CO., LTD.

*(Incorporated in the People's Republic of China with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 85 to 178, which comprises the condensed consolidated statement of financial position of Central China Securities Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 29 August 2018

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
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# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018  
(All amounts in RMB'000 unless otherwise stated)

	Note	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
<b>Revenue</b>			
– Commission and fee income	5	463,522	496,647
– Interest income	6	711,403	594,180
– Net investment gains	7	160,697	107,578
Other operating income	8	1,335,622 146,725	1,198,405 112,272
<b>Total revenue and other income</b>		<b>1,482,347</b>	1,310,677
Commission and fee expenses	9	(91,936)	(102,756)
Interest expenses	10	(524,970)	(362,756)
Staff costs	11	(313,657)	(332,157)
Depreciation and amortization		(36,114)	(33,942)
Other operating expenses	12	(255,062)	(238,634)
Impairment losses	13	(63,469)	(13,584)
<b>Total expenses</b>		<b>(1,285,208)</b>	(1,083,829)
<b>Operating profit</b>		<b>197,139</b>	226,848
Share of profits/(losses) of associates		14,012	(403)
<b>Profit before income tax</b>		<b>211,151</b>	226,445
Income tax expense	14	(53,867)	(58,476)
<b>Net profit</b>		<b>157,284</b>	167,969

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Note	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income			
– Changes in fair value		(113)	
– Income tax effect on changes in fair value		28	
Available-for-sale financial assets			
– Changes in fair value			(35,139)
– Income tax effect on changes in fair value			9,531
– Reclassification adjustments for loss included in the consolidated income statement, net			(10,523)
Foreign currency translation differences		7,525	(22,912)
<b>Other comprehensive income for the period, net of tax</b>		<b>7,440</b>	<b>(59,043)</b>
<b>Total comprehensive income for the period</b>		<b>164,724</b>	<b>108,926</b>
Net profit attributable to:			
– Shareholders of the Company		145,734	133,374
– Non-controlling interests		11,550	34,595
		<b>157,284</b>	<b>167,969</b>
Total comprehensive income attributable to:			
– Shareholders of the Company		149,261	72,415
– Non-controlling interests		15,463	36,511
		<b>164,724</b>	<b>108,926</b>
<b>Earnings per share from operations attributable to shareholders of the Company (expressed in RMB yuan per share)</b>			
<b>Basic and diluted earnings per share</b>	15	<b>0.04</b>	0.03

The notes on pages 94 to 178 form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Note	30 June 2018 (Unaudited)	31 December 2017 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	16	234,121	238,207
Investment properties		18,969	21,876
Goodwill		21,484	21,362
Land use rights and intangible assets		155,877	164,390
Investment in associates	17	679,242	492,860
Available-for-sale financial assets	18		2,182,786
Financial assets at fair value through other comprehensive income	19	99,870	
Financial assets at fair value through profit or loss	20	2,704,143	674,084
Financial assets at amortized costs	21	320,213	
Financial assets held under resale agreements	22	840,699	1,103,609
Loans and advances to customers	23	360,094	445,500
Deferred income tax assets	24	174,875	161,342
Refundable deposits	25	336,111	260,826
Other non-current assets		27,536	30,270
<b>Total non-current assets</b>		<b>5,973,234</b>	<b>5,797,112</b>
<b>Current assets</b>			
Loans and advances to customers	23	963,697	826,370
Investment classified as receivables			83,591
Margin accounts receivable	26	5,326,886	6,352,971
Available-for-sale financial assets	18		765,684
Financial assets at fair value through other comprehensive income	19	169,430	
Financial assets at fair value through profit or loss	20	9,340,579	6,948,419
Financial assets at amortized cost	21	311,013	
Financial assets held under resale agreements	22	13,030,729	8,103,408
Due from other financial institutions		-	40,000
Derivative financial assets	27	85,855	59,938
Clearing settlement funds	28	2,223,006	2,350,216
Cash held for brokerage clients		5,953,784	5,845,016
Cash and bank balances	29	1,671,709	2,792,078
Other current assets	30	800,947	683,477
<b>Total</b>		<b>39,877,635</b>	<b>34,851,168</b>
Assets classified as held for sale	31	12,873	13,188
<b>Total current assets</b>		<b>39,890,508</b>	<b>34,864,356</b>
<b>Total assets</b>		<b>45,863,742</b>	<b>40,661,468</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	Note	30 June 2018 (Unaudited)	31 December 2017 (Audited)
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	32	3,869,071	3,923,735
Reserves		5,778,920	5,846,099
Retained earnings		402,125	400,018
<b>Equity attributable to shareholders of the Company</b>		<b>10,050,116</b>	10,169,852
Non-controlling interests		1,269,624	1,282,267
<b>Total equity</b>		<b>11,319,740</b>	11,452,119
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial assets sold under repurchase agreements	33	1,500,000	–
Bonds payable	34	4,000,000	6,496,635
Deferred income tax liabilities	24	7,996	10,360
<b>Total non-current liabilities</b>		<b>5,507,996</b>	6,506,995
<b>Current liabilities</b>			
Financial assets sold under repurchase agreements	33	9,475,282	7,284,879
Bonds payable	34	5,497,844	1,500,000
Bank loans	35	2,049,783	2,184,703
Financial liabilities at fair value through profit or loss	36	676,580	361,418
Tax payable	37	58,957	93,179
Short-term notes payable	38	175,957	1,363,870
Due to other financial institutions	39	2,215,000	1,015,000
Derivative financial liabilities	27	–	471
Accounts payable to underwriting clients		–	434,400
Accounts payable to brokerage clients	40	8,048,365	7,526,503
Other current liabilities	41	838,238	937,931
<b>Total current liabilities</b>		<b>29,036,006</b>	22,702,354
<b>Total liabilities</b>		<b>34,544,002</b>	29,209,349
<b>Total equity and liabilities</b>		<b>45,863,742</b>	40,661,468

The notes on pages 94 to 178 form an integral part of this interim financial information.

**JIAN Mingjun**

*Chairman of the Board and Executive Director*

**CHANG Junsheng**

*Executive Director and President*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018  
(All amounts in RMB'000 unless otherwise stated)

	(Unaudited)										
	Attributable to shareholders of the Company										
	Share capital (Note 32)	Capital reserve	Surplus reserve	General reserve	Transaction risk reserve	Revaluation reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Non- controlling interests	Total equity
<b>As at 31 December 2017</b>	3,923,735	3,814,111	759,323	667,203	606,410	(26,801)	20,501	5,352	400,018	1,282,267	11,452,119
Change in accounting policy	-	-	589	(360)	393	7,390	-	16	(8,210)	(587)	(769)
<b>As at 1 January 2018</b>	3,923,735	3,814,111	759,912	666,843	606,803	(19,411)	20,501	5,368	391,808	1,281,680	11,451,350
Net profit for the period	-	-	-	-	-	-	-	-	145,734	11,550	157,284
Other comprehensive income for the period	-	-	-	-	-	(85)	-	3,612	-	3,913	7,440
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(85)	-	3,612	145,734	15,463	164,724
Stock repurchase (Note 1)	(54,664)	(78,734)	-	-	-	-	-	-	-	-	(133,398)
Cash dividend recognized as distribution	-	-	-	-	-	-	-	-	(135,417)	-	(135,417)
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(27,519)	(27,519)
<b>Balance at 30 June 2018</b>	3,869,071	3,735,377	759,912	666,843	606,803	(19,496)	20,501	8,980	402,125	1,269,624	11,319,740

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	(Unaudited)										
	Attributable to shareholders of the Company										
	Share capital (Note 32)	Capital reserve	Surplus reserve	General reserve	Transaction risk reserve	Revaluation reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Non- controlling interests	Total equity
<b>As at 1 January 2017</b>	3,923,735	3,838,270	697,014	599,109	564,871	30,987	3,871	33,076	891,184	964,653	11,546,770
Net profit for the period	-	-	-	-	-	-	-	-	133,374	34,595	167,969
Other comprehensive income for the period	-	-	-	-	-	(48,986)	-	(11,973)	-	1,916	(59,043)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(48,986)	-	(11,973)	133,374	36,511	108,926
Cash dividend recognized as distribution	-	-	-	-	-	-	-	-	(474,772)	-	(474,772)
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(22,776)	(22,776)
Net capital contribution/ reduction for subsidiaries by non-controlling shareholders	-	(24,155)	-	-	-	-	-	-	-	271,297	247,142
Changes due to the placement of the associates from other shareholders	-	-	-	-	-	-	(74)	-	-	(157)	(231)
<b>As at 30 June 2017</b>	3,923,735	3,814,115	697,014	599,109	564,871	(17,999)	3,797	21,103	549,786	1,249,528	11,405,059

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018  
(All amounts in RMB'000 unless otherwise stated)

(Audited)											
Attributable to shareholders of the Company											
	Share capital	Capital reserve	Surplus reserve	General reserve	Transaction risk reserve	Revaluation reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total equity
<b>As at 1 January 2017</b>	3,923,735	3,838,270	697,014	599,109	564,871	30,987	3,871	33,076	891,184	964,653	11,546,770
Net profit for the year	-	-	-	-	-	-	-	-	441,983	79,180	521,163
Other comprehensive income for the year	-	-	-	-	-	(57,790)	-	(27,724)	-	(19,859)	(105,373)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(57,790)	-	(27,724)	441,983	59,321	415,790
Cash dividend recognised as distribution	-	-	-	-	-	-	-	-	(761,205)	-	(761,205)
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(22,776)	(22,776)
Appropriation to surplus reserve	-	-	62,309	-	-	-	-	-	(62,309)	-	-
Appropriation to general reserve	-	-	-	68,096	-	-	-	-	(68,096)	-	-
Appropriation to transaction risk reserve	-	-	-	-	41,539	-	-	-	(41,539)	-	-
Net capital contribution/reduction for subsidiaries by non-controlling shareholders	-	(24,159)	-	-	-	-	-	-	-	281,226	257,067
Changes due to the placement of the associates from other shareholders	-	-	-	-	-	-	16,630	-	-	(157)	16,473
<b>Balance at 31 December 2017</b>	3,923,735	3,814,111	759,323	667,205	606,410	(26,803)	20,501	5,352	400,018	1,282,267	11,452,119

The notes on pages 94 to 178 form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

(All amounts in RMB'000 unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from operating activities</b>		
<b>Profit before income tax</b>	<b>211,151</b>	226,445
Adjustments for:		
Depreciation and amortization	<b>36,114</b>	33,942
Impairment losses	<b>63,469</b>	13,584
Net losses on disposal of property and equipment	<b>28</b>	300
Foreign exchange gains	<b>(3,095)</b>	(603)
Net gains from available-for-sale financial assets		(45,440)
Dividends and interest income from financial assets at fair value through other comprehensive income	<b>(5,511)</b>	
Dividends and interest income from available-for-sale financial assets		(22,097)
Net gains from disposal of associates	<b>(261)</b>	(27,555)
Investment (gains)/losses from the associates	<b>(14,012)</b>	403
Interest expenses of short-term notes	<b>21,268</b>	10,346
Interest expenses of bonds	<b>210,709</b>	172,519
Interest expenses of bank loans	<b>36,171</b>	10,006
Changes in fair value of financial instruments at fair value through profit or loss	<b>39,495</b>	84,829
	<b>595,526</b>	456,679
<b>Net decrease/(increase) in operating assets:</b>		
Net decrease in margin accounts receivable	<b>1,063,660</b>	563,672
Net increase in financial assets held under resale agreements	<b>(4,702,511)</b>	(5,703,973)
Net (increase)/decrease in financial assets at fair value through profit or loss	<b>(2,279,150)</b>	903,528
Net increase in financial assets at amortized cost	<b>(76,720)</b>	
Net decrease in clearing settlement funds	<b>51,468</b>	622,108
Net (increase)/decrease in refundable deposits	<b>(75,285)</b>	144,914
Net (increase)/decrease in cash held for brokerage clients	<b>(108,768)</b>	603,298
Net increase in other assets	<b>(214,693)</b>	(360,819)
<b>Net increase/(decrease) in operating liabilities:</b>		
Net increase in financial assets sold under repurchase agreements	<b>3,690,403</b>	5,439,875
Net increase in due to other financial institutions	<b>1,200,000</b>	450,000
Net increase/(decrease) in accounts payable to brokerage clients	<b>521,863</b>	(1,083,531)
Net increase/(decrease) in financial liabilities at fair value through profit or loss	<b>309,104</b>	(134,822)
Net decrease in other liabilities	<b>(636,307)</b>	(307,168)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(661,410)</b>	1,593,761

