



# 中州證券

## Central China Securities Co., Ltd.

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

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

Stock Code 股份代號 : 01375



Interim Report

**2019**

中期報告

## IMPORTANT NOTICE

- I. The Board and the Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the contents of this report and that there is no false representation, misleading statement contained herein or material omission from this report, for which they will assume joint and several liabilities.
- II. All Directors have attended the Board meetings.
- III. The 2019 interim financial statements of the Company were unaudited. The interim financial statements prepared according to the International Financial Reporting Standard and set out in this Report had been reviewed by PricewaterhouseCoopers.
- IV. Mr. Jian Mingjun, head of the Company, Mr. Chang Junsheng, the person in charge of accounting affairs, Mr. Li Zhaoxin, the Chief Accountant and Mr. Guo Liangyong, head of the accounting department (head of financial division) warrant that the financial statements set out in this report are true, accurate and complete.

- V. The plan for profit distribution or capitalization of capital reserve for the Reporting Period approved by the Board

The Company's proposed profit distribution plan for the first half of 2019 as considered and approved at the tenth meeting of the sixth session of the Board is to distribute a cash dividend of RMB0.20 for every 10 shares (tax inclusive), which is subject to the approval of the shareholders' general meeting of the Company.

- VI. Risks relating to forward-looking statements

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

- VII. There was no appropriation of funds of the Company by the controlling shareholder or its related/connected parties for non-operating purposes during the Reporting Period.

- VIII. The Company had made no guarantee to external parties against the decision-making process during the Reporting Period.

- IX. Material risk alert

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.



## IMPORTANT NOTICE

The main risks faced by the Company include: credit risk of loss caused by the failure or inability of the counterparty to fulfill the payment obligations or a downgrade of its credit rating; market risk of loss of various business of the Company due to adverse changes in market prices such as securities prices, interest rates, exchange rates, etc.; liquidity risk that the Company is unable to obtain sufficient funds in time at a reasonable cost in order to repay maturing debts, fulfill other payment obligations and fund its daily operation; operational risk of loss to the Company resulting from flaws or error of personnel, internal procedures, systems and external events; compliance risk of legal sanction, being subjected to supervisory measure, loss of property or reputation on the Company arising from violation of laws, regulations or rules in the operation and management or practices of the Company or its personnel; and information technology risk that adversely affects the Company due to imperfect design and unstable operation of information systems.

In response to the above risks, the Company has established a sound internal control system and a comprehensive risk management system to ensure that the Company's operations are carried out within the scope of measurable, controllable and affordable risks. Investors are advised to carefully read the relevant parts in Section 4 "Discussion and Analysis on Business Operation II. (I) Potential risks" in this report.

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

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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

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
Articles of Association	the prevailing valid Articles of Association of the Company
Board	the board of Directors of the Company
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 Futures	Central China Futures Co., Ltd. (中原期貨股份有限公司)
Central China International	Central China International Financial Holdings Company Limited (中州國際金融控股有限公司)
Central China Micro-lending	Henan Central China Micro-lending Company Limited (河南省中原小額貸款有限公司)
China Bond Insurance	China Bond Insurance Co., Ltd. (中債信用增進投資股份有限公司)
Company Law	the Company Law of the PRC (中華人民共和國公司法)
Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
convertible bonds	convertible corporate bonds
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
end of the Reporting Period or end of this period	30 June 2019
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

Group	the Company and its subsidiaries
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
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 High Court	Henan High People's Court, P.R. China (河南省高級人民法院)
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司)
Henan Provincial Government	Henan Provincial People's Government (河南省人民政府)
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)
HK\$ or HKD	Hong Kong dollars and cents, the lawful currency of Hong Kong
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IPO	the initial public offering
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
New Third Board or NEEQ	National Equities Exchange and Quotations System
PRC or China	the People's Republic of China
Reporting Period or this period	from 1 January 2019 to 30 June 2019
RMB	the lawful currency of China — Renminbi, with the basic unit of "yuan"
Securities Law	the Securities Law of the PRC (中華人民共和國證券法)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Supreme Court	the Supreme People's Court of the People's Republic of China (中華人民共和國最高人民法院)

## SECTION 1 DEFINITIONS

SSE	the Shanghai Stock Exchange
SSE Composite Index	composite stock price index of the SSE
STAR Market	science and technology innovation board of SSE
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
SZSE	the Shenzhen Stock Exchange
this report	this interim report
Wind Info	Wind Information Co., Ltd. (萬得信息技術股份有限公司)
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司)
Zhongyuan Trust	Zhongyuan Trust Co., Ltd. (中原信託有限公司)
ZYKC Venture Capital	Henan Zhongyuan Kechuang Venture Capital Investment Fund (limited partnership) (河南省中原科創風險投資基金(有限合夥))
%	per cent.

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. INFORMATION ABOUT THE COMPANY

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

### 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	3,869,070,700.00
Net capital	6,775,209,865.46	6,970,999,780.73

### 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 lead underwriting business
9. Entrusted on-line securities business
10. Sponsorship of offering and listing of securities
11. Proxy sale of open-end securities investment funds
12. "SSE 50ETF" participant broker
13. Buyout repurchase of T-bonds on SSE





## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

14. IPO book-building and placement
15. Sponsorship of shareholder structure reform
16. Warrant trading
17. Clearing participants of China Securities Depository and Clearing Corporation Limited
18. Foreign exchange business
19. National inter-bank lending and borrowing business
20. Primary dealer of Integrated Electronic Platform of Fixed-income Securities of SSE
21. Qualified investor of block trading system
22. Trading in the inter-bank bond market
23. Intermediary introduction business for futures companies
24. Agency system host securities dealer business
25. Sponsoring broker of New Third Board
26. Direct investment business
27. Margin financing and securities lending business
28. Agency sale of financial products
29. Underwriting of private placement bonds for small and medium-sized enterprises
30. Exchange-quoted bond pledged repo business
31. Agreed repurchase type securities trading business
32. Fund business
33. Capital refinancing business
34. Agency service for registration of pledge of securities
35. Stock-pledged repo business

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

36. Securities refinancing and lending business
37. Shanghai-Hong Kong Stock Connect business on SSE
38. Market-making business on the NEEQ
39. Piloting of issuing short-term corporate bonds
40. Piloting of OTC market business
41. Piloting of internet securities business
42. Option brokerage business on SSE
43. Market-making business on quotation system of inter-institutional private products
44. Shenzhen-Hong Kong Stock Connect business on SZSE

### II. CONTACT PERSONS AND CONTACT METHODS

	<b>Secretary to 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

### 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

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Designated media 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 this report of the Company	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 name	Stock code
A shares	SSE	中原证券	601375
H shares	Hong Kong Stock Exchange	中州证券	01375

### VI. OTHER RELEVANT INFORMATION

Accounting firm engaged by the Company (domestic)	Name	ShineWing Certified Public Accountants (Special General Partnership)
	Office address	8F, Fu Hua Mansion, No.8 Chao Yang Men Beidajie, Dongcheng District, Beijing, China
Accounting firm engaged by the Company (overseas)	Names of signing accountants	Yan Fanqing and Cui Weiwei
	Name	PricewaterhouseCoopers
Sponsor performing the duty of continuous supervision during the Reporting Period	Office address	22/F, Prince's Building, Central, Hong Kong
	Names of signing accountants	Yip Siu Fun
Legal advisors as to PRC Law	Name	Changjiang Financing Services Co. Limited
	Office address	28F, No. 1198 Century Avenue, China (Shanghai) Pilot Free Trade Zone
Legal advisors as to Hong Kong (PRC) Law	Names of signing sponsors	Zhang Wei and Zhang Junqing
	Term of continuous supervision	6 July 2017–31 December 2019
A share registrar	Beijing Junzhi Law Firm	
H share registrar	Linklaters	
Unified social credit code	China Securities Depository and Clearing Corporation Limited, Shanghai Branch	
	Computershare Hong Kong Investor Services Limited	
	91410000744078476K	

## SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

#### Principal accounting data and financial indicators

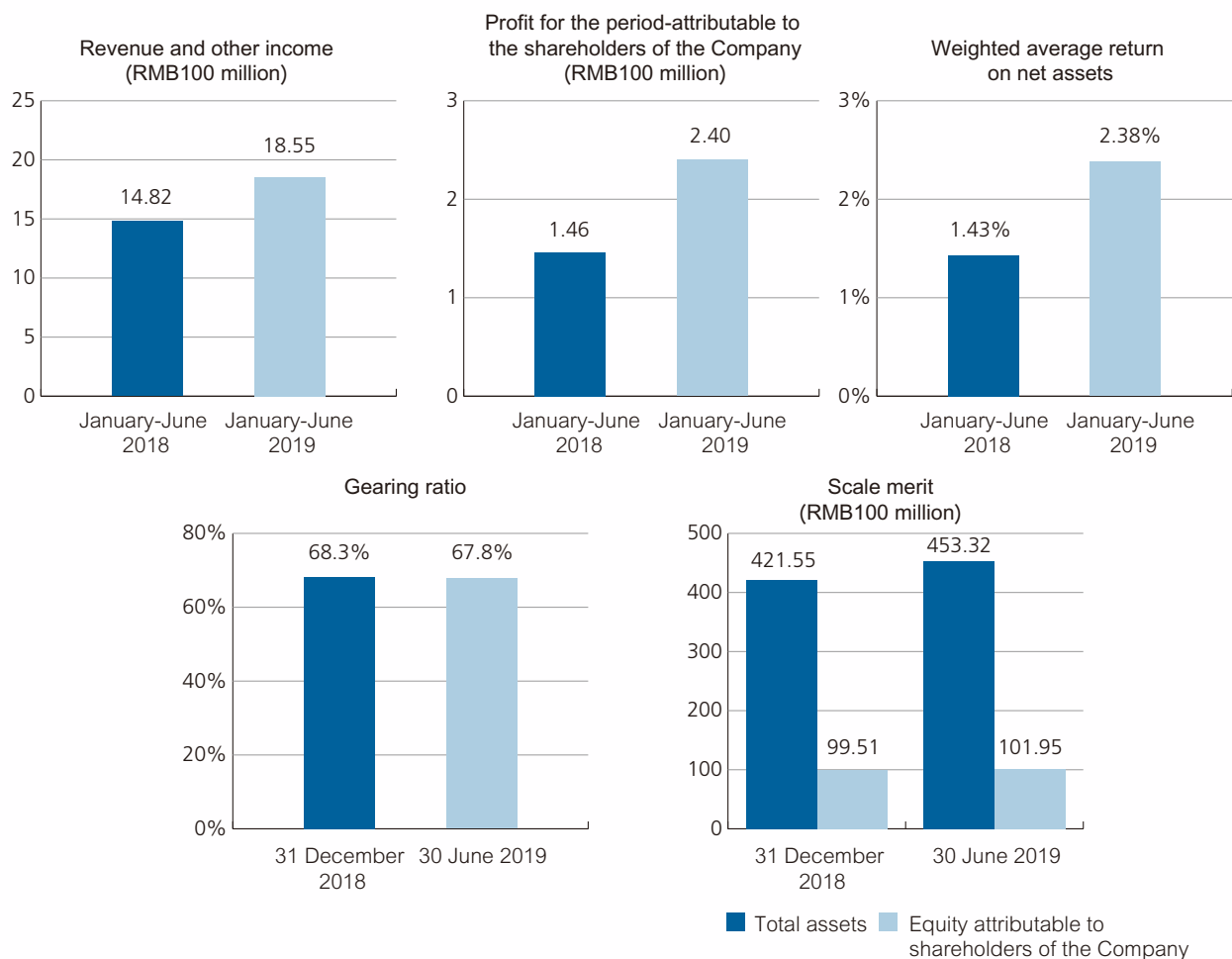
Item	January-June 2019	January-June 2018	Growth of this period from last period
<b>Operating results (RMB'000)</b>			
Revenue and other income <sup>Note (1)</sup>	<b>1,855,327</b>	1,482,347	25.2%
Profit before income tax	<b>354,152</b>	211,151	67.7%
Profit for the period-attributable to the shareholders of the Company	<b>239,927</b>	145,734	64.6%
Net cash inflow/outflow from operating activities	<b>982,573</b>	(603,866)	Not applicable
<b>Earnings per share (RMB/share)</b>			
Basic earnings per share	<b>0.06</b>	0.04	50.0%
Diluted earnings per share	<b>0.06</b>	0.04	50.0%
<b>Profitability index</b>			
— Weighted average return on net assets (%)	<b>2.38</b>	1.43	Increase by 0.95 percentage point

Item	30 June 2019	31 December 2018	Growth of the end of this period from the end of last period
<b>Scale merit (RMB'000)</b>			
Total assets	<b>45,332,436</b>	42,155,282	7.5%
Total liabilities	<b>33,784,435</b>	30,880,242	9.4%
Accounts payable to brokerage clients	<b>9,497,236</b>	6,561,060	44.8%
Equity attributable to shareholders of the Company	<b>10,194,747</b>	9,950,899	2.5%
<b>Share capital ('000 shares)</b>	<b>3,869,071</b>	3,869,071	0.0%
<b>Net asset value per share attributable to the Company's shareholders (RMB/share)</b>	<b>2.63</b>	2.57	2.3%
Gearing ratio <sup>Note (2)</sup> (%)	<b>67.8</b>	68.3	Decrease by 0.5 percentage point

Note:

- As share of profit of associates has been represented as a separate item in the consolidated income statement, the relevant figure under "Revenue and other income" for January-June 2018 and January-June 2019 as listed in the above table does not include such item.
- 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



## 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 overseas business, etc.

The brokerage business mainly includes 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.