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018  
(All amounts in RMB'000 unless otherwise stated)

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from investing activities</b>		
Dividends and interest received from available-for-sale financial assets		22,097
Dividends and interest income received from financial assets at fair value through other comprehensive income	<b>5,511</b>	
Net cash flows from purchase and disposal of property and equipment, intangible assets and other long-term assets	<b>(16,226)</b>	(10,637)
Net cash flows from purchase and disposal of associates	<b>(172,109)</b>	(91,774)
Net cash flows from disposal and purchase of available-for-sale financial assets		(509,318)
Net cash flows from purchase and disposal of financial assets at fair value through other comprehensive income	<b>32,687</b>	
<b>Net cash outflow from investing activities</b>	<b>(150,137)</b>	(589,632)
<b>Cash flows from financing activities</b>		
Dividends paid	<b>(162,936)</b>	(497,548)
Repurchase of stocks	<b>(133,398)</b>	–
Cash payment for the deduction of non-controlling shareholders	–	(560,836)
Cash received from issuance of short-term notes	<b>986,052</b>	388,180
Cash received from issuance of bonds	<b>1,500,000</b>	–
Capital injection of subsidiaries from non-controlling shareholders	–	807,978
Repayment of short-term notes	<b>(2,173,965)</b>	(537,210)
Repayment of bonds	–	(3,400,000)
Cash repayment of bank loans	<b>(134,920)</b>	425,248
Payments of interest on bonds, bank loans and short-term notes	<b>(269,237)</b>	(462,561)
<b>Net cash outflow from financing activities</b>	<b>(388,404)</b>	(3,836,749)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,199,951)</b>	(2,832,620)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,999,091</b>	4,643,229
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>3,095</b>	603
<b>Cash and cash equivalents at the end of the period</b> (Note 42)	<b>1,802,235</b>	1,811,212

The notes on pages 94 to 178 form an integral part of this interim financial information.



# NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

## 1 GENERAL INFORMATION

Central China Securities Co., Ltd. (the "Company") is a joint-stock financial institution incorporated in Henan Province, the People's Republic of China (the "PRC"). The Company was incorporated on 8 November 2002, pursuant to the approvals by China Securities Regulatory Commission (the "CSRC") and the People's Government of Henan Province. The Company completed the relevant registration with Henan Provincial Administration of Industry and Commerce (the "HAIC") on 8 November 2002. The CSRC and the HAIC have granted the securities institution license No. Z30574000 and business licence No. 410000100009831 to the Company, respectively. The registered address of the Company is No. 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province. As at 30 June 2018, the registered capital of the Company is RMB3,869.07 million.

The principal business of the Company and its subsidiaries (the "Group") include brokerage business (securities and futures brokerages, wealth management, and distribution of financial products), investment banking business (equity financing, financial advisory and bond financing), investment management business (asset management, direct investment and funds management), proprietary trading business, and other business at headquarters (stock pledged repurchase and securities repurchase transactions, the new OTC market making business, micro-credit, innovation business, equity exchange centre, overseas business and research business).

The Company completed its initial public offering of overseas-listed foreign shares ("H shares") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 25 June 2014. Under this offering, the Company issued a total of 598,119,000 shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB2,631.62 million.

The Company completed its placement of H shares on Hong Kong Stock Exchange on 3 August 2015. The Company issued a total of 592,119,000 shares with a nominal value of RMB1 per share. After this placement, total share capital of the Company was increased to RMB3,223.74 million.

The Company completed its initial public offering of domestic-listed shares ("A shares") on the Shanghai Stock Exchange on 30 December 2016. The Company issued a total of 700,000,000 shares with a nominal value of RMB1 per share, after this issuance, total share capital of the Company was increased to RMB3,923.73 million.

The Company repurchased 54.66 million shares from the H share market in May 2018, after this repurchase, total share capital of the Company was decreased to RMB3,869.07 million.

The interim financial information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The interim financial information was approved by the Board of Directors on 29 August 2018.

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### (1) Basis of preparation

The interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The interim financial information should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The financial information relating to the year ended 31 December 2017 that is included in the interim financial information for the six months ended 30 June 2018 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. The Company’s auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2018.

### (2) Principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in preparing the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017.

Standards and amendments effective in 2018 relevant to and adopted by the Group:

In the current interim period, the Group has adopted the following amendments to the IFRSs, issued by the International Accounting Standards Board (“IASB”), that are mandatorily effective for the current interim period. Descriptions of these amendments were disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IFRS 2	Share – based Payment
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IAS 28	Investments in Associates and Joint Ventures – included in the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfer of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (2) Principal accounting policies (Continued)

The new accounting policies of IFRS 9 Financial Instruments and their impacts are disclosed in Note 3 Changes in accounting policies and Note 4 Significant accounting judgements and estimates respectively. The adoption of the other new or amended standards and interpretations does not have significant impact on the operating results, or financial position of the Group.

Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group.

			<b>Effective for annual periods beginning on or after</b>
(1)	IFRS 16	Leases	1 January 2019
(2)	IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
(3)	IFRS 17	Insurance Contracts	1 January 2021
(4)	Amendments to IFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities	1 January 2019
(5)	Amendments to IAS 19	Employee Benefits Regarding Plan Amendment, Curtailment or Settlement	1 January 2019
(6)	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	The Annual Improvements to IFRSs 2015 – 2017 Cycle	1 January 2019
(7)	Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
(8)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

- (i) Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2017. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (2) Principal accounting policies (Continued)

#### (ii) Amendments to IFRS 9: Prepayment Features with Negative Compensation

The IASB issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. To qualify for amortised cost measurement, the amendments require the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect'. However, the standard does not define 'reasonable compensation' and significant judgement may be required to assess if this test is met. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

#### (iii) Amendments to IAS 19: Employee benefits regarding plan amendment, curtailment or settlement

The IASB issued amendments to IAS 19: Employee benefits regarding plan amendment, curtailment or settlement. These amendments require any entity that changes the terms or the membership of a defined benefit plan to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement, and to recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus. The Group anticipates that the adoption of the amendments will not have an impact on the Group's consolidated financial statements.

#### (iv) Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The IASB issued amendments to IAS 28: Investments in Associates and Joint Ventures to clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied should be using IFRS 9. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (3) Taxation

According to relevant PRC tax policies, the most significant categories of taxes to which the Group is currently subjected are as follows:

#### (a) Income tax

The PRC Enterprise income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%.

The income tax rate for subsidiaries established and operate in Hong Kong is 16.5%.

#### (b) Value added tax

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No. 36 issued by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%, instead of business tax at 5% prior to 1 May 2016.

In accordance with "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No.140), "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No.2) and "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No.56), managers of asset management products shall pay VAT at rate of 3% for taxable activities undertaken after 1 January 2018.

After the implementation of the VAT Pilot Programs, the Group's related income is presented at value net of its respective VAT in the consolidated income statements.

- (c) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.
- (d) Urban maintenance and construction taxes, education surcharges and local education surcharges are levied at 7%, 3% and 2%, respectively, of the payable amount of relevant turnover taxes.

### 3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the Group's consolidated financial statements.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves of the current period. Consequently, for note disclosures, the consequential amendments to IFRS 7 "Financial Instruments: Disclosure" disclosures have also only been applied to the current period.

The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. The specific IFRS 9 related accounting policies are described below, and these new accounting policies were applicable from 1 January 2018.

#### Financial instruments

##### (1) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

##### Financial assets

Financial assets are classified on the basis of the Group's business model for managing the asset and the cash flow characteristics of the assets: (i) Amortized cost; (ii) Fair value through other comprehensive income ("FVOCI"); (iii) Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the 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 or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. 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.



### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

##### (1) Initial recognition, classification and measurement of financial instruments (Continued)

###### Financial assets (Continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic leading arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determine whether their cash flows are solely payment of principal and interest.

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

###### Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

- (i) The Group's business model for managing the asset; and
- (ii) the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- (i) Amortized cost: Assets that are held for collection of contractual cashflows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortized cost.
- (ii) FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI.

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

##### (1) Initial recognition, classification and measurement of financial instruments (Continued)

###### Financial assets (Continued)

###### *Debt Instruments* (Continued)

- (iii) FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

###### *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

###### Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at FVPL, which is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

##### (2) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

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

Subsequent measurement of financial instruments depends on the categories:

###### 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; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and maturity amount; (iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, except for: (i) a purchased or originated credit-impaired ("POCI") financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to its amortized cost; and (ii) a financial assets that is not a POCI financial asset but has subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to its amortized cost. If, in a subsequent period, the financial asset improves its quality so that it is no longer credit-impaired and the improvement in credit quality can be related objectively to a certain event occurring after the application of the above-mentioned rule, then the interest income can again be calculated by applying the effective interest rate to its gross carrying amount.

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

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

###### Fair value through other comprehensive income

###### *Debt instruments*

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss.

When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

###### *Equity instruments*

Where an investment in an equity investment not held for trading is designated as a financial asset measured at FVOCI, the fair value changes of the financial asset is recognized in the other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Group's right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

###### Financial assets at fair value through profit or loss

###### *Debt instruments*

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within "Net investment gains" in the period in which it arises.

###### *Equity instruments*

Gains and losses on equity investments at FVPL are included in the "Net investment gains" line in the statement of profit or loss.

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

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

##### Financial liabilities at fair value through profit or loss

Gains or losses on financial liabilities designated as at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

When the liabilities designated as at FVPL is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

#### (4) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI.

Expected credit losses 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 short falls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit impaired financial assets).

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (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.

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

#### (4) Impairment of financial instruments (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 recognise 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, but 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.

The Group applies the impairment requirements for the recognition and measurement of some loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognised in OCI and the impairment loss is recognised in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

The Group has measured the loss allowance for a financial instrument at an amount equal to the lifetime ECL in the previous reporting period, but determines to measure it at an amount equal to the next 12 months ECL at the current reporting date since the credit risk of that financial instrument has increased significantly since initial recognition is no longer met, and the amount of ECL reversal is recognised in profit or loss.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

#### (5) The impact of changes in principal accounting policies

The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies and adjustments to the relevant amounts previously recognized in the consolidated financial statements. The Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves of the current period. Consequently, according to the requirements of the new financial instruments standard, the group makes relevant disclosures on current information.

#### The classification and the carrying amount of financial assets

The classification and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

IAS 39			IFRS 9		
	Classification	Carrying amount		Classification	Carrying amount
Cash and bank balances	Amortized costs	2,792,078	Cash and bank balances	Amortized costs	2,792,078
Cash held for brokerage clients	Amortized costs	5,845,016	Cash held for brokerage clients	Amortized costs	5,845,016
Clearing settlement funds	Amortized costs	2,350,216	Clearing settlement funds	Amortized costs	2,350,216
Refundable deposits	Amortized costs	260,826	Refundable deposits	Amortized costs	260,826
Margin accounts receivables	Amortized costs	6,352,971	Margin accounts receivables	Amortized costs	6,352,053
Financial assets held under resale agreements	Amortized costs	9,207,017	Financial assets held under resale agreements	Amortized costs	9,207,212
Loans and advances to customers	Amortized costs	1,271,870	Loans and advances to customers	Amortized costs	1,271,821
Due from other financial institutions	Amortized costs	40,000	Due from other financial institutions	Amortized costs	40,000
Investment classified as receivables	Amortized costs	83,591	Financial assets at amortized cost	Amortized costs	556,113
Financial assets as at fair value through profit or loss	FVPL	7,622,503	Financial asset at fair value through profit or loss	FVPL	9,801,209
Available-for-sale financial assets	FVOCI	2,948,470	Financial assets at fair value through other comprehensive income	FVOCI	298,154
Derivative financial assets	FVPL	59,938	Derivative financial assets	FVPL	59,938

There were no changes to the classification and measurement of financial liabilities, other than to changes in the fair value of financial liabilities at fair value through profit or loss that are attributable to changes in the instrument's credit risk, which are now presented in other comprehensive income. The changes have no impact to the Group.



### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

#### (5) The impact of changes in principal accounting policies (Continued)

##### Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 Carrying amount 31 December 2017	Reclassification	Re-measurement	IFRS 9 Carrying amount 1 January 2018
<b>Financial assets at fair value through profit or loss</b>	7,622,503			
Addition: from available-for-sale financial assets (IAS 39)		2,173,787		
Re-measurement: from cost to fair value			4,919	
<b>Financial assets at fair value through profit or loss (IFRS 9)</b>				9,801,209
<b>Available-for-sale financial assets (IAS 39)</b>	2,948,470			
Less: to financial assets at fair value through profit or loss		(2,173,787)		
Less: to financial assets at amortized costs		(475,000)		
Less: to other current assets		(1,400)		
Re-measurement: ECL allowance			(129)	
<b>Financial assets at fair value through other comprehensive income (IFRS 9)</b>				298,154
<b>Investment classified as receivables (IAS 39)</b>		83,591		
Addition: from available-for-sale financial assets (IAS 39)		475,000		
Re-measurement: ECL allowance			(2,478)	
<b>Financial assets at amortized costs (IFRS 9)</b>				556,113

### 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (Continued)

#### (5) The impact of changes in principal accounting policies (Continued)

##### Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

	IAS 39 Carrying amount 31 December 2017	Reclassification	Re-measurement Expected credit loss allowance	IFRS 9 Carrying amount 1 January 2018
Margin accounts receivable	6,352,971		(918)	6,352,053
Financial assets held under resale agreements	9,207,017		195	9,207,212
Loans and advances to customers	1,271,870		(49)	1,271,821
Total	16,831,858		(772)	16,831,086

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017.

#### (1) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses).

## 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### (1) Measurement of the expected credit loss allowance

(Continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determine criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL.

The Group has applied a 'three-stage' impairment model for expected credit loss measurement based on changes in credit quality since initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. When the Group assesses the significant increase in credit risk, the following factors are mainly considered: the pre-warning situation of credit management of financing business, such as margin call measure triggered based on the pre-determined threshold of margin loans to collateral ratios, significant deterioration in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements which have an effect on the probability of a default occurring; the up-to-date external rating changes of bonds investment business, such as whether to be under the investment rating.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". When the Group assesses the credit-impaired and default, the following factors are mainly considered: the restriction situation of credit management of financing business, such as whether to take forced liquidation of client' positions measurement, collateral valuation falling short of the related margin loan amount; the up-to-date external rating changes of bonds investment business, such as whether the default rating exists; or, significant financial difficulty of the issuer.

## 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### (1) Measurement of the expected credit loss allowance

(Continued)

#### Inputs, assumptions and estimation techniques

The ECL of different financial portfolios is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined above.

A pervasive concept in measuring ECL by the Group is that it should consider forward-looking information. ECL are the discounted product of the Probability of Default (PD) with considering the forward-looking impact, Exposure at Default (EAD), and Loss Given Default (LGD).

- The 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 Group determines the PD by borrower based on factors including the coverage ratio of margin loan to underlying collateral value, the volatility of such collateral's valuation. For debt securities investments, external credit rating and related PD are taken into consideration.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD);
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. The Group mainly consider the realizable value of collaterals and the type of bonds issuer or counterparty.

#### Forward – looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with IFRS9 is that it should consider forward-looking information. The assessment of SICR and the calculation of ECL both incorporated forward-looking information. The Group has performed historical data and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. These economic variables and their associated impact on the PD vary by product type. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

## 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### (1) Measurement of the expected credit loss allowance

(Continued)

#### Forward – looking information incorporated in the ECL model

(Continued)

In addition to the base economic scenario, the Group's management expert team also provide 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 reporting date. At 1 January 2018 for all portfolios the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the probability weighted forward-looking lifetime PD, along with qualitative and backstop indicators. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 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.

The Group considers these forecasts to represent its best estimate of possible outcomes. As with any economic forecasts, the above projections and likelihoods of occurrence are subject to an uncertain degree.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 46.2.

### (2) Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required.

Factors considered by the Group in determining the business model for a group of financial 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.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 5 COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Securities brokerage	284,896	329,208
Asset management and fund management	55,227	33,850
Futures brokerage	51,113	51,213
Investment advisory	31,329	41,025
Financial advisory	23,402	24,523
Underwriting and sponsorship	12,475	11,449
Listing service	5,080	5,379
<b>Total</b>	<b>463,522</b>	<b>496,647</b>

### 6 INTEREST INCOME

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Financial assets held under resale agreements	298,648	214,068
Margin financing and securities lending	235,733	231,103
Bank deposits	91,230	121,708
Loans and advances to customers	66,592	27,301
Others	19,200	–
<b>Total</b>	<b>711,403</b>	<b>594,180</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 7 NET INVESTMENT GAINS

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Dividends and interest income from financial assets at fair value through other comprehensive income	5,511	
Dividends and interest income from available-for-sale financial assets		22,097
Dividends and interest income from financial assets at fair value through profit or loss	264,915	192,517
Net gains from available-for-sale financial assets		45,440
Net losses from financial assets at fair value through profit or loss	(111,544)	(154,914)
Net losses from financial liabilities at fair value through profit or loss	(5,126)	(23,956)
Net gains/(losses) from derivative financial instruments	6,680	(1,161)
Others	261	27,387
<b>Total</b>	<b>160,697</b>	<b>107,410</b>

### 8 OTHER OPERATING INCOME

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Income from bulk commodity trading	115,273	103,536
Government grants <sup>(1)</sup>	14,591	2,993
Rental income	1,439	1,746
Others	15,422	3,997
<b>Total</b>	<b>146,725</b>	<b>112,272</b>

(1) This item consists of tax incentive and other grants from local governments.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 9 COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Securities brokerage	63,694	70,699
Futures brokerage	23,727	28,627
Financial advisory	2,669	625
Underwriting and sponsorship	1,300	473
Asset and fund management	546	2,332
Total	91,936	102,756

### 10 INTEREST EXPENSES

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Corporate bonds	210,709	172,519
Financial assets sold under repurchase agreements	197,135	138,534
Due to other financial institutions	44,310	12,476
Bank loans	36,171	10,006
Short-term notes payable	21,268	10,346
Accounts payable to brokerage clients	14,138	17,675
Others	1,239	1,200
Total	524,970	362,756

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 11 STAFF COSTS

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Salaries and bonus	205,380	210,947
Pension	53,124	58,025
Other social security benefits	40,857	48,305
Labor union funds and employee education funds	8,387	8,597
Other welfare	5,909	6,283
<b>Total</b>	<b>313,657</b>	<b>332,157</b>

### 12 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Rental expenses	32,279	30,063
Consulting fees	9,197	9,341
Communication costs	7,764	8,593
Tax and surcharges	7,362	7,845
Electronic device operating costs	10,725	7,303
Travel expenses	6,823	6,600
Business entertainment expenses	7,112	6,563
Securities investors protection fund	15,602	5,989
Incidental fees	5,244	5,743
Exchange annual fees	4,869	5,040
Auditor's remuneration	4,630	3,070
– Audit services	4,543	2,994
– Non-audit services	87	76
Cost of bulk commodity trading	113,868	101,079
Compensation	400	11,616
Others	29,187	29,789
<b>Total</b>	<b>255,062</b>	<b>238,634</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 13 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Financial assets held under resale agreements	38,296	3,249
Margin accounts receivable	12,040	2,974
Loans and advances to customers	5,922	7,166
Other current assets	7,211	195
<b>Total</b>	<b>63,469</b>	<b>13,584</b>

### 14 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Current		
– Mainland China	62,710	89,856
– Hong Kong	4,182	7,531
Deferred		
– Mainland China	(5,771)	(38,317)
– Hong Kong	(7,254)	(594)
<b>Total</b>	<b>53,867</b>	<b>58,476</b>

## 15 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to shareholders of the Company	145,734	133,374
Weighted average number of ordinary shares in issue	3,914,674	3,923,735
Basic and diluted earnings per share (in RMB yuan)	0.04	0.03

For the six months ended 30 June 2018 and 2017, there were no potential dilutive ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 16 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electronics and other equipment	Construction in progress	Total
(Unaudited)					
<b>Cost</b>					
1 January 2018	176,889	25,931	329,925	7,542	540,287
Additions	-	640	8,876	1,008	10,524
Transfer from investment properties	4,752	-	-	-	4,752
Disposals	-	(117)	(1,299)	-	(1,416)
Exchange difference	-	11	25	-	36
30 June 2018	181,641	26,465	337,527	8,550	554,183
<b>Accumulated depreciation</b>					
1 January 2018	(47,311)	(18,224)	(236,545)	-	(302,080)
Additions	(1,844)	(758)	(14,345)	-	(16,947)
Transfer from investment properties	(2,314)	-	-	-	(2,314)
Disposals	-	111	1,185	-	1,296
Exchange difference	-	(6)	(11)	-	(17)
30 June 2018	(51,469)	(18,877)	(249,716)	-	(320,062)
<b>Carrying amount</b>					
30 June 2018	130,172	7,588	87,811	8,550	234,121

## 16 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings	Motor vehicles	Electronics and other equipment	Construction in progress	Total
(Audited)					
<b>Cost</b>					
1 January 2017	176,670	27,725	319,453	4,051	527,899
Additions	–	1,768	25,498	3,491	30,757
Transfer to investment properties	219	–	–	–	219
Disposals	–	(3,470)	(14,939)	–	(18,409)
Exchange difference	–	(92)	(87)	–	(179)
31 December 2017	176,889	25,931	329,925	7,542	540,287
<b>Accumulated depreciation</b>					
1 January 2017	(42,635)	(19,691)	(223,488)	–	(285,814)
Additions	(4,574)	(1,884)	(27,132)	–	(33,590)
Transfer to investment properties	(102)	–	–	–	(102)
Disposals	–	3,330	14,041	–	17,371
Exchange difference	–	21	34	–	55
31 December 2017	(47,311)	(18,224)	(236,545)	–	(302,080)
<b>Carrying amount</b>					
31 December 2017	129,578	7,707	93,380	7,542	238,207

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 17 INVESTMENT IN ASSOCIATES

Details of the investment in associates, unlisted, are as below:

	<b>Six months ended 30 June 2018 (Unaudited)</b>	Year ended 31 December 2017 (Audited)
Balance at beginning of the period/year	<b>492,860</b>	370,422
Capital contribution	<b>174,660</b>	273,620
Transfer to held for sale	–	(13,188)
Transfer to consolidated structured entities	–	(14,730)
Disposal	<b>(2,290)</b>	(129,830)
Share of results	<b>14,012</b>	6,566
<b>Balance at end of the period/year</b>	<b>679,242</b>	492,860

The capital contribution and disposal of investment in associates are mainly composed of those invested by Zhongding Kaiyuan Venture Capital Management Co., Ltd. and Henan Zhongyuan Kechuang Venture Capital Investment Fund (limited partnership). Both are the subsidiaries of the Company and registered in Mainland China.