The investment banking business mainly includes the underwriting and sponsorship business of equity securities, the underwriting business of bond products, the financial consultancy business regarding mergers and acquisition and reorganization, and business for the New Third Board.

The investment management business is mainly comprised of asset management business, private equity investment fund management business and alternative investment business.

The scope of investment of the proprietary trading business mainly includes publicly offered stocks, bonds, funds, derivatives and other financial products approved by the CSRC.

On the basis of the Type 1, Type 2, Type 4, Type 5, Type 6 and Type 9 licenses granted by the SFC, the business scope of overseas business mainly covers comprehensive capital market services, including securities brokerage, margin financing, futures brokerage, investment banking, asset management, securities research, proprietary investment, etc.

#### (II) Development stage and cyclical characteristic of the industry which the Company belongs to and its industry position during the Reporting Period

The securities industry is a special industry rooted in capital market. The overall industry performance is closely related to the capital market and the macro-economy, showing a significant cyclicity. Since 2018, the position of the capital market has been unprecedentedly improved. At the Central Economic Work Conference held at the end of 2018, the status and role of the capital market in the entire economy and financial operations had been unprecedentedly elevated to as a big domino whose slight move may affect the situation as a whole; and in the thirteenth collective study held by the Political Bureau of the CPC Central Committee with respect to improving financial services and preventing financial risks on 22 February 2019, General Secretary Xi Jinping pointed out that "finance is an important core competitiveness of the country". The capital market is an important part of China's financial system, and the unprecedented increase in its status will lay a solid foundation for the future development of the securities industry.

According to the statistics of the Securities Association of China, as of 30 June 2019, there were 131 securities companies in China, with total assets and net assets of RMB7.10 trillion and RMB1.96 trillion, respectively, increased by 13.42% and 3.70% from the end of 2018, respectively; with total operating income and net profit of RMB178.941 billion and RMB66.662 billion, respectively, significantly increased by 41.37% and 102.86% on a year-on-year basis, respectively.

Currently, the Company is the only securities company that was registered in Henan Province as a legal person. After over 10 years of development, the Company has developed itself into a comprehensive securities company with distinctive advantages in the region. According to the statistics of the Securities Association of China, for the first half of 2019, the Company ranked 41st, 51st, 66th and 69th in terms of total assets, net assets, net capital, operating income and net profit, respectively.

## SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

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

#### 1. Synergistic advantage of the whole business chain focusing on the flagship business of investment banking

Focusing on the strategy of “strengthening investment banking and making excellent investments”, the Company continued to deepen the reform of investment banking and vigorously introduced professional talents such as sponsor representatives with professional capabilities and industry ranking significantly improved and reserve projects significantly increased. The leading role in investment, asset management and wealth management businesses has become increasingly prominent.

#### 2. Advantage of A+H listing platforms

The Company is the eighth securities company in China listed on the main board both in Hong Kong and mainland China. Not only does the Company have the smooth channels to replenish net capital and operating capital and rich means for development, but also the brand and social influence improve significantly, thus expanding its development prospect.

#### 3. Comprehensive financial operation advantage

Currently, the Company owns such subsidiaries as Equity Exchange Co., Central China Futures, Central China Blue Ocean, ZDKY Venture Capital, Central China International and Central China Micro-lending with good momentum of development. The Company is now leading the establishment of Zhongyuan Life Insurance Co, Ltd.\* (中原人壽保險股份有限公司)(provisional name) and has formed a comprehensive structure for financial operation, which can improve the operating results of the Parent Company while providing diversified financial services for customers.

#### 4. Advantage of “base area”

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

\* For identification purpose only

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### I. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

#### (I) Overall business performance

In the first half of 2019, based on the working concepts of improving professional service level, building up core competence and continuously deepening reform developed at the beginning of the year, the Company basically completed the construction of the performance evaluation mechanism of principal business lines with phased results in the transformation of wealth management; motivated each business line to reform with catching the market chances, comprehensively improved its quality and efficiency with significant growth in business performance.

#### (II) Analysis of principal operations

##### 1. Brokerage business

###### (1) Securities brokerage

###### Market environment

Since 2019, with the favorable policies continuously introduced, including the establishment of the STAR Market, the deregulation of refinancing and the loosening up of restrictions on stock index futures, risks have been gradually released in the securities industry, and the trading has become increasingly active, which has created favorable conditions for the steady growth in performance of the securities industry. However, under the reform of the capital market and the weakening of the license dividend, a new round of strategic transformation of the securities industry has started. The brokerage retail business promoted the transformation of wealth management and institutions accelerated the overall financial layout, further demonstrating and deepening that the transformation of wealth management is still the key word for the reform of securities companies this year.

As of the end of Reporting Period, the Shanghai and Shenzhen stock indexes closed at 2,978.88 point and 9,178.31 point, representing an increase of 19.45% and 26.78% as compared to the end of last year, respectively; the balance of margin financing and securities lending of the market was RMB910.786 billion, representing an increase of 20.51% from the end of last year. During the Reporting Period, the transaction amount of the two markets was RMB147.48 trillion, representing an increase of 28.46% on a year-on-year basis, and the average daily transaction amount was RMB1.25 trillion, representing an increase of 29.54% as compared to the average daily transaction amount of RMB0.96 trillion in the same period last year. [Source: Wind Info]



## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### Business measures and performance

#### Agency of securities trading

During the Reporting Period, in order to catch up the trend of industry changes, the Company continued to promote its transformation and reform of brokerage business to wealth management business from various aspects such as appropriate customer service, service delivery standardization and service activities branding by taking measures such as setting up a “wealth management committee”, comprehensively optimizing the organizational structure to improve its resource integration and coordination capabilities. Focusing on the financial technology and investment advisory team, it accelerated the construction of informative, intelligent, intensive outlets and the online and offline integrated wealth management business system which given prominence to the establishment of a strategic customer system to continuously expand its high-net-worth customer base, resulting in the increases of 507.92% and 417.87% respectively in terms of new customer numbers and market share of new accounts as compared with the same period of last year.

The Company constantly optimizes the classified and layered customer service system of Wealth Central China (財富中原) and improves customer satisfaction and enhances the recognition of products and service brands of the Company. In April 2019, the SZSE organized a video collection campaign under the theme of “Micro-Classroom for Investment”(投知微課堂), in which our selected video course of “Online Voting by Means of the SZSE”(深交所網絡投票) won the Excellence Award.

#### Stock option

During the Reporting Period, the Company continued to carry out the option business promotion activities, vigorously promoted the construction of the option investment advisory team, continuously optimized the customer structure, and improved the customer service model to facilitate the transformation of wealth management, achieving a steadily increase in customer scale and transaction volume. The Company acquired 439 new customers in its option business with total 2,630 customers opened option accounts, representing an increase of 19.60% as compared with the end of 2018; while the total trading volume of contracts amounted to 1.083 million, representing an increase of 69.70% over the same period of the previous year.

#### Internet finance

During the Reporting Period, with the goal of enhancing customer stickiness and activity in its internet finance business, the Company thoroughly explored a new internet finance business model, and built an internet finance service system with “Three Apps and One WeChat Public Account”(三端一微) as the main body, launched the Central China Securities Cai Sheng Bao (中原证券财升寶) APP (application) with new structure and UI with the help of financial technology. The new registered users were more than 400,000. The number of product orders on internet finance platform reached an increase of 5.88% as compared to the same period last year. In terms of internet promotion, the number of new customers was 14,600, the new assets amounted to RMB220 million. The WCI, an influence index, of the Company’s official WeChat account increased significantly to the 12th in brokerage headquarters service accounts. [Source: gsdata]

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### Sale of financial products

For financial product sales business, the Company relied on its outlet layout, investment advisory team, Internet platform and other advantages to strengthen customer eligibility management, implemented the service concept of “customer-oriented”, set up high barriers on product launch to select quality products with an aim to create a rich business line covering stocks, bonds, currencies, commodities, overseas markets and alternative investments. The financial product sales business was further tilted towards net worth products while transforming from centralized marketing for single product to product portfolio configuration in terms of business model.

During the Reporting Period, the agency sale of public fund product amounted to RMB455 million; while the agency sale of trust product amounted to RMB129 million. With the issuance of 166 series of beneficiary certificates on a rolling basis, the total issuance size amounted to RMB2.066 billion, increasing by 109.53% on a year-on-year basis. The average daily retention amount of the Company’s cash management product YHHL (炎黄匯利) amounted to RMB2.814 billion, increasing by 19.14% on a year-on-year basis.

### Margin financing and securities lending

During the Reporting Period, the Company enhanced its efforts in promotion of margin financing and securities lending, and simplified the price adjustment process to strengthen its competitiveness in business development; continued to optimize its customer service system to improve the service to its core customers; and actively prevented and controlled business risks by early warning and resolving risks to steadily drive business development. The total number of credit accounts reached 43,633, representing an increase of 3.10% from the end of last year. As of the end of the Reporting Period, the balance of margin financing and securities lending amounted to RMB5.024 billion, representing an increase of 23.38% from the end of last year, and the market share increased to 5.52%.

### Outlook

In the second half of 2019, the Company will continue to deepen the development concept of “customer-oriented”, actively promote the process of building an “one-stop” comprehensive financial service platform for the operation branch network, build an online and offline integrated wealth management system of “customer classification, investment advisory classification, scientific support and service stratification”, and fully implement the reform of organizational structure, business process and institutional mechanisms, with a view to realize the intensification of business and personnel and further improve management efficiency.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### (2) *Futures business*

#### **Market environment**

In the first half of 2019, the transaction volume of the national futures market increased compared with the same period last year. From January to June in 2019, calculated from one side of a trade, the accumulated trading volume in the national futures market was 1.735 billion lots and the accumulated trading amount was RMB128.56 trillion, representing an increase of 23.47% and 33.79% as compared to the same period last year, respectively. [Source: China Futures Association] While the profit margin of the traditional brokerage business was under pressure, with the increasing downward pressure on the macro economy, the demand for risk management from enterprise entities and investment institutions has increased, resulting in a continuous innovation in the types of futures and options products, which in turn led to an increasing sophisticated derivatives system.