## 18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

### Non-current assets

31 December 2017  
(Audited)

#### At fair value

Specified asset management schemes	163,060
Debt securities	809,322
Trust schemes	350,000
Collective asset management schemes	93,765
Investment funds	111,651
Targeted asset management schemes	427,909

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**Subtotal** 1,955,707

#### At cost

Investments in unlisted companies	229,456
Less: impairment losses	(2,377)

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**Subtotal** 227,079

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**Total** 2,182,786

#### Analyzed as

Listed outside Hong Kong	695,416
Listed in Hong Kong	50,448
Unlisted	1,436,922

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**Total** 2,182,786

#### Analyzed into:

Cost	2,233,702
Change of fair value	(50,916)

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**Total** 2,182,786

## 18 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

### Current assets

31 December 2017  
(Audited)

#### At fair value

Collective asset management schemes	123,486
Equity securities	163,887
Specified asset management schemes	75,362
Trust schemes	165,000
Investment funds	39,645
Debt securities	198,304

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<b>Total</b>	<b>765,684</b>
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#### Analyzed as

Listed outside Hong Kong	279,266
Listed in Hong Kong	86,945
Unlisted	399,473

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<b>Total</b>	<b>765,684</b>
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#### Analyzed into:

Cost	810,473
Change of fair value	(44,789)

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<b>Total</b>	<b>765,684</b>
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As at 31 December 2017, the Group set aside an impairment allowance of RMB79.89 million for the financial assets available for sale, include RMB70.45 million for the Da Cheng Xi Yellow River Bridge specified asset management scheme based on independent valuation.

As at 31 December 2017, available-for-sale financial assets of the Group included securities lent to clients amounted to RMB4.02 million.

As at 31 December 2017, the Group has RMB767.88 million securities used as collateral for repurchase agreements (Note 33) and securities borrowing business.

Those "listed outside Hong Kong" include securities and investment funds traded in the PRC's interbank bond markets, Shanghai and Shenzhen Stock Exchanges, and National Equities Exchange and Quotations.

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 (Unaudited)
<b>Non-current</b>	
Debt securities	99,870
Analyzed into:	
Listed outside Hong Kong	99,870
Analyzed into:	
Cost	100,000
Change of fair value	(130)
<b>Total</b>	<b>99,870</b>
<b>Current</b>	
Debt securities	169,430
Analyzed into:	
Listed outside Hong Kong	169,430
Analyzed into:	
Cost	170,000
Change of fair value	(570)
<b>Total</b>	<b>169,430</b>

As at 30 June 2018, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 33), placements from China Securities Finance Corporation Limited (Note 39) and securities borrowing business were RMB169.43 million. The impairment of 0.12 million has been made in respect of the financial asset at fair value in other comprehensive income held by the Group.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
<b>Non-current</b>		
Debt securities	<b>540,485</b>	361,991
Fund investments	<b>440,912</b>	–
Equity investments for unlisted companies	<b>744,457</b>	312,093
Asset management schemes	<b>878,289</b>	–
Trust schemes	<b>100,000</b>	–
<b>Total</b>	<b>2,704,143</b>	674,084
Analyzed into:		
Listed outside Hong Kong	<b>160,598</b>	–
Listed in Hong Kong	<b>17,600</b>	–
Unlisted	<b>2,525,945</b>	674,084
<b>Total</b>	<b>2,704,143</b>	674,084
<b>Current</b>		
Debt securities	<b>6,614,521</b>	5,255,466
Equity securities	<b>758,178</b>	658,898
Fund investments	<b>1,677,237</b>	1,034,055
Asset management schemes	<b>41,268</b>	–
Wealth management products	<b>249,375</b>	–
<b>Total</b>	<b>9,340,579</b>	6,948,419
Analyzed into:		
Listed outside Hong Kong	<b>7,104,069</b>	5,529,079
Listed in Hong Kong	<b>94,150</b>	25,601
Unlisted	<b>2,142,360</b>	1,393,739
<b>Total</b>	<b>9,340,579</b>	6,948,419

As at 30 June 2018, the fair value of financial assets at fair value through profit or loss pledged as collateral for repurchase agreements (Note 33) and securities borrowing business by the Group were RMB4,844.48 million (31 December 2017: RMB4,487.92 million).

As at 30 June 2018, financial assets at fair value through profit or loss of the Group included securities lent to clients amounted to RMB3.82 million (31 December 2017: nil).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 21 FINANCIAL ASSETS AT AMORTIZED COSTS

	<b>30 June 2018 (Unaudited)</b>
<b>Non-current</b>	
Trust schemes	<b>322,000</b>
Less: impairment allowance	<b>(1,787)</b>
<b>Total</b>	<b>320,213</b>
Analyzed into:	
Unlisted	<b>320,213</b>
<b>Current</b>	
Trust schemes	<b>167,000</b>
Debt instruments	<b>146,310</b>
Less: impairment allowance	<b>(2,297)</b>
<b>Total</b>	<b>311,013</b>
Analyzed into:	
Unlisted	<b>311,013</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

#### Non-current assets

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Analyzed by collateral:		
– Equity securities	<b>881,080</b>	1,107,400
Less: Impairment allowance	<b>(40,381)</b>	(3,791)
<b>Total</b>	<b>840,699</b>	1,103,609

#### Current assets

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Analyzed by asset type:		
– Debt securities	<b>9,460,331</b>	4,401,887
– Equity securities	<b>3,584,565</b>	3,714,178
Less: Impairment allowance	<b>(14,167)</b>	(12,657)
<b>Total</b>	<b>13,030,729</b>	8,103,408

Collateral held by the Group as part of certain resale agreements may be placed again as collateral in the absence of default by any party involved, and the Group is obligated to return the assets to its counterparties upon maturity of the contracts. As at 30 June 2018, the fair value of securities of the Group which have been placed as collateral were RMB6,211.78 million (31 December 2017: RMB3,069.18 million).

Two agreements with stock collateral of RMB145.16 million were overdue as at 30 June 2018 (31 December 2017: RMB128.96 million), two agreements with stock collateral of RMB400.00 million were under mandatory liquidation line. The directors of the Company, taking into consideration of the value of collateral, concluded that provision of RMB40.43 million was recognized as of 30 June 2018.

## 23 LOANS AND ADVANCES TO CUSTOMERS

### Non-current assets

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017 (Audited)
Micro-loans	<b>364,000</b>	450,000
Less: Impairment allowance	<b>(3,906)</b>	(4,500)
<b>Total</b>	<b>360,094</b>	445,500

### Current assets

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017 (Audited)
Micro-loans	<b>952,000</b>	778,000
Entrusted loans	<b>35,228</b>	65,336
Less: Impairment allowance	<b>(23,531)</b>	(16,966)
<b>Total</b>	<b>963,697</b>	826,370

Entrusted loans represent the Group's lending to third parties via domestic commercial banks in Mainland China, with interest rates ranging from 8% to 12% per annum. The interest rates of loan business carried out by Henan Zhongyuan Micro-credit Co., Ltd. ("HZMC") range from 9% to 36% per annum.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 24 DEFERRED INCOME TAX ASSETS AND LIABILITIES

The movements in deferred income tax assets during the year/period are as follows:

	Provision for asset impairment	Employee benefits payable	Changes in fair value of financial instrument	Accrual and others	Total
(Audited)					
<b>As at 1 January 2017</b>	33,968	74,142	–	9,819	117,929
Income statement charge	11,725	9	23,084	6,074	40,892
Tax charge relating to components of other comprehensive income	–	–	2,657	–	2,657
Exchange difference	–	–	–	(136)	(136)
<b>As at 31 December 2017</b>	<b>45,693</b>	<b>74,151</b>	<b>25,741</b>	<b>15,757</b>	<b>161,342</b>

	Provision for asset impairment	Employee benefits payable	Changes in fair value of financial instrument	Others	Total
(Unaudited)					
<b>As at 31 December 2017</b>	<b>45,693</b>	<b>74,151</b>	<b>25,741</b>	<b>15,757</b>	<b>161,342</b>
The impact of accounting policy changes	622	–	(679)	–	(57)
<b>As at 1 January 2018</b>	<b>46,315</b>	<b>74,151</b>	<b>25,062</b>	<b>15,757</b>	<b>161,285</b>
Income statement charge	(2,957)	(6,413)	27,316	(4,422)	13,524
Tax charge relating to components of other comprehensive income	(2)	–	68	–	66
<b>As at 30 June 2018</b>	<b>43,356</b>	<b>67,738</b>	<b>52,446</b>	<b>11,335</b>	<b>174,875</b>

## 24 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

The movements in deferred income tax liabilities during the year/period are as follows:

	Changes in fair value of financial instrument	Others	Total
(Audited)			
<b>As at 1 January 2017</b>	(15,987)	(12,720)	(28,707)
Income statement charge	(4,457)	10,733	6,276
Tax charge relating to components of other comprehensive income	12,071	–	12,071
<b>As at 31 December 2017</b>	(8,373)	(1,987)	(10,360)

	Changes in fair value of financial instrument	Others	Total
(Unaudited)			
<b>As at 31 December 2017</b>	(8,373)	(1,987)	(10,360)
The impact of accounting policy changes	–	–	–
As at 1 January 2018	(8,373)	(1,987)	(10,360)
Income statement charge	741	1,623	2,364
Tax charge relating to components of other comprehensive income	–	–	–
<b>As at 30 June 2018</b>	(7,632)	(364)	(7,996)

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 25 REFUNDABLE DEPOSITS

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	<b>29,460</b>	29,376
– Shenzhen Stock Exchange	<b>22,587</b>	17,071
– Hong Kong Exchange	<b>1,159</b>	407
– National Equities Exchange and Quotations	<b>1,097</b>	1,549
Deposits to Futures and Commodities Exchanges		
– China Financial Futures Exchange	<b>62,981</b>	37,211
– Shanghai Futures Exchange	<b>94,157</b>	73,734
– Zhengzhou Commodities Exchange	<b>77,844</b>	31,450
– Dalian Commodities Exchange	<b>18,983</b>	31,629
Deposits to China Securities Finance Corporation Limited	<b>27,739</b>	38,399
Shanghai International Energy Exchange Center	<b>104</b>	–
<b>Total</b>	<b>336,111</b>	260,826

### 26 MARGIN ACCOUNT RECEIVABLE

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Margin accounts receivable		
– Individuals	<b>5,004,998</b>	5,992,480
– Institutions	<b>399,502</b>	425,148
<b>Subtotal</b>	<b>5,404,500</b>	6,417,628
Less: Impairment allowance	<b>(77,614)</b>	(64,657)
<b>Total</b>	<b>5,326,886</b>	6,352,971

As at 30 June 2018, two margin accounts receivable were overdue, with amount of HKD76.91 million, equivalent to RMB65.89 million. The Group set aside an impairment allowance of HKD76.91 million, equivalent to RMB65.89 million.

As at 30 June 2018, the Group received collateral with fair value amounted to RMB14,457.66 million (31 December 2017: RMB18,554.28 million) in margin financing business.

## 27 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The derivative financial assets and liabilities of the Group mainly represent stock index futures contracts and the commodity futures contracts and stock options. The Group settles its future gains or losses on position on a daily basis, with the corresponding receipts and payments as at 30 June 2018 and 31 December 2017 included in "clearing settlement funds".

	30 June 2018			31 December 2017		
	Contractual value	Fair value		Contractual value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Stock index futures	-	-	-	22,084	-	-
Commodity futures	33,307	-	-	15,067	-	-
Stock options	-	-	-	886	-	(471)
Equity derivative	357,718	85,855	-	557,138	59,938	-
	<b>391,025</b>	<b>85,855</b>	-	595,175	59,938	(471)

## 28 CLEARING SETTLEMENT FUNDS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Clearing settlement funds held for clients	2,091,283	2,142,751
Proprietary clearing settlement funds	131,723	207,465
Total	<b>2,223,006</b>	2,350,216

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 29 CASH AND BANK BALANCES

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Cash on hand	419	545
Deposits in banks	1,671,290	2,791,533
Total	<b>1,671,709</b>	2,792,078

As at 30 June 2018, the amount of restricted cash and bank deposits is RMB1.20 million was pledged for the loan of Henan Zhongyuan Micro-credit Co., Ltd. (31 December 2017: RMB0.45 million).

### 30 OTHER CURRENT ASSETS

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Interest receivable	510,962	449,077
Accounts receivable	105,925	104,032
Others receivables	93,667	110,170
Others	127,718	52,033
Less: Impairment allowance	<b>(37,325)</b>	(31,835)
Total	<b>800,947</b>	683,477

### 31 ASSETS CLASSIFIED AS HELD FOR SALE

The assets related to Taiping Fund Management Co., Ltd., a 8.5% owned investment in associate of the Company, had been presented as held for sale as at 30 June 2018 and 31 December 2017. The Board of Directors of the Company made a disposal decision of Taiping Fund Management Co., Ltd. in September 2017.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 32 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1.00 per share. The number of shares and nominal value of the Company's share capital are as follows:

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Issued and fully paid ordinary shares of RMB1.00 each		
– Domestic shares	<b>2,673,706</b>	2,673,706
– H shares	<b>1,195,365</b>	1,250,029
<b>Total</b>	<b>3,869,071</b>	3,923,735
Share Capital		
– Domestic shares	<b>2,673,706</b>	2,673,706
– H shares	<b>1,195,365</b>	1,250,029
<b>Total</b>	<b>3,869,071</b>	3,923,735

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 33 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

#### Non-current liabilities

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Analysed by asset type:		
– Margin accounts receivable	1,500,000	–
Analysed by transaction type:		
– Pledged	1,500,000	–
Analysed by counterparty:		
– Bank	500,000	–
– Non-bank financial institutions	1,000,000	–
Total	1,500,000	–



### 33 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

#### Current liabilities

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Analysed by asset type:		
– Debt securities	<b>9,475,282</b>	7,084,879
– Margin accounts receivable	–	200,000
<b>Total</b>	<b>9,475,282</b>	7,284,879
Analysed by transaction type:		
– Pledged	<b>6,191,082</b>	3,721,057
– Sold	<b>3,284,200</b>	3,563,822
<b>Total</b>	<b>9,475,282</b>	7,284,879
Analysed by counterparty:		
– Bank	<b>6,171,619</b>	3,660,730
– Non-bank financial institutions	<b>2,471,663</b>	3,151,149
– Others	<b>832,000</b>	473,000
<b>Total</b>	<b>9,475,282</b>	7,284,879

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 34 BONDS PAYABLE

#### Non-current liabilities

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Subordinated bonds	<b>4,000,000</b>	5,000,000
Corporate bond	–	1,496,635
<b>Total</b>	<b>4,000,000</b>	<b>6,496,635</b>

#### Current liabilities

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Subordinated bonds	<b>4,000,000</b>	1,500,000
Corporate bond	<b>1,497,844</b>	–
<b>Total</b>	<b>5,497,844</b>	<b>1,500,000</b>

On 22 April 2016, the Group issued RMB2.50 billion three-year subordinated bonds at par value, paying annual interest at 4.20%.

On 26 October 2016, the Group issued RMB1.50 billion two-year subordinated bonds at par value, paying annual interest at 3.30%.

On 26 July 2017, the Group issued RMB1.50 billion three-year subordinated bonds at par value, paying annual interest at 5.15%.

On 17 November 2017, the Group issued RMB1.00 billion three-year subordinated bonds at par value, paying annual interest at 5.49%.

On 26 April 2018, the Group issued RMB1.50 billion three-year subordinated bonds at par value, paying annual interest at 5.58%.

On 23 April 2014, the Group issued RMB1.50 billion five-year corporate bonds at par value, paying annual interest at 6.20%.

### 35 BANK LOANS

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017 (Audited)
Unsecured loans	<b>1,139,972</b>	1,098,520
Guaranteed loans	<b>764,991</b>	909,094
Pledge loans	<b>144,820</b>	177,089
<b>Total</b>	<b>2,049,783</b>	2,184,703

As at 30 June 2018, the interest rates on the short-term borrowings of the Company were in the range of 2.44% to 6.50%.

### 36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017 (Audited)
Non-controlling interests of consolidated structured entities <sup>(1)</sup>	<b>390,144</b>	361,418
Debt securities borrowing <sup>(2)</sup>	<b>286,436</b>	–
<b>Total</b>	<b>676,580</b>	361,418

(1) In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities (the "SEs") are designated as at fair value through profit or loss by the Group. The Group has the obligation to pay other investors upon maturity dates of the SEs based on net Carrying amount and the related terms of those schemes.

(2) The Company borrowed securities from other financial institutions to engage in margin financing business. As at 30 June 2018, the outstanding balance is RMB286.44 million.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 37 TAX PAYABLE

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Corporate income tax	<b>46,975</b>	80,673
Individual income tax withheld	<b>7,513</b>	4,441
Value added tax	<b>3,160</b>	6,786
Others	<b>1,309</b>	1,279
Total	<b>58,957</b>	93,179

### 38 SHORT-TERM NOTES PAYABLE

#### Current liabilities

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Beneficiary certificates	<b>175,957</b>	1,363,870

As at 30 June 2018, the annual interest rates on the short-term notes payable are in the range of 4.2% to 6.0%.

### 39 DUE TO OTHER FINANCIAL INSTITUTIONS

As at 30 June 2018, due to other financial institutions of the Group represented placements from China Securities Finance Corporation Limited and banks of RMB2,215 million (31 December 2017: RMB1,015 million).

### 40 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Group, and are interest bearing at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

As at 30 June 2018, cash collateral received from clients for margin financing and securities lending arrangements amounted to RMB925.68 million (31 December 2017: RMB701.19 million), and are included in the Group's accounts payable to brokerage clients.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 41 OTHER CURRENT LIABILITIES

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017 (Audited)
Salaries, bonus, allowances and benefits	<b>307,045</b>	422,504
Interest payable	<b>226,394</b>	218,265
Accounts payable	<b>186,491</b>	202,481
Other payables	<b>70,061</b>	53,233
Others	<b>48,247</b>	41,448
<b>Total</b>	<b>838,238</b>	937,931

### 42 CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents include amounts that can be used to meet short-term cash commitments.

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017 (Audited)
Cash on hand	<b>419</b>	545
Deposits in banks	<b>1,671,290</b>	2,791,533
Proprietary clearing settlement funds	<b>131,723</b>	207,465
Less: Restricted deposits	<b>(1,197)</b>	–
<b>Total</b>	<b>1,802,235</b>	2,999,543

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 43 COMMITMENTS AND CONTINGENT LIABILITIES

#### 43.1 Capital commitments

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Contracted but not provided for	<b>28,805</b>	62,659

#### 43.2 Operating lease commitments

Considering the Group as a lessee, the total future minimum lease payments of buildings under irrevocable operating lease arrangements are as follows:

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Within 1 year	<b>54,562</b>	60,440
1 to 3 years	<b>51,072</b>	65,441
Over 3 years	<b>18,176</b>	17,150
Total	<b>123,810</b>	143,031

#### 43.3 Legal proceedings

From time to time in the ordinary course of business, the Group may be involved in claims and legal proceedings or subjected to investigations by regulatory authorities.

The Company is involved as defendant in three lawsuits arising from certain finance lease contracts entered into by a former employee falsified as representative of the Company in 2015 and 2016. As at 30 June 2018, two lawsuits with total claim in dispute of RMB2.26 million had no further action while the other one with claim in dispute of RMB11.67 million has been dismissed by the court in its second and final trial.

The Directors of the Company, taking into consideration of external legal advice, concluded that these lawsuits will not have a material impact on the financial position, operations or cash flows of the Group.

## 44 RELATED PARTY TRANSACTIONS

### 44.1 Related parties

When the Group exercises control, common control over or has significant influence on another entity; or another entity exercises control, common control over or has significant influences on the Group; or the Group and another entity are under control, common control or significantly influenced by the same party, the Group and the entity are related parties. Related parties can be individuals or legal entities.

Ultimated controlling party of the Company is Henan Province Development and Reform Commission.

The following table lists the Group's significant related legal entities and the holdings of the Company's major shareholders as at 30 June 2018:

Enterprise	The relationship with the Group	Stock holding percentage
Henan Investment Group	The controlling shareholder of the Company	21.27%
Bohai Industrial Investment Fund Management Co., Ltd. (representing Bohai Industrial Investment Fund)	Major shareholder holding over 5% shares of the Company	15.71%
Zhongyuan Trust Co., Ltd	Controlled by the controlling shareholder of the Company	–

### 44.2 Related party transactions and balances

#### 44.2.1 The Company's controlling shareholder – Henan Investment Group

Transactions during the period:

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Income from providing securities brokerage services	64	–



## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 44 RELATED PARTY TRANSACTIONS (CONTINUED)

#### 44.2 Related party transactions and balances (Continued)

##### 44.2.2 Enterprise controlled by the controlling shareholder of the Company

###### Transactions during the period

		Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
Zhongyuan Trust Co., Ltd	Commission and fee income	4,007	1,424

###### Balances at the end of the period/year

		30 June 2018 (Unaudited)	31 December 2017 (Audited)
Zhongyuan Trust Co., Ltd	Financial assets measured at amortized cost	18,000	480,000

##### 44.2.3 Key management personnel

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the board of directors, board of supervisors and other members of the senior management.

		Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
	Key management compensation	8,960	7,694

##### 44.2.4 Loans and advances to directors, supervisors and senior executives

The Group had no material balance of loans and advances to directors, supervisors and senior executives as at the end of the reporting period. Those loans and advances to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

## 45 SEGMENT INFORMATION

The Group manages business operations by the following segments in accordance with the nature of the operations and the services provided:

- (a) Securities brokerage: securities trading and brokering services;
- (b) Futures brokerage: futures trading and brokering and futures information advisory and training services;
- (c) Margin trading and securities lending: margin trading and securities lending services;
- (d) Investment banking: corporate finance and financial advisory services to institutional clients;
- (e) Proprietary trading: trading in financial products;
- (f) Investments and asset management: direct investments and funds related businesses, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (g) Overseas business: the overseas operations segment mainly represents the business operation of overseas subsidiary of the Company, which mainly engages in brokerage, margin financing, trading and investment and financial planning and advisory services;
- (h) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties, and there was no change in the basis during the period.

The Group mainly operates business in Henan Province, the PRC.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

## 45 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2018 (Unaudited)									
	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total
<b>Total revenue and other income</b>										
Commission and fee income	291,287	37,622	19,925	27,537	-	40,526	40,089	6,843	(307)	463,522
Interest income	27	12,167	211,760	-	169,123	17,885	27,806	272,635	-	711,403
Net investment (losses)/gains and share of profits and losses of associates	-	(1,360)	(714)	-	151,331	76,352	(9,857)	(26,599)	(14,444)	174,709
Other gains/(loss)	2,425	118,763	-	400	13,110	941	9,446	2,304	(664)	146,725
<b>Total expenses</b>	(242,885)	(153,851)	(161,945)	(57,065)	(279,959)	(30,434)	(89,386)	(270,629)	946	(1,285,208)
<b>Profit before income tax</b>	50,854	13,341	69,026	(29,128)	53,605	105,270	(21,902)	(15,446)	(14,469)	211,151
<b>Total assets</b>	6,806,257	1,170,493	10,493,933	22,725	17,660,369	3,999,725	2,948,677	7,647,312	(4,885,749)	45,863,742
<b>Total liabilities</b>	7,563,674	670,266	816,321	37,222	11,288,159	444,726	2,049,047	11,739,602	(65,014)	34,544,002

(All amounts in RMB'000 unless otherwise stated)

45 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2017 (Unaudited)							Total		
	Securities brokerage	Futures brokerage	Margin trading and securities lending	Investment banking	Proprietary trading	Investment and asset management	Overseas business		Other	Elimination
<b>Total revenue and other income</b>										
Commission and fee income	337,200	53,172	25,338	24,279	–	32,111	15,361	10,537	(1,351)	496,647
Interest income	35	12,969	219,924	–	127,114	29,413	27,502	177,223	–	594,180
Net investment (losses)/gains and share of profits and losses of associates	–	862	–	–	42,975	3,039	42,643	81,482	(63,826)	107,175
Other gains/(loss)	2,782	103,732	285	–	245	480	784	4,607	(643)	112,272
<b>Total expenses</b>	(271,764)	(151,316)	(103,205)	(46,780)	(225,446)	(39,904)	(47,651)	(199,743)	1,980	(1,083,829)
<b>Profit before income tax</b>	68,253	19,419	142,342	(22,501)	(55,112)	25,139	38,639	74,106	(63,840)	226,445
<b>Total assets</b>	9,200,601	1,220,385	797,128	31,064	11,848,261	2,840,891	2,251,871	17,011,399	(3,880,588)	41,321,012
<b>Total liabilities</b>	8,841,313	770,383	512,938	53,565	11,822,446	462,998	1,325,490	6,263,511	(136,691)	29,915,953

## 46 FINANCIAL RISK MANAGEMENT

### 46.1 Overview

The Group's risk management objective is to maintain an appropriate balance between risks and rewards, and reduce the negative impact on the operating results of the Group, so as to maximise the shareholders' value. The Group's risk management strategy is to identify and analyse a variety of risks to which the Group is exposed to, set an appropriate risk tolerance level, measure and supervise risks in a timely and reliable manner so as to ensure that risks are controlled within acceptable limits.