#### **Business measures and performance**

The Company carried out its futures business through its subsidiary Central China Futures. During the Reporting Period, the brokerage business, risk management service and asset management, which were the three major businesses of Central China Futures, had developed synergistically. The brokerage business has gradually realized the transformation to comprehensive marketing service platform by such measures as focusing on industrial chain services for key varieties to establish strategic partnerships with Henan Petroleum and Chemical Industry Association and integrate optimized resources, and establishing a futures research institute and organizing a number of investor seminars to enhance professional service capabilities. For risk management business, Central China Futures focused on warehouse receipts, basis trading and market making operations in the segments of ferrous metals, chemicals, and oils & oilseed, etc. The product supply capacity of asset management of futures business has steadily increased under standardized operation. As of the end of the Reporting Period, there were 19 existing asset management plans with a net value of RMB2.962 billion at the end of the Reporting Period. During the Reporting Period, Central China Futures acquired 1,202 new customers, and the total number of customers served was 25,347. The accumulated trading volume was 9.3779 million lots, representing an increase of 7.97% as compared to the same period last year. The accumulated trading amount was RMB518.280 billion, representing an increase of 5.61% as compared to the same period last year.

#### **Outlook**

In the second half of 2019, Central China Futures will continue to keep serving the real economy as its central task, while focus on the transformation of brokerage business and enhance its ability in integrating production and research by promoting the transformation of research achievements; improve operational quality and efficiency by means of building a smart financial service platform and improving the standardized customer service system and other measures, so as to enhance the scale benefits and social benefits of futures brokerage business; consolidate and expand the scale of risk management business, actively participate in the pilot project of "Dalian Commodity Exchange's Income Protection Plan for Farmers in 2019"; strengthen the research on the quantification and arbitrage model of various types of futures and cultivate futures asset management products based on CTA (commodity trading advisor) strategy so as to enhance the ability in positive management of asset business featuring futures derivatives.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### 2. Investment banking business

#### Market environment

In the first half of 2019, there were 66 companies in total that completed the initial offering in SSE and SZSE, with financing amount of RMB60.330 billion in total; 218 listed companies completed the refinancing offering, with financing amount of RMB552.143 billion in total, representing a year-on-year decrease of 24.32%. There were 153 new listed companies in the New Third Board market, with financing amount of RMB17.266 billion in total, representing a year-on-year decrease of 48.83% and 40.22%, respectively. The total amount of bonds issued by various institutions was RMB21.69 trillion, representing a year-on-year increase of 5%. [Source: Wind Info and Sina Finance]

#### Business measures and performance

During the Reporting Period, the Company continued to deepen reforms on the investment banking business line. On one hand, it improved system construction, optimized incentive mechanisms, strengthened the professional talent team building, and further enhanced its professional capacity in equity business. On the other hand, the Company seized the development opportunities to vigorously promote the development of various businesses. In particular, it strengthened the market development efforts in the STAR Market. At the same time, the Company established its investment bank headquarters in Zhengzhou to give full play to local advantages and explore Henan market. It strengthened the in-depth cooperation with large state-owned enterprises in provincial levels, which resulted in a substantial increase in project reserve as compared to the same period of last year, and in turn initially formed a virtuous project layout with echelon distribution.

#### (1) Equity financing and financial advisory

During the Reporting Period, the Company, as the lead underwriter, completed one project regarding non-public offering of shares, and two projects regarding public offering of convertible bonds, with a total financing amount of RMB1.926 billion. The Company completed three independent financial advisory projects regarding mergers and acquisitions and reorganization of listed companies. The Company also completed one New Third Board listing project and four private financing projects on the New Third Board, with a financing amount of RMB138 million.

Project type	January-June 2019		January-June 2018	
	Financing amount (RMB100 million)	Number of projects	Financing amount (RMB100 million)	Number of projects
Equity lead underwriting	19.26	3	2.01	1
Including: Convertible bonds	14.10	2	0	0
Non-public offering of shares	5.16	1 <sup>Note 1</sup>	2.01	1
Independent financial advisory for mergers and acquisitions and reorganization	—	3	—	0
Total	19.26	5	2.01	1

Note 1: This project refers to the non-public offering of Hebei Sitong New Metal Material Co., Ltd. (stock code: 300428) under which it issued shares to purchase assets and raise supporting funds, and has been counted in the number of independent financial advisory projects for mergers and acquisitions and reorganization in the meanwhile.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### (2) Debt financing

During the Reporting Period, the Company completed five corporate bond projects and two enterprise bond projects, with a total underwriting amount of RMB4.335 billion.

Project type	January-June 2019		January-June 2018	
	Underwriting amount (RMB100 million)	Number of offerings	Underwriting amount (RMB100 million)	Number of offerings
Corporate bond	30.25	5	8.00	1
Enterprise bond	13.10	2	0	0
Total	43.35	7	8.00	1

### Outlook

In the second half of 2019, the Company will actively promote the internal professional reform of investment banking in order to continuously improve its professional service capabilities. The Company will continue to explore Henan market with radiation throughout the country and vigorously promote the implementation of key projects, while reinforcing project development, focus on the business opportunities of the STAR Market, and increase the reserves of quality projects so as to provide better service to the real economy.

## 3. Investment management business

### (1) Asset management

#### Market environment

As the deleveraging in financial segment continuously deepening, the total size and business income of securities asset management business was in a downward trend. With the development of asset management businesses by commercial banks, insurance companies and trust companies, there is more intense competition in the market, and the industry is reshaping, which in turn increases the advantages of companies with better abilities in positive management. As of the end of the Reporting Period, the asset under management of securities companies amounted to RMB11.15 trillion, representing a decrease of 27% as compared with RMB15.28 trillion in the same period of last year. [Source: the statistics from Asset Management Association of China]

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### **Business measures and performance**

During the Reporting Period, in order to improve its positive management abilities and provide professional services and diversified products for investors, the Company strictly implemented the new rules on asset management, and actively adjusted the business layout to continuously improve the level of internal control and risk management; established business development strategies to accelerate business transformation; and continued to invest in organizations, personnel and technical systems. As of the end of the Reporting Period, the total AUM of the Company amounted to RMB9.662 billion, including 17 collective asset management plans in the amount of RMB5.900 billion, 7 targeted asset management plans in the amount of RMB3.036 billion and 2 specific asset management plans in the amount of RMB726 million.

### **Outlook**

In the second half of 2019, the Company will focus on such main processes as risk identification, asset pricing, asset allocation and sales and trading, actively enhance its positive management capabilities, give full play to existing channel advantages to design asset management products according to customer needs, actively explore large-scale transactions, institutional placement, mergers and acquisitions and reorganization, stock pledges and other types of products, and build product systems, optimize business processes, so as to create a standardized and efficient investment management platform, and help the Company transfer its business focus into wealth management.

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

#### **Market environment**

In the first half of 2019, the newly financed amount of funds in the equity investment market totaled RMB573 billion, representing a year-on-year decrease of 19.4%; the investment market continued to cool down, with a total of 3,592 deals completed, totaling RMB261.091 billion, representing a year-on-year down of 39.1% and 58.5%, respectively. The market as a whole stepped into a “new normal” of below trend. [Source: Zero2IPO Research Center]

#### **Business measures and performance**

The Company carried out private fund management business through its subsidiary, ZDKY Venture Capital. During the Reporting Period, ZDKY Venture Capital has extensively carried out internal and external cooperation to enhance the market’s fund-raising ability, which increased the fund management scale by RMB1.806 billion. As of the end of the Reporting Period, ZDKY Venture Capital managed 18 private funds, with a management scale of RMB8.05 billion.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### Outlook

In the second half of 2019, ZDKY Venture Capital will continue to work on new funds, project investment, and post-investment management. It will establish different types of funds, including industrial funds, venture capital funds, M&A funds, and Pre-IPO funds through cooperation with listed companies, local government platforms, large enterprises and investment institutions inside and outside the province, to expand the scale of fund management. It will drive the social capital to develop high-quality projects around the strategic emerging industries and modern service industries vigorously developed by the country and Henan Province, so as to improve the income level and social influence. It will enrich post-investment management, boost the growth of enterprises, and enhance enterprises' values.

### (3) *Alternative investment*

#### Market environment

In 2019, affected by a series of incentives, the investment industry showed a gradual warming trend. At the same time, Sino-US trade negotiations presented various twists and turns, which in turn exposed the real enterprises to a more complex and changeable development environment. The changing market circumstances made the project valuation gradually return to rationality on one hand, and led to a sharp rise in the operational risk of investment projects and the difficulty in realizing investment income on the other hand.

#### Business measures and performance

The Company carried out alternative investment business through its subsidiary, Central China Blue Ocean. During the Reporting Period, Central China Blue Ocean optimized its investment strategy and investment direction, that is, mainly focusing on equity investment, IPO listing and mergers and acquisitions and reorganization of listed companies, with financial asset investment as a supplementary, and selectively to invest Pre-IPO enterprises while taking into account M&A and reorganization business of listed companies. In addition to income contribution from fixed income projects, Guangdong Songyang Recycle Resources Co., LTD (stock code: 603863), an investee enterprise of Central China Blue Ocean, is listed on the SSE. Several invested enterprises form a listing echelon.

As of the end of the Reporting Period, the investment scale of Central China Blue Ocean amounted to RMB2.483 billion, representing an increase of 12.15% as compared with the same period last year, including 21 equity investment projects, representing an increase of 2 projects from the same period last year, and 12 financial product investment projects. During the Reporting Period, the newly-increased investment amount was RMB227 million, including the equity investment of RMB106 million and the financial product investment of RMB121 million. There were 9 withdrawal investment projects of various types, and the recovered investment amount reached RMB37.3737 million.

### Outlook

In the second half of 2019, Central China Blue Ocean will further seize the historic opportunities brought by the STAR Market. Relying on the advantages of the Company's platform, it will strengthen synergy with the investment banking business, continue to focus on the layout of high-quality equity projects with IPO listing and mergers and acquisitions and reorganization as withdrawing channels, and reinforce investment, so as to increase its return on investment steadily.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### 4. Proprietary trading

#### Market environment

In the first half of 2019, the SSE Composite Index rose by 19.45%. After experiencing a long-term stock funds game, the incremental funds, mainly from overseas as well as margin financing and securities lending, entered the market, which made the market style once show a balanced development trend, but the market fragmentation appeared again after an obvious adjustment. While the A-share market generally showed an institutional trend. The bond market failed to continue the bull market in the previous year, showing a broad fluctuation, the yield curve flattened upward, and the credit spreads and grade spreads narrowed. The loose credit policy continued and the liquidity was generally adequate. As of the end of the Reporting Period, the Composite Net Price Index of ChinaBond was 101.81, representing a decrease of 0.22% as compared to the end of last year (annualized) and the Composite Full Price Index of ChinaBond was 119.08, representing an increase of 0.47% as compared to the end of last year (annualized) [Source: Wind Info].

#### Business measures and performance

During the Reporting Period, the capacity in active investment of Company's proprietary trading business line was improved through a series of reforms such as investment process, organizational structure and performance appraisal. The Company adhered to a stable operation strategy, refined liquidity management, and better grasped the opportunities from stock market and bond market in the first half of the year, so that the earning level increased significantly year on year.

#### Outlook

In the second half of 2019, for the equity investment business, the Company will improve the trading system, explore structural opportunities in the market, and further strictly control risks, make full use of the market trading opportunities of wave fluctuations, and actively focus on new investment models and opportunities, with a view to achieving absolute returns. In terms of fixed income business, the Company will track the duration according to the market trend and the attributes of the bonds held, and adjust the duration of the bonds held in due course. The Company will conduct hedging, arbitrage and other transactions of derivatives based on market fluctuations, to improve income stability.



## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### 5. Overseas business

#### Market environment

In the first half of 2019, Hong Kong stock market experienced violent fluctuation, declining valuation level and poor liquidity, resulting in a number of market data lower than the same period last year. The average daily trading amount in the Hong Kong stock market was HK\$97.9 billion, representing a decrease of 22.66% year-on-year, the total amount of funds raised from initial public offerings was HK\$69.5 billion, representing an increase of 34.7% year-on-year, and the number of newly-listed companies was 84, representing a decrease of 22.22% as compared to the same period last year [Source: Website of Hong Kong Stock Exchange].

#### Business measures and performance

The Company conducts its overseas business through its subsidiary Central China International. During the Reporting Period, focusing on “structural adjustment and steady development”, Central China International continued to optimize its shareholding structure and business to build a stable profit model with outstanding license commission business and fixed income business, further strengthened the construction of internal control mechanism and system to enhance the basic support capability for international business development, and gave full play to the domestic and overseas business linkage advantages to achieve a steady development of international business by providing customers with cross-border capital market services. The number of security accounts opened by its customers amounted to 6,880, representing an increase of 2.08% from the end of the previous year, and the accumulated securities trading volume amounted to HK\$14.271 billion, ranking from 128th at the end of 2018 to 104th for the first half of 2019 in terms of brokerage turnover on the Hong Kong Stock Exchange. The number of futures accounts opened by its customers amounted to 169, and the client’s assets amounted to HK\$46.3362 million, representing an increase of 20.87% from the end of the previous year. During the Reporting Period, Central China International had submitted the A1 application as the sponsor for 1 IPO project and participated in 2 IPO projects.

#### Outlook

In the second half of 2019, faced with many uncertain factors in Hong Kong stock market, Central China International will firmly establish the concept of steady development, continue to strengthen the full coverage of compliance and risk control of its international business. Central China International will accelerate the transformation of its business structure and profit model. Taking the investment banking business as the forerunner, it will consolidate and upgrade the main business of securities license and improve the linkage mechanism of various business lines between Hong Kong and the Mainland so as to exert the role of “bridgehead” of the Company in opening up.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### 6. Others

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

##### **Market environment**

In the first half of 2019, the A share market was generally stable, and the risk of securities-backed lending business was alleviated. However, the risk mitigation is still complex and will take a long time. Since the beginning of this year, the securities-backed lending business in the industry has continued last year's downward trend.

##### **Business measures and performance**

During the Reporting Period, the Company carried out institutional reforms around the improvement of professional capabilities. Firstly, it carried out various investigations to gradually clarify the nature of the securities-backed lending business, and initially determine the direction of business development. Secondly, it comprehensively adopted targeted measures such as negotiation, litigation, and liquidation to mitigate risks, which made some progress. Thirdly, it improved its relevant business systems and processes, did a good job in the management of existing projects, and actively and steadily developed new projects. As of the end of the Reporting Period, the balance to be repurchased of the Company's securities-backed lending business was RMB3.287 billion, representing a decrease of 17.14% over the end of last year. The balance to be repurchased of securities repurchase business amounted to RMB9.7604 million. The Company obtained an interest income of RMB1.7550 million, representing an increase of 102.19% year-on-year.

##### **Outlook**

In the second half of 2019, the Company will continue to take comprehensive measures to resolve risks, focus on promoting management level, accelerate business transformation, strengthen risk compliance management, and strengthen business linkages between departments to ensure a steady business development.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

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

#### **Market environment**

In the first half of 2019, the New Third Board market continued its downturn in the transaction, with a total transaction amount of RMB38.574 billion, representing a decrease of 24.06% from the same period last year, and the total funds raised from stock issuance of RMB17.416 billion, representing a decrease of 51.34% from the same period last year. The number of listed companies in the New Third Board has decreased from 10,691 at the beginning of the year to 9,921. The market-making business in the New Third Board showed a contraction trend, with 70 market makers exiting the market-making business for 671 companies. [Source: Statistical Monthly Report of NEEQ, Wind Info]

As the stock index fell, the general value of market makers' treasury stocks fell. All market participants are eager to promote the reform of the New Third Board. The CSRC and the National Equities Exchange and Quotations Co., Ltd. successively revised and promulgated such policies as the Administrative Provisions of the National Equities Exchange and Quotations on the Market-making Business of Market Makers (《全國中小企業股份轉讓系統做市商做市業務管理規定》), strengthening the protection of market makers at the policy level, and delivering positive reform information to the market.

#### **Business measures and performance**

During the Reporting Period, the Company adhered to the operation strategy of "selecting step-by-step and investing in high-quality enterprises, and increasing efforts to clean up exited projects" for its market-making business. Firstly, select excellent companies with good performance and good growth to increase investment. It had being conducted market-making business for 17 enterprises from 10 enterprises previously, and gained good returns in the rebound of the New Third Board market in the first quarter. Secondly, the Company actively conducted buyback negotiations with the companies that withdrew from market-making to recover funds and strictly control risks. During the Reporting Period, there were 6 existing projects divested in total with recovered funds of RMB7.3498 million.

#### **Outlook**

In the second half of 2019, with respect to the market-making business, the Company will continue to strengthen post-investment management of existing projects, actively handle the disposal of treasury stocks to revitalize capital, and control business risks. At the same time, it will actively pay attention to the introduction of reform measures, and continue to adjust the position structure to provide market-making services for the New Third Board enterprises with abundant liquidity and good fundamentals.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### (3) *Regional equity market business*

#### **Market environment**

On 21 June 2019, the CSRC issued the Guiding Opinions on Regulating the Development of Regional Equity Market (《關於規範發展區域性股權市場的指導意見》), which put forward specific requirements for further promoting the healthy development of regional equity market from ten aspects, such as accurately grasping the market development orientation, strictly implementing classified and hierarchical management, consolidating and intensifying equity financing business, making the policy system for regional equity market further improved.

#### **Business measures and performance**

The Company carried out the regional equity market business through its subsidiary, Equity Exchange Co. During the Reporting Period, Equity Exchange Co. vigorously promoted the function of the regional equity market, and actively matched small and medium-sized enterprises with social capital, and the effectiveness of serving the real economy and small and medium-sized enterprises appeared gradually. Equity Exchange Co. set up a "Poverty Alleviation Unit (扶貧板塊)" for listed companies in poverty-stricken counties, and implemented a policy of "immediate review upon application submitted, immediate listing upon approval issued, and display on special sector" for enterprises in poverty-stricken areas to apply for listing. The number of new listed companies amounted to nearly 1,000 with the accumulated number of listed enterprises of 5,600, ranking at the top in terms of the number of listed enterprises. As of the end of the Reporting Period, the accumulated amount of convertible bonds issued was RMB993 million, and the accumulated financing amount was RMB6 billion. There were 312 enterprises and 40.0 billion shares under custody.

#### **Outlook**

In the second half of 2019, Equity Exchange Co. will enrich sectors setting, improve service system, further improve the quality of listed enterprises, promote registration and custody and expand its scale, strengthen the screening of excellent enterprises and road show promotion, promote corporate financing as well as strength corporate cultivation to promote standardized development of enterprises.

### (4) *Research business*

#### **Market environment**

In the first half of 2019, the internal and external environment of China's economy was complex and changeable. Various types of risks incidents in the capital market occurred from time to time. The uncertainty of the investment environment put forward higher requirements for research business. In particular, with the introduction of registration system of the STAR Market, the listing, merger, acquisition and restructuring and other businesses of enterprises put forward higher requirements for the pricing ability of securities companies. In addition, the rules and regulations promulgated by the regulatory authorities to regulate the practice of securities analysts and others put forward higher requirements for research institutes' services and compliance control capabilities.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### **Business measures and performance**

During the Reporting Period, the Company's research institute focused on internal service, and strengthened the provision of high-level research services to provincial government agencies, industry self-regulatory institutions, policy-based financial institutions, and corporate decision-making departments on the basis of strict compliance and risk control. During the Reporting Period, it organized 118 video morning meetings, and investigated 29 listed companies. It wrote 454 research reports. The research institute provided proprietary business, credit business, investment banking and other departments of the Company with research service for 102 times. It provided multiple research support for Henan Branch of the CSRC, Henan SASAC, Securities Association of China, Henan Provincial Government, Zhengzhou Central Sub-Branch of People's Bank of China, and National Council for Social Security Fund of the PRC, and wrote a number of customized research reports, covering the situation analysis of capital market and securities industry for 2019 and other fields.

### **Outlook**

In the second half of 2019, the Company will further enhance its research strength, optimize incentive measures and innovate working methods, so as to provide intellectual support for the Company's reform and business transformation, with a focus on research support for wealth management, securities investment, investment banking and other businesses, continuing to increase publicity to build up the research brand and enhance the influence of the Company.

### **(5) *Micro-lending business***

#### **Market environment**

The micro-lending industry in Henan Province has developed towards two opposing aspects. On the one hand, the existing micro-lending companies have gradually withdrawn, and on the other hand, the micro-lending companies set up by large enterprises have developed steadily. As of the end of the Reporting Period, there were 239 micro-lending companies in total in Henan Province, representing a decrease of 8 from the end of the previous year. The loan balance was RMB22.484 billion, representing an increase of RMB333 million from the end of the previous year. [Source: People's Bank of China]

#### **Business measures and performance**

The Company conducts micro-lending business through its subsidiary, Central China Micro-lending. Central China Micro-lending is the only micro-lending company in Henan Province that has been approved to carry out business across the province. During the Reporting Period, following the industry chain of Central China Securities, Central China Micro-lending expanded business variety and scope and adjusted and optimized its asset structure, resulting in an increase in the number of customers to 107 from 49 at the beginning of the year, with a loan placement of RMB295 million. As of the end of the Reporting Period, the balance of loans amounted to RMB1.271 billion, accounting for 5.65% of the loan balance in the province's micro-lending industry, ranking steadily first in term of business size in Henan Province. It won the "New Industry Innovation Award in Free Trade Zone" of Kaifeng City (開封市「自貿區新業態創新獎」), and served as the rotating director of the Henan Finance Guarantee Industry Association in 2019.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### Outlook

In the second half of 2019, Central China Micro-lending will strictly control risks. On the one hand, it will deliver excellent service to large enterprises following the industry chain of Central China Securities. On the other hand, it will strengthen small and micro enterprises and consumer financial services to gradually form a stable business model and unique competition advantages, so as to build a solid foundation for subsequent development.

### (III) Analysis on financial statements

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

The Group realized total revenue and other income of RMB1,855 million, representing an increase of 25.2% as compared to the same period of 2018, of which securities brokerage business accounting for RMB854 million, representing an increase of 23.5% as compared to the same period of 2018; investment banking business accounting for RMB75 million, representing an increase of 169.4% as compared to the same period of 2018; proprietary trading business accounting for RMB495 million, representing an increase of 48.2% as compared to the same period of 2018; investment and asset management business accounting for RMB125 million, representing a decrease of 7.7% as compared to the same period of 2018; overseas business accounting for RMB125 million, representing an increase of 85.4% as compared to the same period of 2018; other business accounting for RMB232 million, representing a decrease of 9.1% as compared to the same period of 2018.

During the Reporting Period, the Group's operating expenses were RMB1,526 million, representing an increase of 18.8% as compared to the same period of 2018.

During the Reporting Period, the Group realized net profit attributable to shareholders of the Company of RMB240 million, representing an increase of 64.6% as compared to the same period of 2018, which was mainly due to the period-on-period increase in net profit of proprietary trading business; basic/diluted earnings per share of RMB0.06, representing an increase of 50% as compared to the same period of 2018; weighted average return on net assets of 2.38%, representing an increase of 0.95 percentage point as compared to the same period of 2018.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### 2. Asset structure and asset quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB45,332 million, representing an increase of 7.5% as compared to RMB42,155 million as at the end of 2018. Total liabilities amounted to RMB33,784 million, representing an increase of 9.4% as compared to RMB30,880 million as at the end of 2018. Equity attributable to shareholders of the Company amounted to RMB10,195 million, representing an increase of 2.5% as compared to RMB9,951 million as at the end of 2018.

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 RMB12,271 million, representing 27.0% of our total assets; financing assets, which primarily included margin accounts receivables, financial assets held under resale agreements, loans and advances to customers, amounted to RMB12,508 million, representing 27.6% of our total assets; financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB19,141 million, representing 42.2% of our total assets; other operating assets, which primarily included property and equipment, investment properties and intangible assets, amounted to RMB1,385 million, representing 3.1% of our total assets; assets of a disposal group classified as held for sale amounted to RMB27 million, representing 0.1% of our total assets. As at the end of the Reporting Period, the Group has mainly made corresponding impairment provision for 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 RMB24,287 million, representing a decrease of RMB32 million or 0.1% as compared to the total self-owned liabilities of RMB24,319 million as at the end of 2018, mainly attributable to the decrease in loans from other banks. Calculated by assets and liabilities after deducting accounts payable to brokerage clients, the gearing ratio as at the end of the Reporting Period was 67.8%, representing a decrease of 0.5 percentage point as compared to the gearing ratio of 68.3% as at the end of 2018.