Financial risks to which the Group is exposed to mainly include: credit risk, market risk and liquidity risk. The Group has adopted risk management policies and procedures to identify and analyse these risks and defined appropriate risk indicators, risk limits, risk policies and internal control procedures, and constantly monitors and manages risks through its IT systems.

The financial risk management framework is structured into four levels consisting of (i) Board and Supervisory Committee; (ii) Risk Control Committee, Audit Committee and Investment Decision Committee; (iii) Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department; and (iv) Business and management departments and branch outlets.

#### Level 1: Board and Supervisory Committee

The Board 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 setting objectives, limits and delegating authority to relevant administrative departments in the actual performance of risk control activities.

The Supervisory Committee focuses on mitigating the Company's exposure to legal and compliance risks and financial oversight, 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 legal rights and interests of the Company and its shareholders.

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.1 Overview (Continued)

#### **Level 2: Risk Control Committee, Audit Committee and Investment Decision Committee**

Risk Control Committee, Audit Committee and Investment Decision Committee are the second level of the Company's risk control framework, and is 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 organisational structure and roles and responsibilities for risk control, as well as other matters as delegated by the Board of Directors.

#### **Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department, and Internal Audit Department**

At the third level of the Company's risk control framework is the collaborative comprehensive risk management arrangement through which the Compliance Management (Legal Affairs) Department, Risk Management Department and Internal Audit Department work together to manage risks.

The Compliance Management (Legal Affairs) Department assists the Chief Compliance Officer to formulate compliance policies and compliance rules and procedures, supports the implementation of compliance policies and procedures, provides recommendations and advice on compliance to the management and business departments, business lines and branch outlets, and monitors compliance with laws and regulations in the Company's business and management activities. It also drives business departments, business lines and the Company's branch outlets to evaluate, develop, revise, update and improve their internal procedures and business processes to reflect changes in the laws, regulations and standards; conducts compliance pre-clearance on internal management rules and procedures, major decisions, new products, new business offerings and major business activities; reports to regulatory authorities on a regular and extraordinary basis, in addition to mitigating legal risks to which the Company and its businesses are exposed to.

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.1 Overview (Continued)

#### **Level 3: Compliance Management (Legal Affairs) Department, Risk Management Department, and Internal Audit Department (Continued)**

Risk Management Department carries out risk control activities 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 leverages the results to improve the end-to-end risk response process that covers every components of risk control, including policies, identification, assessment and measurement, control, monitoring, reporting and analysis; regularly tests, monitors and evaluates the implementation of risk control rules and procedures across the Company, and when necessary, conducts regular and ad hoc inspections on risk control results, follows up on issues identified and launches reporting procedures where appropriate; and establishes communications and cooperation with respect to risk control with various business lines, business departments, and branch outlets.

Internal Audit Department has overall responsibility for the internal audit function, including organising comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimizing ethical and policy risks and assisting the investigation of emergencies.

#### **Level 4: Business and management departments and branch outlets**

The fourth level of risk control is the frontline risk control systems by business and management departments and branch outlets, 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 (Legal Affairs) 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.



## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.2 Credit risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating. The Group's credit risks mainly come from financial assets which include bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held for trading, financial assets held under resale agreements, available-for-sale financial assets, 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 ("CSDCC"), with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or CSDCC, 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 Group 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 receivables are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 30 June 2018 and 31 December 2017, the Group's collateral asset value is sufficient to mitigate the credit risk in margin financing.

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 their own funds to complete the settlement. The Group requires customers to deposit all cash required in trading before it settles on behalf of customers, so as to mitigate and manage the credit risk properly.

The Group enters into entrusted lending business as part of the debt investments. Credit risk management approaches over those loans and advances to customers include project initiation, due diligence, internal assessment, decision-making and post-lending monitoring. The Group assesses both the borrowers' credit risk and the rewards and sets risk mitigation measures such as guarantee. Loans and advances to customers are approved by the authorised approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks. In order to further constraints the borrowers through the credit rating system of the People's Bank of China, the Group enters into entrusted lending business via the banks with relatively better capability in risk management.

The Group invests in wealth management products with proper approval process.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 46.2 Credit risk (Continued)

##### (1) Maximum credit risk exposure

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Group is as follows:

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Refundable deposits	<b>336,111</b>	260,826
Other current assets	<b>696,400</b>	648,634
Loans and advances to customers	<b>1,323,791</b>	1,271,870
Margin accounts receivable	<b>5,326,886</b>	6,352,971
Available-for-sale financial assets		1,863,215
Financial assets held under resale agreements	<b>13,871,428</b>	9,207,017
Financial assets at fair value through other comprehensive income	<b>269,300</b>	
Financial assets at amortized costs	<b>631,226</b>	
Financial assets at fair value through profit or loss	<b>7,572,971</b>	5,617,457
Derivative financial assets	<b>85,855</b>	59,938
Investment classified as receivables	–	83,591
Clearing settlement funds	<b>2,223,006</b>	2,350,216
Cash held for brokerage clients	<b>5,953,784</b>	5,845,016
Bank balances	<b>1,671,290</b>	2,791,533
<b>Total</b>	<b>39,962,048</b>	36,352,284

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.2 Credit risk (Continued)

#### (2) Loans and advances to customers analysed by economic sector concentrations

	30 June 2018		31 December 2017	
	Gross loan balance (Unaudited)	Percentage	Gross loan balance (Audited)	Percentage
Loans and advances to customers				
– Leasing and business services	120,000	8.88%	145,000	11.21%
– Culture, sports and entertainment	50,000	3.70%	50,000	3.87%
– Agriculture, forestry, farming, fishing	204,500	15.13%	218,000	16.86%
– Manufacturing	410,848	30.41%	336,448	26.01%
– Wholesale and retail trade	3,380	0.25%	3,388	0.26%
– Real estate	495,000	36.63%	465,000	35.96%
– Others	67,500	5.00%	75,500	5.83%
<b>Total</b>	<b>1,351,228</b>	<b>100.00%</b>	<b>1,293,336</b>	<b>100.00%</b>

#### (3) Loans and advances to customers analysed by geographical sector concentrations

	30 June 2018		31 December 2017	
	Gross loan balance (Unaudited)	Percentage	Gross loan balance (Audited)	Percentage
Loans and advances to customers				
– Central	1,351,228	100.00%	1,293,336	100.00%

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 46.2 Credit risk (Continued)

##### (4) Loans and advances to customers analysed by types of collateral

	30 June 2018		31 December 2017	
	Gross loan balance (Unaudited)	Percentage	Gross loan balance (Audited)	Percentage (Audited)
Loans and advances to customers				
– Loans secured by monetary assets	137,000	10.14%	129,000	9.98%
– Guaranteed loans	1,184,228	87.64%	1,109,336	85.77%
– Loans secured by tangible assets other than monetary assets	30,000	2.22%	55,000	4.25%
<b>Total</b>	<b>1,351,228</b>	<b>100.00%</b>	<b>1,293,336</b>	<b>100.00%</b>

##### (5) Overdue Loans and advances to customers by period

	Within 3 months	3 months to 1 year	1 year to 3 years
<b>30 June 2018 (Unaudited)</b>			
Loans and advances to customers			
– Guaranteed loans	–	–	8,228
– Loans secured by tangible assets other than monetary assets	3,000	–	–
As a percentage of loans and advances to customers	0.22%	–	0.61%
<b>31 December 2017 (Audited)</b>			
Loans and advances to customers			
– Guaranteed loans		8,336	–
As a percentage of loans and advances to customers		0.65%	–

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.2 Credit risk (Continued)

#### (6) Distribution in terms of credit quality is analysed as follows:

	30 June 2018 (Unaudited)
Stage 1	
– Loans and advances to customers	1,323,000
– Margin accounts receivable	5,338,612
– Financial assets at fair value through other comprehensive income	269,423
– Financial assets at amortized costs	605,310
– Financial assets held under resale agreements	13,380,816
<b>Subtotal</b>	<b>20,917,161</b>
Less: allowances for impairment losses	(42,068)
<b>Subtotal</b>	<b>20,875,093</b>
Stage 2	
– Financial assets at amortized costs	30,000
– Financial assets held under resale agreements	216,200
<b>Subtotal</b>	<b>246,200</b>
Less: allowances for impairment losses	(1,956)
<b>Subtotal</b>	<b>244,244</b>
Stage 3	
– Loans and advances to customers	28,228
– Margin accounts receivable	65,888
– Financial assets held under resale agreements	328,960
<b>Subtotal</b>	<b>423,076</b>
Less: allowances for impairment losses	(119,781)
<b>Subtotal</b>	<b>303,295</b>
<b>Total</b>	<b>21,422,632</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 46.2 Credit risk (Continued)

##### (6) Distribution in terms of credit quality is analysed as follows: (Continued)

	31 December 2017 (Audited)
Individually assessed and impaired gross amount	
– Loans and advances to customers	15,336
– margin accounts receivable	76,825
<hr/>	
Subtotal	92,161
Less: allowances for impairment losses	(66,029)
<hr/>	
Subtotal	26,132
Neither overdue nor impaired	
– Loans and advances to customers	1,278,000
– margin accounts receivable	6,340,803
– financial assets held under resale agreements	4,821,578
<hr/>	
Gross amount	12,440,381
Less: collectively assessed allowances for impairment losses	(36,542)
<hr/>	
Subtotal	12,403,839
<hr/>	
Total	12,429,971

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.2 Credit risk (Continued)

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

	Six months ended 30 June 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
31 December 2017	16,125	–	322	16,447
Change in accounting policy	(58)	–	(137)	(195)
1 January 2018	16,067	–	185	16,252
Increase	1,249	(98)	36,949	38,296
Decrease	–	–	–	–
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	(148)	148	–	–
Transfers to stage 3	(3,281)	–	3,281	–
Other	–	–	–	–
30 June 2018	13,887	246	40,415	54,548



## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 46.2 Credit risk (Continued)

##### (8) Loans and advances to customers

	Six months ended 30 June 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
31 December 2017	13,130	–	8,336	21,466
Change in accounting policy	49	–	–	49
1 January 2018	13,179	–	8,336	21,515
Increase	1,393	–	5,227	6,620
Decrease	(590)	–	(108)	(698)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	(22)	–	22	–
Other	–	–	–	–
30 June 2018	13,960	–	13,477	27,437

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.2 Credit risk (Continued)

#### (9) Financial assets at amortized costs

	Six months ended 30 June 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
31 December 2017	–	–	–	–
Change in accounting policy	<b>2,478</b>	–	–	<b>2,478</b>
1 January 2018	<b>2,478</b>	–	–	<b>2,478</b>
Increase	<b>285</b>	<b>1,650</b>	–	<b>1,935</b>
Decrease	<b>(330)</b>	–	–	<b>(330)</b>
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	<b>(60)</b>	<b>60</b>	–	–
Transfers to stage 3	–	–	–	–
Other	–	–	–	–
<b>30 June 2018</b>	<b>2,373</b>	<b>1,710</b>	–	<b>4,083</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 46.2 Credit risk (Continued)

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

	Six months ended 30 June 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
31 December 2017	–	–	–	–
Change in accounting policy	129	–	–	129
1 January 2018	129	–	–	129
Increase	1	–	–	1
Decrease	(7)	–	–	(7)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	–	–	–
Other	–	–	–	–
30 June 2018	123	–	–	123

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.2 Credit risk (Continued)

#### (11) Margin accounts receivable

	Six months ended 30 June 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
31 December 2017	13,539	–	51,117	64,656
Change in accounting policy	918	–	–	918
1 January 2018	14,457	–	51,117	65,574
Increase	587	–	14,772	15,359
Decrease	(3,319)	–	–	(3,319)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	–	–	–
Other	–	–	–	–
30 June 2018	11,725	–	65,889	77,614

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 46.3 Market risk

##### Summary

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, currency risk or price risk.

##### 46.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilizes sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged. Debt securities of the Group mainly comprise corporate bonds, and the Group mitigates the interest rate risk through optimizing the duration and convexity of its bond portfolio. Interest rate risk in connection with cash held for brokerage client in bank balances and clearing settlement funds is offset by the associated accounts payable to brokerage clients because their terms match with each other.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the interest rate risks for interest-bearing assets and interest-bearing liabilities. A 25 basis points increase or decrease in the relevant interest rates will be applied in the sensitivity analysis as possible reasonable shift, assuming all other variables remain unchanged. A positive result below indicates an increase in net interest income, while a negative result indicates otherwise, and the impact attributable to other investors of the consolidated structured entities is eliminated.

	<b>Six months ended 30 June</b>	
	<b>2018</b> <b>(Unaudited)</b>	2017 (Unaudited)
Profit before income tax		
Increases by 25 bps	<b>14,748</b>	15,514
Decreases by 25 bps	<b>(14,748)</b>	(15,514)

	<b>Six months ended 30 June</b>	
	<b>2018</b> <b>(Unaudited)</b>	2017 (Unaudited)
Other comprehensive income before income tax		
Increases by 25 bps	<b>161</b>	586
Decreases by 25 bps	<b>(161)</b>	(586)

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.3 Market risk (Continued)

#### 46.3.1 Interest rate risk (Continued)

##### Sensitivity analysis (Continued)

When conducting interest rate sensitivity analysis, the Group makes the following general assumptions in determining commercial terms and financial parameters:

- Different interest-earning assets and interest-bearing liabilities have the same amplitude of interest rate volatility;
- All assets and liabilities are repriced in the middle of the relevant period;
- Analysis is based on the static gap on the financial position reporting date, without considering subsequent changes;
- Impact of interest rate changes on customer behaviors not considered;
- Impact of interest rate changes on market prices not considered;
- Interest rate of demand deposits moving in the same direction and extent;
- Necessary measures that may be adopted by the Group in response to interest rate changes not considered.

#### 46.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

As at 30 June 2018, the foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that its currency risk is not material.

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.3 Market risk (Continued)

#### 46.3.3 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 schemes 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 high volatility of the domestic stock markets.

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

#### Sensitivity analysis

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, funds, convertible bonds, derivatives and collective asset management schemes 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.

	<b>Six months ended 30 June</b>	
	<b>2018</b> <b>(Unaudited)</b>	2017 (Unaudited)
Profit before income tax		
Increase by 10%	<b>425,678</b>	160,951
Decrease by 10%	<b>(425,678)</b>	(160,951)
Other comprehensive income before income tax		
Increase by 10%	–	54,368
Decrease by 10%	–	(54,368)



## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. During the normal course of business, the Group may face liquidity risk caused by macroeconomic policy changes, market volatility, poor operations, credit downgrades, mismatches between assets and liabilities, low turnover rate of assets, early redemptions of exchange-quoted bond repurchase products by customers, large underwriting on a firm commitment basis, significant proprietary trading position, or an overly high ratio of long-term investments. If the Group fails to address any liquidity risk by adjusting the asset structure or comply with regulatory requirements on the risk indicators, the Group could be subject to penalties by the regulatory authorities in the form of restrictions on the Group's business operations, which would cause adverse impact on the Group's operations and reputation.

The Group manages and controls their funds in a centralized manner. Through early warnings and focusing on individually large amounts of funds, the Group achieves the objective of centralized control and management of liquidity risk. By striking an appropriate balance between safety, liquidity and profitability, the Group adjusts and allocates asset sizes and structural provisions, so as to establish a multi-level liquidity reserve system and achieve liquidity risk management objectives by leveraging money market and capital market transactions in a timely manner.

The Group prepares funding plans and reports their implementation to the management to update the liquidity position periodically.

Surplus cash held by the operating outlets over and above balance required for working capital management are transferred to the Group. The Group invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

As at 30 June 2018, the Group holds cash and cash equivalents of approximately RMB1,802 million that are expected to readily generate cash flows for managing liquidity risk (31 December 2017: RMB3,000 million). In addition, the Group holds part of financial assets at fair value through profit or loss of RMB8,112 million as at 30 June 2018, which could be readily realised to provide a further source of cash if the need arose. Further the Group holds cash held for brokerage clients of RMB5,954 million, clients' clearing settlement funds of RMB2,223 million, which could be used to settle the Group's account payable to brokerage clients whenever needed (31 December 2017: RMB5,845 million and RMB2,350 million respectively).

The tables below present the cash flows payable by the Group for non-derivative financial liabilities by remaining contractual maturities as at 30 June 2018 and 31 December 2017. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the reporting period.

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### 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 46.4 Liquidity risk (Continued)

	On demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	Undated	Total
(Unaudited)							
<b>As at 30 June 2018</b>							
Short-term notes payable	-	113,247	42,608	22,285	-	-	178,140
Bonds payable	-	77,250	-	5,886,100	4,431,700	-	10,395,050
Financial assets sold under repurchase agreements	-	9,505,559	29,212	-	1,679,269	-	11,214,040
Due to other financial institutions	-	1,416,377	304,359	504,192	-	-	2,224,928
Accounts payable to brokerage clients	631,299	7,417,066	-	-	-	-	8,048,365
Bank loans	-	505,155	497,767	1,055,318	-	-	2,058,240
Financial liabilities at fair value through profit or loss	-	36,033	187,267	100,346	352,934	-	676,580
Other current liabilities	-	-	-	-	-	563,599	563,599
<b>Total</b>	<b>631,299</b>	<b>19,070,687</b>	<b>1,061,213</b>	<b>7,568,241</b>	<b>6,463,903</b>	<b>563,599</b>	<b>35,358,942</b>

## 46 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 46.4 Liquidity risk (Continued)

	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Undated	Total
As at 31 December 2017							
<b>Non-derivative financial liabilities</b>							
Short-term notes payable	-	79,152	696,527	625,934	-	-	1,401,613
Bonds payable	-	-	-	1,879,650	6,962,300	-	8,841,950
Financial assets sold under repurchase agreements	-	7,301,310	-	-	-	-	7,301,310
Due to other financial institutions	-	115,073	307,629	615,258	-	-	1,037,960
Accounts payable to brokerage clients	610,745	6,915,758	-	-	-	-	7,526,503
Accounts payable to underwriting clients	434,400	-	-	-	-	-	434,400
Bank loans	-	-	121,838	2,091,513	-	-	2,213,351
Financial liabilities at fair value through profit or loss	-	-	21,241	-	340,177	-	361,418
Other current liabilities	-	-	-	-	-	678,218	678,218
<b>Total</b>	<b>1,045,145</b>	<b>14,411,293</b>	<b>1,147,235</b>	<b>5,212,355</b>	<b>7,302,477</b>	<b>678,218</b>	<b>29,796,723</b>
<b>Derivative financial liabilities</b>	<b>471</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>471</b>

## 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### 47.1 Financial instruments not measured at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the statements of financial position approximate their fair values.

For financial instruments with a short maturity, including cash and bank balances, cash held for brokerage clients, clearing settlement funds, margin accounts receivable, financial assets held under resale agreements, due to other financial institutions and accounts payable to brokerage clients, their fair value approximate their carrying amounts.

The aggregate fair value of bond payable is calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

In accordance with the related regulations, the Group can put or redeem its refundable deposits with stock exchanges, futures and commodities exchanges and CSF. The Group assesses the fair value of refundable deposits approximates the carrying amount.

### 47.2 Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the end of each reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

## 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

### 47.2 Financial instruments measured at fair value (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2018 and 31 December 2017.

	Level 1	Level 2	Level 3	Total
(Unaudited)				
<b>As at 30 June 2018</b>				
Financial assets at fair value through profit or loss				
– Equity securities	321,484	436,694	–	758,178
– Debt securities	1,484,147	5,029,312	641,547	7,155,006
– Investment funds	104,779	1,992,525	20,845	2,118,149
– Asset management schemes	–	854,787	64,770	919,557
– Investment in unlisted company	–	–	744,457	744,457
– Wealth management products	–	–	249,375	249,375
– Trust schemes	–	–	100,000	100,000
Financial assets at fair value through other comprehensive income				
– Debts securities	209,353	59,947	–	269,300
Derivative assets	–	–	85,855	85,855
<b>Total</b>	<b>2,119,763</b>	<b>8,373,265</b>	<b>1,906,849</b>	<b>12,399,877</b>
Financial liabilities as at fair value through profit or loss	–	(286,437)	(390,143)	(676,580)
<b>Total</b>	<b>–</b>	<b>(286,437)</b>	<b>(390,143)</b>	<b>(676,580)</b>

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(All amounts in RMB'000 unless otherwise stated)

### 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

#### 47.2 Financial instruments measured at fair value (Continued)

	Level 1	Level 2	Level 3	Total
(Audited)				
<b>As at 31 December 2017</b>				
Financial assets at fair value through profit or loss				
– Equity securities	275,799	360,428	22,671	658,898
– Debt securities	1,238,762	3,634,710	743,985	5,617,457
– Investment funds	22,310	990,410	21,335	1,034,055
– Fixed income of investment to non-listed company	–	–	312,093	312,093
Available-for-sale financial assets				
– Equity securities	86,945	6,449	70,493	163,887
– Debt securities	363,693	643,933	–	1,007,626
– Investment funds	4,021	147,276	–	151,297
– Collective asset management schemes	–	119,104	98,147	217,251
– Targeted asset management schemes	–	427,909	–	427,909
– Specified asset management schemes	–	238,421	–	238,421
– Trust Schemes	–	–	515,000	515,000
Derivative assets	–	–	59,938	59,938
<b>Total assets</b>	<b>1,991,530</b>	<b>6,568,640</b>	<b>1,843,662</b>	<b>10,403,832</b>
Derivative liabilities	(471)	–	–	(471)
Financial liabilities designed as at fair value through profit or loss				
	–	–	(361,418)	(361,418)
<b>Total liabilities</b>	<b>(471)</b>	<b>–</b>	<b>(361,418)</b>	<b>(361,889)</b>

For the six months ended 30 June 2018 and the year ended 31 December 2017, there were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy of the Group.

## 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

### 47.2 Financial instruments measured at fair value (Continued)

#### (a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily securities traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income on 30 June 2018 and trading securities or available-for-sale on 31 December 2017.

#### (b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

#### (c) Valuation methods for specific investments

As at 30 June 2018 and 31 December 2017, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value. For restricted shares that are acquired during an initial public offering or an additional oriental issue, fair values are determined using valuation techniques.

For National Equities Exchange and Quotations listed equity securities, the fair value is determined based on the closing price as at the reporting date and adjusted by the valuation techniques due to the low transaction frequency. The adjustment is based on the potential maximum losses that could occur at a given level of confidence due to variation in interest rates, stock prices and exchange rates over a certain period, which are all observable.



## 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

### 47.2 Financial instruments measured at fair value (Continued)

#### (c) Valuation methods for specific investments (Continued)

- (2) For closed-end investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-ended funds and collective asset management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges which include government bonds, corporate bonds, convertible bonds and financial bonds, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statement of financial position. If there is no quoted market price as at the reporting date and there have been significant changes in the economic environment after the most recent trading date, valuation techniques are used to determine the fair value.
- (4) For debt securities traded through the inter-bank bond market and the over-the-counter (“OTC”) market, including government bonds, corporate bonds, commercial papers, special financial bills, central bank bills, and other fixed income debt securities, fair values are determined using valuation techniques.