### 3. Cash flow

Excluding the effect of changes in client margin deposit, the net decrease in cash and cash equivalents amounted to RMB330 million, which was because the cash inflows generated from operating activities was less than the cash outflows arising from investing activities and financing activities of the Group during the Reporting Period.

During the Reporting Period, the net cash flow arising from operating activities amounted to RMB983 million, representing a period-on-period increase of RMB1,587 million from RMB-604 million in the corresponding period of 2018 which was mainly due to the increase of net decrease in financial assets held under resale agreements. During the Reporting Period, the net cash flow arising from investment activities amounted to RMB-906 million, representing a period-on-period decrease of RMB698 million from RMB-208 million in the corresponding period of 2018, which was mainly because the cash arising from the acquisition and disposal of financial assets at fair value through other comprehensive income was greater than that in the corresponding period of 2018. During the Reporting Period, net cash flow arising from financing activities amounted to RMB-406 million, representing a period-on-period decrease of RMB18 million from RMB-388 million in the corresponding period of 2018, which was mainly because the cash paid for redemption of bonds was greater than that in the corresponding period of 2018.

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

Please refer to the changes mentioned in note 2 to the condensed interim financial information in section 9 "Report on Review of Interim Financial Information" of this report. 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.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### 5. Access to and ability of financing

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

To maintain the liquidity and profitability of its assets, the Company's proprietary capital is centrally managed by its Treasury Department, with comprehensive management systems and corresponding business processes in place. In addition, the Company has been granted comprehensive credit lines with relatively large limit by several banks. The existing financing channels of the Company are effective and sufficient to meet its business development funding needs.

### (IV) Analysis of investments

#### 1. Overall analysis on external equity investments

As at the end of the Reporting Period, the Group has investments in associates of RMB1,049 million, representing an increase of RMB110 million or 11.70% as compared to the end of last year.

##### (1) Material equity investments

Please refer to Note 18 to the Consolidated Financial Statements as set out in this report.

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

There were no material non-equity investments during the Reporting Period.

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

**Central China Futures:** Central China Futures has a registered capital of RMB330 million, which is held as to 51.357% equity interests by Central China Securities. As of 30 June 2019, the total assets and net assets of Central China Futures amounted to RMB1,254 million and RMB407 million respectively. In the first half of 2019, Central China Futures recorded operating income of RMB255.4795 million and net profit of RMB11.2981 million.

**ZDKY Venture Capital:** ZDKY Venture Capital has a registered capital of RMB2 billion and is 100% owned by Central China Securities. As of 30 June 2019, the total assets and net assets of ZDKY Venture Capital amounted to RMB1,156 million and RMB909 million respectively. In the first half of 2019, ZDKY Venture Capital recorded operating income of RMB16.5277 million and net profit of RMB8.9659 million.

**Central China International:** Central China International has a registered capital of HK\$760 million and is 100% owned by Central China Securities. As of 30 June 2019, the total assets and net assets of Central China International amounted to HK\$3,640 million and HK\$1,382 million respectively. In the first half of 2019, Central China International recorded operating income of HK\$95.0816 million and net profit of HK\$43.5355 million.

**Central China Blue Ocean:** Central China Blue Ocean has a registered capital of RMB3 billion and is 100% owned by Central China Securities. As of 30 June 2019, the total assets and net assets of Central China Blue Ocean amounted to RMB3,376 million and RMB2,966 million respectively. In the first half of 2019, Central China Blue Ocean recorded operating income of RMB128 million and net profit of RMB91.3052 million.



## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

Equity Exchange Co.: Equity Exchange Co. has a registered capital of RMB350 million, which is held as to 35% equity interests by Central China Securities. As of 30 June 2019, the total assets and net assets of Equity Exchange Co. amounted to RMB349 million and RMB331 million respectively. In the first half of 2019, Equity Exchange Co. recorded operating income of RMB14.0860 million and net profit of RMB5.3678 million.

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

As of 30 June 2019, the Group consolidated 6 structured entities, which included asset management schemes and partnerships. After taking into account the factors such as investment decision rights owned by the Company, variable return exposure and the use of investment decision power to influence variable returns, the Company included the structured entities controlled by the Company in the scope of consolidated statements in respect of the structured entity who acts as a manager or investment adviser and holds a product share.

## II. OTHER DISCLOSURE

### (I) Potential risks

Major risks include: credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risk, etc. To fully uncover its operational risks and control them within a reasonable range that the Company can afford, 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 policies

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) margin financing and securities lending 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.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

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 to market for margin financing and securities lending, 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 reviewed 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, investment experience and risk appetite, and continuously manage them under the guidance of the business management department in accordance with the Company's systems. 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 to market and dynamic monitoring of the ratio of performance to collateral. The Risk Management Headquarters of the Company conducts centralized monitoring on the risk of business at backstage, which mainly includes such risk control indicators as business scale, concentration per client, concentration per stock, ratio of closing performance to collateral, to ensure effective prevention against credit risk.

As for margin financing and securities lending, securities-backed lending and securities repurchase, the Company has made provision for impairment.

### 2. Market risk and policies

Market risk refers to the risk that the fair value of the financial instruments held is affected by adverse changes in the market prices. 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 including on- and off-balance business 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 Company's profit in the same proportion; and the market price fluctuations of available-for-sale financial instruments will impact shareholders' equity of the Company in the same proportion. Interest rate 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 of the company 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 fluctuation of exchange rate will bring certain exchange risks to the company, however the Company has had relatively few foreign currency assets susceptible to exchange rate fluctuations. The Company continuously strengthens the mechanism development and internal management as well as hedges and slowly releases the exchange rate risk through a series of measures to support the expansion of overseas business of the Company.

To prevent market risks, the Company took the following measures: (1) implemented a strict investment authorization system. The management of the Company is responsible for breaking down and allocating business size and risk limits for stock proprietary trading and proprietary bond 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, stress test, sensitivity analysis, etc.; and (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.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### 3. Liquidity risk and policies

Liquidity risk refers to the risk that the Company is unable to obtain sufficient funds in time at reasonable costs in order to repay maturing debts, comply with other payment obligations and satisfy the funding needs for carrying on normal business. 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 tradeable securities within the same type of investments. 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 resulting 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 loss to the Company resulting from flaws or error of personnel, internal procedures, systems and external events. 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 human-caused risks and improved the risk management efficiency through stringent operational control procedure for risks not quantifiable.

### 5. Compliance risk and policies

Compliance risk refers to the risk of legal sanction, being subjected to supervisory measure, self-discipline penalty, loss of property or reputation on the Company 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, etc.

## SECTION 4 DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

### 6. Information technology risk, policies and investment

The Company is in an industry that highly relies on information technology. Information technology risk has become one of the main risks faced by securities companies. Information technology capability has become an important aspect of the core competitiveness of securities companies. Any hardware and software failure and security breaches in the information technology systems and communication systems and insufficient emergency management capability of disaster recovery systems may severely affect the Company's ordinary business. Any failure to improve the information systems in a prompt, effective and steady way would adversely affect the Company's competitiveness, operations and working efficiency, etc. Through continuously improving and optimizing the IT operation systems, responding to the business demands actively and promptly and increasing efforts on new technology application, security reinforcement and infrastructure upgrading, etc. as well as applying steady and efficient technology architecture, the Company has consolidated its foundation in the operation and management of the information systems, which efficiently supports the Company's business development.

As for potential information system risk, the Company has continuously improved its level of IT operation and management, information security control methods, emergency management capability of information systems and all-round risk management, etc., so as to ensure the safe operation of information systems. (1) The Company actively promotes the normalization, standardization, streamlining and refinement development, proactively conducts self-inspection rectification, continuously improves and optimizes the IT operation systems, so as to ensure full safe operation of information systems. (2) Through putting more efforts on core network equipment update, communication lines integration, cloud computing capacity expansion, application of new monitoring platform, intelligent analysis based on big data, data security reinforcement, infrastructure update, etc., the Company has consolidated its foundation in the operation and management of the information systems, which further improves the robustness of information systems. (3) In terms of safety and emergency, the Company has improved the safety, effectiveness and stability, etc. of information systems through regular penetration testing and vulnerability scanning, real-time security information warning, host security reinforcement, periodic security self-examination, and regular emergency drills, etc. (4) The Company has actively implemented the requirements of the Regulations for Overall Risk Management of Securities Companies (《證券公司全面風險管理規範》), whereby it continuously promotes the development of a comprehensive risk management system and a compliance management platform system, so as to enhance the Company's overall compliance risk control capabilities.

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

As of the end of the Reporting Period, the Group had a total of 2,835 employees, including 2,481 employees from the Company and 354 employees from its subsidiaries.

By signing letter of responsibilities on annual operation objectives, the Company revised and optimized annual incentive and restriction mechanism for all business lines, and linked incentives and restriction directly to business performances. Under a strict performance assessment mechanism, it also increased incentives for special contributors to inspire the cadres and 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 so as to further enhance its ability in providing enterprise welfare and security.

The Company provided tailor-made training programs to its cadres and staff, and continued to strengthen 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.

## SECTION 5 SIGNIFICANT EVENTS

### I. SUMMARY OF GENERAL MEETING

General meeting	Date of convention	Directory to designated website of publication of the resolution	Date of disclosure of the publication of resolution
2018 Annual General Meeting	11 June 2019	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	12 June 2019 11 June 2019
2019 First Class Meeting for Holders of A Shares	11 June 2019	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	12 June 2019 11 June 2019
2019 First Class Meeting for Holders of H Shares	11 June 2019	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	12 June 2019 11 June 2019

#### 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. The Company convened the 2018 Annual General Meeting on 11 June 2019, and considered and approved the Work Report of the Board for the Year of 2018, the Work Report of the Supervisory Committee for the Year of 2018, the Annual Report for the Year of 2018, the Profit Distribution Plan for the Second Half of the Year of 2018, the Financial Statements for the Year of 2018, the Resolution on the Re-appointment of Domestic and Overseas Auditing Firms for the Year of 2019, the Evaluations and Remuneration of the Directors for the Year of 2018, the Evaluations and Remuneration of the Supervisors for the Year of 2018, the Resolution on the Provision of Guarantee for Central China International Financial Holdings Company Limited, the Resolution on the Provision for Credit Impairment, the Resolution on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2019, the Resolution on Fulfillment of the Conditions for Non-public Issuance of A Shares by the Company, the Resolution on the Plan of the Non-public Issuance of A Shares by the Company, the Resolution on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company, the Resolution on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company, the Resolution on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures, the Resolution on Shareholders' Return Plan for the Next Three Years (2019–2021), and the Resolution on the Grant of Authorization to the Board and its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares. In addition to the above-mentioned resolutions, the Work Report of the President for the Year of 2018 and the Duty Report of the Independent Directors for the Year of 2018 were also received.
2. The Company convened the 2019 First Class Meeting for Holders of A Shares on 11 June 2019, and considered and approved the Resolution on the Plan of the Non-public Issuance of A Shares by the Company and the Resolution on the Grant of Authorization to the Board and its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares.
3. The Company convened the 2019 First Class Meeting for Holders of H Shares on 11 June 2019, and considered and approved the Resolution on the Plan of the Non-public Issuance of A Shares by the Company and the Resolution on the Grant of Authorization to the Board and its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares.

## SECTION 5 SIGNIFICANT EVENTS

### II. DECLARED INTERIM PROPOSAL OF PROFIT DISTRIBUTION AND CAPITALIZATION OF CAPITAL RESERVE INTO SHARE CAPITAL

Whether to make profit distribution or capitalize capital reserve into share capital	Yes
share capital	
Amount of dividend for every 10 shares (RMB) (tax inclusive)	0.20

Explanation of proposal of profit distribution or capitalization of capital reserve into share capital

According to the Articles of Association, the Company may distribute dividends in cash or in shares. The Company shall emphasize on the reasonable investment returns to investors in its profit distribution and shall keep its profit distribution policies consistent and stable. The Company shall fully consider and listen to the opinions of shareholders (especially minority shareholders) and independent Directors, and shall adhere to cash dividend as its primary method of profit distribution. In the absence of significant investment plan, 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 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.