## 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

### 47.2 Financial instruments measured at fair value (Continued)

#### (d) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2018 and for the year ended 31 December 2017.

	<b>Financial assets at fair value through profit or loss</b>
(Unaudited)	
Balance at 1 January 2018	<b>1,326,664</b>
Purchase	<b>504,335</b>
Settlement	<b>(10,005)</b>
<b>Balance at 30 June 2018</b>	<b>1,820,994</b>
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under "Net investment gains"	<b>22,905</b>
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	<b>(34,205)</b>
	Available-for-sale financial assets
(Audited)	
Balance at 1 January 2017	461,942
Purchase	574,525
Settlement	(352,827)
<b>Balance at 31 December 2017</b>	<b>683,640</b>
Total gains for the year included in profit or loss for assets held at the end of year, under "Net investment gains"	34,327
Change in unrealized gains for the year included in OCI for assets held at the end of the year	28

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

#### 47.2 Financial instruments measured at fair value (Continued)

##### (d) Financial instruments in Level 3 (Continued)

	Financial assets at fair value through profit or loss
(Audited)	
Balance at 1 January 2017	611,643
Purchase	1,117,301
Settlement	(628,860)
	<u>1,100,084</u>
Balance at 31 December 2017	1,100,084
Total gains for the year included in profit or loss for assets held at the end of year, under "Net investment gains"	<u>54,629</u>
Change in unrealized gains for the year included in profit or loss for assets held at the end of the year	<u>23,229</u>
	<b>Financial liabilities at fair value through profit or loss</b>
(Unaudited)	
Balance at 1 January 2018	<b>361,418</b>
Consolidation of SEs	<b>73,168</b>
Settlement	<b>(44,443)</b>
	<u><b>390,143</b></u>
Balance at 30 June 2018	<b>390,143</b>
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under "Net investment gains"	<u><b>(4,325)</b></u>
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	<u><b>(4,325)</b></u>

## 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

### 47.2 Financial instruments measured at fair value (Continued)

#### (d) Financial instruments in Level 3 (Continued)

	Financial liabilities at fair value through profit or loss
(Audited)	
Balance at 1 January 2017	1,208,177
Consolidation of SEs	30,000
Purchase	260
Settlement	(877,019)
	<hr/>
Balance at 31 December 2017	361,418
	<hr/>
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Net investment gains"	(20,652)
	<hr/>
Change in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(20,652)
	<hr/>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

#### 47.2 Financial instruments measured at fair value (Continued)

##### (d) Financial instruments in Level 3 (Continued)

	Derivative assets
(Unaudited)	
Balance at 1 January 2018	59,938
Increase	25,917
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Balance at 30 June 2018	85,855
<hr/>	
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under "Net investment gains"	2,175
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Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	24,917
<hr/>	
	Derivative assets
(Audited)	
Balance at 1 January 2017	–
Increase	59,938
<hr/>	
Balance at 31 December 2017	59,938
<hr/>	
Total gains or losses for the period included in profit or loss for assets held at the end of the period, under "Net investment gains"	–
<hr/>	
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	–
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For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

## 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

### 47.2 Financial instruments measured at fair value (Continued)

#### (d) Financial instruments in Level 3 (Continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss – Wealth management products	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flows</li> <li>Expected recovery date</li> <li>Discount rates that correspond to the expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flows, the higher the fair value</li> <li>The earlier the maturity date, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul>
Financial assets at fair value through profit or loss – Trust schemes	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flows</li> <li>Expected recovery date</li> <li>Discount rates that correspond to the expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flows, the higher the fair value</li> <li>The earlier the maturity date, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul>
Private convertible bonds	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level</li> <li>Option pricing model</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flows</li> <li>Expected recovery date</li> <li>Discount rates that correspond to the expected risk level</li> <li>Stock price volatility</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flows, the higher the fair value</li> <li>The earlier the maturity date, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> <li>The higher the stock price volatility, the higher the fair value</li> </ul>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

### 47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(CONTINUED)

#### 47.2 Financial instruments measured at fair value (Continued)

##### (d) Financial instruments in Level 3 (Continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial liabilities at fair value through profit or loss	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flows with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flows</li> <li>Expected payment date</li> <li>Discount rates that correspond to the expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flows, the higher the fair value</li> <li>The earlier the payment date, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul>
Financial assets at fair value through profit or loss – Unlisted equity	Level 3	<ul style="list-style-type: none"> <li>Calculate the PE, PB and PS of comparable companies by using comparable company method to select comparable companies in the same industry as the target company's important financial indicators; consider liquidity discount, estimate the expected exit date of equity, calculate the volatility of comparable companies, adopt the option model, calculate the liquidity discount of comparable companies.</li> </ul>	<ul style="list-style-type: none"> <li>Expected recovery date</li> <li>Stock price volatility</li> </ul>	<ul style="list-style-type: none"> <li>The earlier recovery date is expected, the higher fair value is valued</li> <li>The higher stock price volatility is displayed, the higher fair value is valued</li> </ul>



## 48 UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities of the Group mainly include collective and targeted asset management schemes, trust schemes, wealth management products and investment funds.

Except for the consolidated structured entities, the Group did not consider itself acting as principal and consequently did not consolidate these other structured entities.

The total assets of unconsolidated collective and targeted asset management schemes managed by the Group amounted to RMB20,314 million and RMB21,690 million as at 30 June 2018 and 31 December 2017 respectively. For the unconsolidated trust schemes, wealth management products and investment funds invested by the Group, there is no available public information on the size of those structured entities which are operated and managed by third parties.

As at 30 June 2018, the interests in unconsolidated structured entities held by the Group included investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The amount and the maximum exposure were as follows:

	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Financial assets at fair value through profit or loss	<b>3,102,307</b>	475,870
Available-for-sale financial assets		1,014,723
Other current assets	<b>35,389</b>	43,187
<b>Total</b>	<b>3,137,696</b>	1,533,780

For the six months ended 30 June 2018, the income derived from these unconsolidated structured entities held by the Group was as follows:

	<b>Six months ended 30 June</b>	
	<b>2018 (Unaudited)</b>	2017 (Unaudited)
Net investment gains	<b>(1,265)</b>	1,286
Fee and commission income	<b>38,885</b>	79,745
<b>Total</b>	<b>37,620</b>	81,031

As at 30 June 2018 and 31 December 2017, the Group did not provide, nor intend to provide, any financial support to these unconsolidated structured entities.

## 49 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

### 49.1 Administrative Penalty from the CSRC

The Company received the Decisions on Administrative Penalty ([2018] No. 76) from the CSRC on 2 August 2018.

The Company acted as financial adviser in the transaction of Tianjin Fengli Innovation Investment Co., Ltd. acquiring Xuzhou Jieneng Technology Development Co., Ltd. in 2016. The CSRC considered the Company was not acting diligently and caution enough. In accordance with the provisions of Article 223 of the Securities Law, the CSRC reached the following disciplinary decisions:

1. Confiscation of RMB100, 000 of business income and a fine of RMB 300,000 on the Company;
2. Issue warning to and impose a fine of RMB 100,000 and RMB 50,000 respectively on two employees of the Company.

The Company has paid the above fines within the prescribed period.

### 49.2 Interim dividend

On 29 August 2018, the Board of Directors of the Company proposed the 2018 interim dividend of RMB 0.10 per ten shares (inclusive of tax), amounting to RMB 38,690,707 in total. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting.

## SECTION 11 DOCUMENTS AVAILABLE FOR INSPECTION

Documents available for inspection	Text of this report bearing the signature of legal representative of the Company.
Documents available for inspection	Text of the financial report with signatures and seals of the legal representative, the chief financial officer and the person responsible for the accounting affairs of the Company.
Documents available for inspection	Original copies of all documents and announcements of the Company disclosed on websites designated by CSRC during the Reporting Period.
Documents available for inspection	Interim reports published in other securities markets.  Other relevant materials.

Chairman: Jian Mingjun

The date of approval by the Board for submission: 29 August 2018

### I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

#### (1) Administrative licensing of branch offices and operation branches during the Reporting Period

##### 1. Administrative licensing of relocation of operation branches during the Reporting Period

No.	Name of operation branches before relocation	Name of operation branches after relocation	New address	License obtained on
1	Central China Securities Co., Ltd. Pingdingshan Xinhua Road Securities Branch	Central China Securities Co., Ltd. Pingdingshan Jianshe Road Securities Branch	37 Middle Jianshe Road (Renmin Plaza), Weidong District, Pingdingshan City, Henan Province	5 January 2018
2	Central China Securities Co., Ltd. Shenzhen Mintian Road Securities Branch	Central China Securities Co., Ltd. Shenzhen Longcheng Avenue Securities Branch	Unit 907, Genzon Times Square Tower, 89 Longcheng Avenue, Center City, Longcheng Street, Longgang District, Shenzhen	26 January 2018
3	Central China Securities Co., Ltd. Xuchang Liancheng Avenue Securities Branch	Central China Securities Co., Ltd. Xuchang Balong Road Securities Branch	Future East Coast Huacheng, Balong Road south, Xuchang City	5 February 2018
4	Central China Securities Co., Ltd. Zhengzhou Business Outer Ring Road Securities Branch	Central China Securities Co., Ltd. Zhengzhou Free Trade Zone Securities Branch	Room 202, Floor 5A, 138 Jingbei First Road, Zhengzhou Area (Zhengkai), Pilot Free Trade Zone, Henan Province	8 March 2018

## (2) Administrative licensing of appointment of Directors, Supervisors and Senior Management

No.	Time	Content
1	11 January 2018	The Company received the Reply on Approval for Appointment of Xiao Yichen as a Supervisor of Securities Company (Yu Zheng Jian Fa [2018] No. 7)(《關於核准肖怡忱證券公司監事任職資格的批覆》(豫證監發[2018]7號)) issued by Henan Branch of the CSRC, which approved the appointment of Xiao Yichen as a Supervisor of the securities company
2	19 January 2018	The Company received the Reply on Approval for Appointment of Li Zhaoxin as a senior management of Securities Company (Yu Zheng Jian Fa [2018] No. 11)(《關於核准李昭欣證券公司經理層高級管理人員任職資格的批覆》(豫證監發[2018]11號)) issued by Henan Branch of the CSRC, which approved the appointment of Li Zhaoxin as a senior management of the securities company
3	6 March 2018	The Company received the Reply on Approval for Appointment of Zhang Xiansheng as a Supervisor of Securities Company (Yu Zheng Jian Fa [2018] No. 38)(《關於核准張憲勝證券公司監事任職資格的批覆》(豫證監發[2018]38號)) issued by Henan Branch of the CSRC, which approved the appointment of Zhang Xiansheng as a Supervisor of the securities company
4	22 March 2018	The Company received the Reply on Approval for Appointment of Cao Zongyuan as a Supervisor of Securities Company (Yu Zheng Jian Fa [2018] No. 57)(《關於核准曹宗遠證券公司監事任職資格的批覆》(豫證監發[2018]57號)) issued by Henan Branch of the CSRC, which approved the appointment of Cao Zongyuan as a Supervisor of the securities company
5	3 April 2018	The Company received the Reply on Approval for Appointment of Hua Jinzhong as a senior management of Securities Company (Yu Zheng Jian Fa [2018] No. 69) (《關於核准花金鐘證券公司經理層高級管理人員任職資格的批覆》(豫證監發[2018]69號)) issued by Henan Branch of the CSRC, which approved the appointment of Hua Jinzhong as a senior management of the securities company
6	19 April 2018	The Company received the Reply on Approval for Appointment of Chang Junsheng as a senior management of Securities Company (Yu Zheng Jian Fa [2018] No. 77) (《關於核准常軍勝證券公司經理層高級管理人員任職資格的批覆》(豫證監發[2018]77號)) issued by Henan Branch of the CSRC, which approved the appointment of Chang Junsheng as a senior management of the securities company

### (3) Other administrative licensing

No.	Time	Content
1	19 January 2018	The Company received the Reply on Approval for Change of Registered Capital of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2018] No. 144) (《關於核准中原證券股份有限公司變更註冊資本的批覆》(證監許可[2018]144號)) issued by the CSRC, which approved the change of registered capital

## II. CLASSIFICATION RESULT OF THE COMPANY BY REGULATORY AUTHORITY

The Company was classified as into Grade “C” under class “C” in 2018 classification and evaluation of securities companies by CSRC.