Taking into account comprehensive factors such as the future development of the Company and the interests of the shareholders, the profit distribution plan is proposed as follows: the Company will adopt cash dividend payment method to distribute a cash dividend to the holders of A shares and holders of H shares whose names appear on the register of members of the Company on the record date. Based on the number of total issued shares of the Company as of 30 June 2019, a cash dividend of RMB0.20 (tax inclusive) for every ten shares with a total cash dividend of RMB77,381,414.00 (tax inclusive) is proposed to be distributed. The outstanding balance of the retained profits distributable amounted to RMB58,418,359.21 and will be carried forward to the next year. Cash dividend is denominated and declared in RMB and payable in RMB to the holders of A shares and in HKD to the holders of H shares. The actual amounts to be paid in HKD will be calculated based on the average benchmark exchange rate for Renminbi to HKD as announced by the People's Bank of China for the five business days before the date of the 2019 First Extraordinary General Meeting of the Company. After the 2019 interim profit distribution plan of the Company is considered and approved at the first extraordinary general meeting in 2019, the Company will distribute the cash dividend in two months after the date of such general meeting.

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

Detailed information in relation to the payment date of the 2019 interim dividend and specific arrangements including the book closure period in this regard, will be announced by the Company after the date of the first extraordinary general meeting in 2019 is determined.

## SECTION 5 SIGNIFICANT EVENTS

### III. PERFORMANCE OF UNDERTAKINGS

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

Background	Type of undertakings	Undertaking party	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	Henan Investment Group	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	36 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes
	Non-competition	Henan Investment Group	Undertaking in relation to non-competition	Regarded as long-term since entering into of the Non-competition Agreement with Central China Securities on 10 March 2014	Yes	Yes
	Non-competition	the Company	Undertaking in relation to non-competition	Regarded as long-term since entering into of the Non-competition Agreement with Henan Investment Group on 10 March 2014	Yes	Yes

### IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

#### Explanation on appointment and dismissal of accounting firms

As approval by the Company's 2018 Annual General Meeting, the Company has re-appointed ShineWing Certified Public Accountants (Special General Partnership) as its domestic auditing firm of 2019 for providing statutory auditing services based on China Accounting Standards for Business Enterprises and internal control auditing services in 2019. The Company has re-appointed PricewaterhouseCoopers as its overseas auditing firm for the year of 2019 for providing audit and review services based on International Financial Reporting Standards.

\* For identification purpose only

## SECTION 5 SIGNIFICANT EVENTS

### V. MATERIAL LITIGATION AND ARBITRATION

#### The litigation and arbitration that have not been disclosed in announcements or had subsequent process

Unit: Yuan Currency: RMB

During the Reporting Period:

Prosecution (petitioner)	Defendant (respondent)	Party bearing joint liability	Type of litigation or arbitration	Background of litigation (arbitration)	Amount involved in litigation (arbitration)	Any estimated liabilities incurred in litigation (arbitration) and the amount	Development of litigation (arbitration)	Trial outcome of litigation (arbitration) and the influence	Enforcement of the judgment on litigation (arbitration)
Central China Securities	Shenwu Technology Group Corporation Limited* (神霧科技集團股份有限公司)	None	Contract dispute	Note 1	200,000,000.00	No	Note 1	No second-instance judgment issued, temporarily unable to assess the impact	No judgment for enforcement
Central China Securities	Neoglory Holdings Group Co. Ltd.* (新光控股集團有限公司)	None	Contract dispute	Note 2	200,000,000.00	No	Note 2	No judgment issued, temporarily unable to assess the impact	No judgment for enforcement
Central China Securities	Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership)* (石河子市瑞晨股權投資合夥企業(有限合夥)), Tan Songbin (譚頌斌), Zhou Juan (周娟)	None	Contract dispute	Note 3	187,999,817.40	No	Note 3	No judgment issued, temporarily unable to assess the impact	No judgment for enforcement
Central China Securities	Great Wall Film & Culture Company Group Limited* (長城影視文化企業集團有限公司)	None	Contract dispute	Note 4	200,000,000.00	No	Note 4	No judgment issued, temporarily unable to assess the impact	No judgment for enforcement

Note 1: The Company filed a lawsuit against Shenwu Technology Group Corporation Limited with respect to the latter's defaults in the securities-backed lending contract. After the first-instance judgment issued by the Henan Provincial High Court, the defendant Shenwu Technology Group Corporation Limited filed an appeal with the Supreme Court's Fourth Circuit Court which accepted the appeal and opened its hearing on 14 June 2019, with no judgment received as of the end of the Reporting Period.

Note 2: With respect to the Neoglory Holdings Group Co. Ltd.'s defaults in the securities-backed lending contract, the Company filed a lawsuit against that company with Henan Provincial High Court who accepted the lawsuit and then transferred it to the Jinhua Intermediate People's Court since Neoglory Holdings Group Co. Ltd. applied for bankruptcy and reorganization. The Jinhua Intermediate People's Court accepted the bankruptcy and reorganization application on 28 April 2019, for which the Company has declared its credits. As of the end of the Reporting Period, the case has not been heard.

Note 3: The Company filed a lawsuit against Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership), Tan Songbin and Zhou Juan with respect to those defendants' defaults in the securities-backed lending transactions. After the acceptance by the Henan Provincial High Court, the defendant Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership) filed an appeal with the Supreme Court as the defendant raised a jurisdiction challenge which was rejected by the Henan Provincial High Court. The case has now been transferred to the Supreme Court's Fourth Circuit Court. On 28 June 2019, the Company received the Supreme Court's Civil Ruling ((2019) Zui Gao Fa Min Xia Zhong No. 235) (《民事裁定書》((2019) 最高法民轄終 235 號)), which dismissed the defendant's appeal and upheld the original ruling. The Henan Provincial High Court issued a notice specifying that the case is scheduled for hearing on 6 August 2019.

\* For identification purpose only



## SECTION 5 SIGNIFICANT EVENTS

Note 4: The Company filed a lawsuit against Great Wall Film & Culture Company Group Limited with respect to the defendant's defaults in the securities-backed lending contract. After the acceptance by the Henan Provincial High Court, the defendant Great Wall Film & Culture Company Group Limited filed an appeal with the Supreme Court as the defendant raised a jurisdiction challenge which was rejected by the Henan Provincial High Court. The case was transferred to the Supreme Court on 14 May 2019. And the Company received a case-filing notice from the Supreme Court on 10 June 2019, but has not yet received any verdict from the Supreme Court as of the end of the Reporting Period.

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

During the Reporting Period, no punishment or public censure against the Company and its directors, supervisors and senior management were imposed by the CSRC, the Securities Association of China, stock exchanges, financial futures exchanges, fiscal and taxation, foreign exchange and audit authorities.

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

During the Reporting Period, the Company, its controlling shareholder and de facto controller were in good faith, and none of them had unperformed enforceable court judgments, unpaid debts with larger sum at maturity.

### VIII. MATERIAL RELATED PARTY/CONNECTED TRANSACTIONS

The Company conducted related party/continuing connected transactions in strict compliance with the Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business in 2019 considered and approved at the fifth meeting of the sixth session of the Board and the Resolution on Revision to the Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business in 2019 considered and approved at the tenth meeting of the sixth session of the Board. The relevant implementation is as follows:

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

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

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual caps for transactions in 2019	Actual amount during the Reporting Period
Securities and financial products transactions	Total net cash inflow to the Group	3,400.00	1,185.53
	Total net cash outflow from the Group	12,300.00	500.00
	Loans provided by Henan Investment Group and its associates	10,000.00	0.00
	Loan interest paid to Henan Investment Group and its associates	1,000.00	0.00

Note: In 2019, it is expected that the total net cash inflow to the Group is mainly the income from the subscription of financial products issued by Zhongyuan Trust and the total net cash outflow from the Group is mainly the amount incurred in the subscription of financial products issued by Zhongyuan Trust.

## SECTION 5 SIGNIFICANT EVENTS

### 2. Securities and financial services

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual caps for transactions in 2019	Actual amount during the Reporting Period
Securities and financial services	Revenue from the provision of securities and financial services to Henan Investment Group and its associates	3,381.00	100.96

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

#### 1. Securities and financial products transactions

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual caps for transactions in 2019	Actual amount during the Reporting Period
Securities and financial products transactions	Total net cash inflow to the Group	7,500.00	0.00
	Total net cash outflow from the Group	240.00	0.00

Note: In 2019, it is expected that the total net cash inflow to the Group is mainly the amount incurred in Equity Exchange Co.'s subscription of financial products issued by the Group and amount contributed by Equity Exchange Co. in the funds set by the Group, and the total net cash outflow from the Group is mainly the income from Equity Exchange Co.'s subscription of financial products issued by the Group.

#### 2. Securities and financial services

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual caps for transactions in 2019	Actual amount during the Reporting Period
Securities and financial services	Revenue from the provision of securities and financial services to Equity Exchange Co.	195.00	94.00
	Expenses incurred by the provision of securities and financial services to the Group	1,010.00	10.00

## SECTION 5 SIGNIFICANT EVENTS

### IX. MATERIAL CONTRACTS AND CONTRACT PERFORMANCE

#### Guarantee

Unit: Yuan Currency: RMB

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

Total amount of guarantees incurred during the Reporting Period (excluding the guarantees provided for subsidiaries) 0

Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees provided for subsidiaries) 0

Guarantees provided by the Company for subsidiaries

Total amount of guarantees provided for subsidiaries during the Reporting Period 131,949,000.00

Total balance of guarantee provided for subsidiaries at the end of the Reporting Period (B) 529,203,456.00

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

Total amount of guarantees (A+B) 529,203,456.00

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

Including:

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

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 assume joint and several liability for repayment

Explanations on guarantees

As at the end of the Reporting Period, the Company provided counter-guarantee for Central China International's overseas loans, the balance of which amounting to RMB529,203,456.00 in total (equivalent to HK\$601,600,000.00).

### X. CONVERTIBLE CORPORATE BONDS

#### Issuance of Convertible Bonds

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 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 issue size of not more than RMB2.7 billion (inclusive).

## SECTION 5 SIGNIFICANT EVENTS

The Company received the Notice of the CSRC on Terminating Review of Administrative License Application ([2019] No.102) (《中國證監會行政許可申請中止審查通知書》([2019] 102號) on 26 April 2019, pursuant to which the CSRC has decided to terminate the review process of application for administrative permission for the Company's convertible bonds. The termination of this convertible bond issuance of the Company will not have any material and adverse impact on the normal operation and sustainable and stable development of the Company, or prejudice the interests of the shareholders of the Company as a whole, especially the minority shareholders.

For details of the aforementioned, please refer to the relevant announcements disclosed by the Company on SSE on 23 May 2017 and 1 May 2019 respectively (Announcement No.: 2017-040 and 2019-032) and the announcements disclosed on the HKEXnews website of the Hong Kong Stock Exchange on 22 May 2017 and 30 April 2019 respectively.

### XI. EXPLANATION ON OTHER IMPORTANT MATTERS

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

On 11 June 2019, the Company convened the 2018 Annual General Meeting, the 2019 First Class Meeting for Holders of A Shares and the 2019 First Class Meeting for Holders of H Shares to consider and approve the relevant resolutions on the plan of the non-public issuance of A shares. In order to supplement the capital and working capital to expand the business scale, optimize the business structure, enhance the Company's market competitiveness and risk resistance, the Company intended to non-publicly issue no more than 773,814,000 (inclusive) new A shares to no more than ten specific investors under special mandate with par value of RMB1.00 per share and the proceeds not exceeding RMB5.5 billion (inclusive) (the "Non-public Issuance").

The final number of the A shares to be issued under the Non-public Issuance shall be determined by the Board and its authorized persons, under the authorization granted by the shareholders' general meeting of the Company, through negotiation with the sponsor (the lead underwriter) based on the maximum number and issue price approved by the CSRC.

The final target subscribers under the Non-public Issuance shall be determined based on the principle of price priority by the Board and its authorized persons, under the authorization granted by the shareholders' general meeting of the Company, with the sponsor (the lead underwriter) according to the subscription quotation of the target subscribers in compliance with relevant regulations, upon obtaining of the approval of the CSRC on the Non-public Issuance.

The pricing benchmark date of the Non-public Issuance shall be the first day of the issuance period of the Non-public Issuance. The issue price shall not be lower than any of (i) 90% of the average trading price of the A shares of the Company for the 20 trading days preceding the pricing benchmark date (exclusive); and (ii) the net asset per share as shown in the latest audited annual accounts before the Non-public Issuance. The final issue price under the Non-public Issuance shall be determined according to the principle of price priority by the Board and its authorized persons, under the authorization granted by the shareholders' general meeting of the Company, with the sponsor (the lead underwriter) according to the subscription quotation of the target subscribers in compliance with relevant regulations, upon obtaining of the approval of the CSRC on the Non-public Issuance. If the issue price and pricing principles are otherwise provided by regulatory authorities, such provisions shall be followed.

## SECTION 5 SIGNIFICANT EVENTS

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

Please refer to the Company's announcements dated 18 April 2019 and 11 June 2019 respectively, and the Company's circular dated 21 May 2019 for further details.

### **(II) 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. 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.

### **(III) 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.

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

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

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

### **(VI) Subsequent material events**

From the end of the Reporting Period to the date of this Report, there were no subsequent events that have a significant impact on the Group. For details of other subsequent events related to the Group, please refer to Note 52 to the consolidated financial statements of this Report.

# SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

## I. CHANGES IN SHARE CAPITAL

During the Reporting Period, there were no changes in the total number of shares and share capital of the Company.

## II. SHAREHOLDERS

### (I) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period 126,683 (of which 126,641 were holders of A shares and 42 were registered holders of H shares)

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

Unit: Share

#### Shareholdings of the top ten shareholders

Name of shareholders (Full name)	Changes during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Shares pledged or frozen Status	Number of shares	Nature of shareholders
HKSCC Nominees Limited	2,000	1,195,151,900	30.89		None		Overseas legal person
Henan Investment Group Co., Ltd.		822,983,847	21.27	822,983,847	None		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)	-43,980,727	564,019,273	14.58		None		Others
Anyang Iron & Steel Group Co., Ltd.		177,514,015	4.59		Pledged	42,287,900	State-owned legal person
China Pingmei Shenma Energy & Chemical Group Co., Ltd.		75,046,245	1.94		None		State-owned legal person
Anyang Economic Development Group Co., Ltd.		48,824,693	1.26		Pledged	24,412,346	State-owned legal person
National Council for Social Security Fund (Transfer Account No.1)	-22,020,825	47,979,175	1.24	47,979,175	None		Others
Jiangsu SOHO Holdings Group Co., Ltd.		27,073,089	0.70		None		State-owned legal person
Guangzhou Liby Investment Co., Ltd.		20,000,000	0.52		None		Domestic non state-owned legal person
Henan Shenhua Group Co., Ltd.		17,749,930	0.46		Pledged	17,749,900	State-owned legal person

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

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

Name of shareholders	Number of tradable shares not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	1,195,151,900	Overseas-listed foreign shares	1,195,151,900
Bohai Industrial Investment Fund Management Co., Ltd. (holds the equity interest in the Company on behalf of the Bohai Industrial Investment Fund)	564,019,273	RMB-denominated ordinary shares	564,019,273
Anyang Iron & Steel Group Co., Ltd.	177,514,015	RMB-denominated ordinary shares	177,514,015
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	75,046,245	RMB-denominated ordinary shares	75,046,245
Anyang Economic Development Group Co., Ltd.	48,824,693	RMB-denominated ordinary shares	48,824,693
Jiangsu SOHO Holdings Group Co., Ltd.	27,073,089	RMB-denominated ordinary shares	27,073,089
Guangzhou Liby Investment Co., Ltd.	20,000,000	RMB-denominated ordinary shares	20,000,000
Henan Shenhua Group Co., Ltd.	17,749,930	RMB-denominated ordinary shares	17,749,930
Henan Jinlong Industrial Co., Ltd.	16,000,000	RMB-denominated ordinary shares	16,000,000
Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd.	15,000,000	RMB-denominated ordinary shares	15,000,000

Explanation on related party or concert party relationship among the above shareholders

The Company is not aware of any related party relationship among the above-mentioned shareholders or whether they are parties acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》).

### Shareholdings of the top ten holders of tradable shares subject to trading moratorium and the lock-up conditions

Unit: Share

No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Listing and trading of shares subject to trading moratorium		Lock-up conditions
			Date eligible for listing and trading	Number of shares newly eligible 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)	47,979,175	3 January 2020	47,979,175	Not transferable within 36 months commencing from the listing date

Explanation on related party or concert party relationship among the above shareholders

The Company is not aware of any related party relationship among the above-mentioned shareholders or whether they are parties acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》).

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

### (III) Interests and short positions of Directors, Supervisors and senior management in the shares, underlying shares and the 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 chief executive of the Company have the following (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Divisions 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register to be kept 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/ lending pool
Jian Mingjun	H share	Beneficial owner	750,000	0.019	0.063	Long position
		Beneficiary of a trust	539,754	0.014	0.045	Long position

Save 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 to entitle such right to the Directors, Supervisors or their respective spouse or children under the age of 18 in any other body corporate.



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

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

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

Name of shareholder	Class of shares	Nature of interest	Number of shares held (shares)	Percentage of the Company's total issued shares (%)	Percentage of the Company's total issued A shares/H shares (%)	Long position/ short position/ lending pool
Henan Investment Group Co., Ltd.	A share	Beneficial owner	822,983,847	21.271	30.781	Long position
	H share	Beneficial owner/Interest of corporation controlled by the substantial shareholder	69,338,000 <sup>Note 1</sup>	1.792	5.801	Long position
Bohai Industrial Investment Fund	A share	Beneficial owner	564,019,273 <sup>Note 2</sup>	14.578	21.095	Long position
Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of the Bohai Industrial Investment Fund)	A share	Investment manager	564,019,273 <sup>Note 2</sup>	14.578	21.095	Long position
Anyang Iron & Steel Group Co., Ltd.	A share	Beneficial owner	177,514,015	4.588	6.639	Long position
Citigroup Inc.	H share	Person having a security interest/Interest of	105,186,228 <sup>Note 3</sup>	2.719	8.800	Long position
		corporation controlled by the substantial shareholder/approved	35,932,950 <sup>Note 3</sup>	0.929	3.006	Short position
		lending agent	27,826,228 <sup>Note 3</sup>	0.719	2.328	Lending pool
ICBC International Asset Management Limited	H share	Investment manager	79,782,000	2.062	6.674	Long position

#### Notes:

- As known to the Directors, as at 30 June 2019, Henan Investment Group (through Stock Connect's Southbound trading) directly held a long position in 22,605,000 H Shares of the Company, and through its indirect wholly-owned subsidiary, Dahe Paper (Hong Kong) Co., Limited, indirectly held a long position in 46,733,000 H shares of the Company.
- As known to the Directors, as at 30 June 2019, Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of the Bohai Industrial Investment Fund) held a long position in 564,019,273 A shares of the Company in the capacity of investment manager.
- Citigroup Inc., through a series of its controlled corporations, indirectly held a long position in 105,186,228 H shares of the Company, of which 27,826,228 shares were held in the capacity of approved lending agent, and a short position in 35,932,950 H shares of the Company.

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

## SECTION 7 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position	Change
Zhao Huiwen	Vice President	Appointed
Hua Jinzhong	Vice President	Appointed
Xie Xuezhu	Vice President	Removed
Han Junyang	Employee Representative Supervisor	Resigned
Zhang Huamin	Employee Representative Supervisor	Elected

On 9 January 2019, the third meeting of the sixth session of the Board of the Company considered and approved the Resolution on the Appointment of Senior Management, and approved Ms. Zhao Huiwen's appointment as the Company's vice president until the expiry of the term of office of the current session of the Board.

On 25 February 2019, the fifth meeting of the sixth session of the Board of the Company considered and approved the Resolution on the Appointment and Removal of Vice President, and approved Mr. Hua Jinzhong's appointment as the Company's vice president and Mr. Hua Jinzhong continued to act as the Company's chief compliance officer until the expiry of the term of office of the current session of the Board. At the same time, Ms. Xie Xuezhu was removed as the vice president.

On 22 April 2019, the Supervisory Committee received the written letter of resignation from Mr. Han Junyang, an employee representative supervisor of the Company. Due to work change, Mr. Han Junyang submitted the resignation as an employee representative supervisor of the sixth session of the Supervisory Committee of the Company. On 23 April 2019, Mr. Zhang Huamin was elected as the employee representative supervisor for the sixth session of the Supervisory Committee. On 3 June 2019, Mr. Zhang Huamin obtained the qualifications of supervisors and officially performed his duties until the expiry of the term of office of the current session of the Supervisory Committee, and the resignation of Mr. Han Junyang came into effect.

For details of the above, please refer to the relevant announcements of the Company disclosed on SSE on 10 January 2019, 26 February 2019, 24 April 2019 and 5 June 2019 respectively (Announcement No.: 2019-001, 2019-011, 2019-028 and 2019-039) and announcements disclosed on the HKEXnews website of the Hong Kong Stock Exchange on 23 April 2019 and 4 June 2019 respectively.

# SECTION 8 INFORMATION ON CORPORATE BONDS ISSUED BY THE COMPANY

## I. BASIC INFORMATION OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
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
2019 Corporate Bonds Publicly Issued to Qualified Investors (Tranche 1) of Central China Securities Co., Ltd.	19 Central China 01	155259	2019/3/25	2022/3/26	20	3.9	Simple annualised interest rate	SSE
2019 Non-publicly-issued Corporate Bonds (Tranche 1) of Central China Securities Co., Ltd.	19 Central China F1	151407	2019/4/15	2020/4/16	15	3.8	Simple annualised interest rate	SSE

### Interest Payment and Due Repayment of Corporate Bonds

During the Reporting Period, the interest of "18 Central China 01" was paid in full as scheduled. "17 Central China 01", "17 Central China 02", "19 Central China 01" and "19 Central China F1" have not reached the maturity date and interest payment date and there are no due repayment and interest payment.

## SECTION 8 INFORMATION ON CORPORATE BONDS ISSUED BY THE COMPANY

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

For “17 Central China 01”, “17 Central China 02” and “18 Central China 01” subordinated bonds, the use of proceeds agreed in the 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 “19 Central China 01” is to repay due debts, to adjust and optimize debt structures and to reduce financial risks; such proceeds are otherwise used to replenish working capital and to satisfy the business operational needs of the Company. After deducting issuance expenses, the Company strictly complied with the use of proceeds agreed in the prospectus. All proceeds were applied to repay principal and pay interest of due interest-bearing debts, with no remaining amount recorded as of the end of the Reporting Period. Agreed use of proceeds set out in the prospectus of “19 Central China F1” is to repay principal and pay interest of due interest-bearing debts. The Company strictly complied with the use of proceeds agreed in the prospectus. All proceeds were applied to repay principal and pay interest of due interest-bearing debts, with no remaining amount recorded as of the end of the Reporting Period.

### III. 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	At the end of	Changes at	Reason for change
	the Reporting	last year	the end of	
	Period		the Reporting	
			Period	
			compared	
			with the end	
			of last year	
			(%)	
Current ratio	1.71	1.53	11.76	
Quick ratio	1.71	1.53	11.76	
Gearing ratio (%)	67.77	68.32	-0.81	
Loan repayment ratio (%)	100.00	100.00	0.00	

Major indexes	The Reporting	The	Changes of	Reason for change
	Period	corresponding	the Reporting	
	(January —	period of last	Period	
	June)	year	compared	
			with the	
			corresponding	
			period of last	
			year (%)	
EBITDA interest coverage ratio	1.88	1.48	27.03	Primarily due to the increase of total profit
Interest payment ratio (%)	100.00	100.00	0.00	

## SECTION 8 INFORMATION ON CORPORATE BONDS ISSUED BY THE COMPANY

### IV. 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 were settled in full as scheduled according to contractual terms or relevant agreements and there was no default recorded.

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

As of the end of the Reporting Period, the Company obtained total banking facilities amounting to RMB23 billion, in which RMB5.5 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 principal repayment and interest payment.

### VI. 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. There was no breach of the agreements and commitments made in the prospectus.

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

During the Reporting Period, 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 54 to 129, which comprises the interim condensed consolidated statement of financial position of Central China Securities Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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". 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, 27 August 2019

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# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
<b>Revenue</b>			
– Commission and fee income	5	587,081	463,522
– Interest income	6	547,138	711,403
– Net investment gains	7	500,228	160,697
Other operating income	8	1,634,447 220,880	1,335,622 146,725
<b>Total revenue and other income</b>		<b>1,855,327</b>	1,482,347
Commission and fee expenses	9	(105,440)	(91,936)
Interest expenses	10	(486,823)	(524,970)
Staff costs	11	(444,416)	(313,657)
Depreciation and amortization		(60,555)	(36,114)
Other operating expenses	12	(344,918)	(255,062)
Impairment losses	13	(84,278)	(63,469)
<b>Total expenses</b>		<b>(1,526,430)</b>	(1,285,208)
<b>Operating profit</b>		<b>328,897</b>	197,139
Share of profit of associates		25,255	14,012
<b>Profit before income tax</b>		<b>354,152</b>	211,151
Income tax expense	14	(73,283)	(53,867)
<b>Profit for the period</b>		<b>280,869</b>	157,284
Attributable to:			
Equity holders of the Company		239,927	145,734
Non-controlling interests		40,942	11,550
		<b>280,869</b>	157,284
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
– Basic and diluted	15	0.06	0.04

The notes on pages 63 to 129 form an integral part of this interim financial information.

# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

	Note	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
<b>Profit for the period</b>		<b>280,869</b>	157,284
<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		<b>1,808</b>	(113)
– Income tax effect on changes in fair value		<b>(452)</b>	28
Foreign currency translation differences		<b>5,343</b>	7,525
<b>Other comprehensive income for the period, net of tax</b>		<b>6,699</b>	7,440
<b>Total comprehensive income for the period</b>		<b>287,568</b>	164,724
Total comprehensive income attributable to:			
– Equity holders of the Company		<b>243,848</b>	149,261
– Non-controlling interests		<b>43,720</b>	15,463
		<b>287,568</b>	164,724

The notes on pages 63 to 129 form an integral part of this interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

	Note	30 June 2019 (Unaudited)	31 December 2018 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	16	207,107	229,038
Right-of-use assets	17	147,020	
Investment properties		17,697	18,105
Goodwill		22,100	22,042
Land use rights and intangible assets		150,325	158,630
Investment in associates	18	1,049,219	939,294
Financial assets at fair value through other comprehensive income	19	1,373,008	471,936
Financial assets at fair value through profit or loss	20	1,613,777	1,095,561
Financial assets at amortized costs	21	17,967	5,089
Financial assets held under resale agreements	22	286,363	378,822
Loans and advances to customers	23	223,489	275,904
Deferred income tax assets	24	261,616	251,316
Refundable deposits	25	349,329	282,711
Other non-current assets		21,484	25,759
<b>Total non-current assets</b>		<b>5,740,501</b>	<b>4,154,207</b>
<b>Current assets</b>			
Margin accounts receivable	26	5,678,585	4,720,498
Financial assets at fair value through other comprehensive income	19	182,257	253,692
Financial assets at fair value through profit or loss	20	13,880,078	12,836,196
Financial assets at amortized cost	21	968,904	688,805
Financial assets held under resale agreements	22	5,291,032	8,537,746
Loans and advances to customers	23	1,028,048	967,819
Derivative financial assets	27	56,922	62,986
Clearing settlement funds	28	1,865,849	2,340,353
Cash held for brokerage clients	29	7,708,573	4,654,821
Cash and bank balances	30	2,347,164	2,606,941
Other current assets	31	557,313	321,865
<b>Total</b>		<b>39,564,725</b>	<b>37,991,722</b>
Assets classified as held for sale	32	27,210	9,353
<b>Total current assets</b>		<b>39,591,935</b>	<b>38,001,075</b>
<b>Total assets</b>		<b>45,332,436</b>	<b>42,155,282</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

	Note	30 June 2019 (Unaudited)	31 December 2018 (Audited)
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	33	3,869,071	3,869,071
Reserves	34	5,847,594	5,843,673
Retained earnings		478,082	238,155
<b>Equity attributable to equity holders of the Company</b>		<b>10,194,747</b>	9,950,899
Non-controlling interests		1,353,254	1,324,141
<b>Total equity</b>		<b>11,548,001</b>	11,275,040
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial assets sold under repurchase agreements	35	600,000	1,502,926
Bank loans	37	355,338	–
Bonds payable	36	6,139,688	4,097,519
Lease liabilities	38	37,552	–
Deferred income tax liabilities	24	13,871	3,461
<b>Total non-current liabilities</b>		<b>7,146,449</b>	5,603,906
<b>Current liabilities</b>			
Financial assets sold under repurchase agreements	35	10,049,415	8,668,864
Bonds payable	36	1,511,712	4,136,652
Bank loans	37	1,682,089	1,874,987
Lease liabilities	38	102,492	–
Financial liabilities at fair value through profit or loss	39	1,061,642	380,028
Tax payable	40	50,560	59,563
Short-term notes payable	41	801,555	537,577
Due to other financial institutions	42	1,006,094	2,241,402
Derivative financial liabilities		86	–
Accounts payable to brokerage clients	43	9,497,236	6,561,060
Other current liabilities	44	875,105	816,203
<b>Total current liabilities</b>		<b>26,637,986</b>	25,276,336
<b>Total liabilities</b>		<b>33,784,435</b>	30,880,242
<b>Total equity and liabilities</b>		<b>45,332,436</b>	42,155,282

The notes on pages 63 to 129 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 2019 (All amounts in RMB'000 unless otherwise stated)

	(Unaudited)										
	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 2019</b>	3,869,071	3,735,376	759,912	692,069	606,803	4,048	20,490	24,975	238,155	1,324,141	11,275,040
Net profit for the period	-	-	-	-	-	-	-	-	239,927	40,942	280,869
Other comprehensive income for the period	-	-	-	-	-	1,356	-	2,565	-	2,778	6,699
<b>Total comprehensive income for the period</b>	-	-	-	-	-	1,356	-	2,565	239,927	43,720	287,568
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(14,607)	(14,607)
<b>Balance at 30 June 2019</b>	3,869,071	3,735,376	759,912	692,069	606,803	5,404	20,490	27,540	478,082	1,353,254	11,548,001

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

	(Unaudited)										
	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 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)
Reclassification	-	-	-	-	-	20,107	-	-	(20,107)	-	-
<b>As at 1 January 2018</b>	3,923,735	3,814,111	759,912	666,843	606,803	696	20,501	5,368	371,701	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	611	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 2019 (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 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)
Reclassification	-	-	-	-	-	20,107	-	-	(20,107)	-	-
<b>As at 1 January 2018</b>	3,923,735	3,814,111	759,912	666,843	606,803	696	20,501	5,368	371,701	1,281,680	11,451,350
Net profit for the year	-	-	-	-	-	-	-	-	65,789	30,069	95,858
Other comprehensive income for the year	-	-	-	-	-	3,352	-	19,607	-	21,240	44,199
<b>Total comprehensive income for the year</b>	-	-	-	-	-	3,352	-	19,607	65,789	51,309	140,057
Capital injected by equity holders	-	-	-	-	-	-	-	-	-	18,670	18,670
Stock repurchase (Note 1)	(54,664)	(78,735)	-	-	-	-	-	-	-	-	133,399
Appropriation to general reserve	-	-	-	25,226	-	-	-	-	(25,226)	-	-
Dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(27,518)	(27,518)
Cash dividend recognized as distribution	-	-	-	-	-	-	-	-	(174,109)	-	(174,109)
Others	-	-	-	-	-	-	(11)	-	-	-	(11)
<b>Balance at 31 December 2018</b>	3,869,071	3,735,376	759,912	692,069	606,803	4,048	20,490	24,975	238,155	1,324,141	11,275,040

The notes on pages 63 to 129 form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from operating activities</b>		
<b>Profit before income tax</b>	<b>354,152</b>	211,151
Adjustments for:		
Depreciation and amortization	60,555	36,114
Impairment losses	84,278	63,469
Net losses on disposal of property and equipment	21	28
Foreign exchange gains	115	(3,095)
Interest income from financial assets at fair value through other comprehensive income	(24,228)	(5,511)
Net gains from disposal of associates	(11)	(261)
Investment gains from the associates	(25,255)	(14,012)
Net losses from disposal of financial assets at fair value through other comprehensive income	(2,065)	–
Interest expenses of short-term notes	12,000	21,268
Interest expenses of bonds	203,527	210,709
Interest expenses of bank loans	21,289	36,171
Changes in fair value of financial instruments at fair value through profit or loss	(87,778)	39,495
	<b>596,600</b>	595,526
<b>Net decrease/(increase) in operating assets:</b>		
Net (increase)/decrease in margin accounts receivable	(948,277)	1,063,660
Net increase in financial assets at fair value through profit or loss	(1,545,946)	(2,279,150)
Net decrease/(increase) in financial assets held under resale agreements	3,246,362	(4,702,511)
Net increase in refundable deposits	(66,618)	(75,285)
Net increase in cash held for brokerage clients	(3,053,752)	(108,768)
Net decrease in clearing settlement funds	444,628	51,468
Net increase in loans and advances to customers	(9,676)	(57,660)
Net increase in other assets	(291,087)	(176,209)
<b>Net increase/(decrease) in operating liabilities:</b>		
Net increase in financial assets sold under repurchase agreements	472,629	3,690,403
Net (decrease)/increase in due to other financial institutions	(1,230,617)	1,200,000
Net increase in accounts payable to brokerage clients	2,936,177	521,863
Net increase in financial liabilities at fair value through profit or loss	679,682	309,104
Net decrease in other liabilities	(165,355)	(532,264)
Income tax paid	(82,177)	(104,043)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>982,573</b>	(603,866)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from investing activities</b>		
Dividends and interest income received from financial assets at fair value through other comprehensive income	24,228	5,511
Net cash flows from purchase and disposal of property and equipment, intangible assets and other long-term assets	(30,554)	(16,226)
Net cash flows from purchase and disposal of associates	(84,670)	(172,109)
Net increase in financial assets at amortized cost	(43,730)	(76,720)
Net cash flows from purchase and disposal of financial assets at fair value through other comprehensive income	(807,936)	32,687
Other cash flows from investing activities	36,602	19,176
<b>Net cash outflow from investing activities</b>	<b>(906,060)</b>	<b>(207,681)</b>
<b>Cash flows from financing activities</b>		
Cash received from issuance of short-term notes	2,613,476	986,052
Cash received from issuance of bonds	3,500,000	1,500,000
Cash received from bank loans	1,557,700	–
Repayment of short-term notes	(2,351,386)	(2,173,965)
Cash repayment of bank loans	(1,393,536)	(134,920)
Cash paid for redemption of bonds	(4,000,000)	–
Payments of interest on debts	(317,698)	(269,237)
Dividends paid	(14,607)	(162,936)
Repurchase of stocks	–	(133,398)
<b>Net cash outflow from financing activities</b>	<b>(406,051)</b>	<b>(388,404)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(329,538)</b>	<b>(1,199,951)</b>
Cash and cash equivalents at the beginning of the year	2,682,779	2,999,091
Effect of exchange rate changes on cash and cash equivalents	(115)	3,095
<b>Cash and cash equivalents at the end of the period (Note 45)</b>	<b>2,353,126</b>	<b>1,802,235</b>

The notes on pages 63 to 129 form an integral part of this interim financial information.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (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. 91410000744078476K 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 2019, 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, futures brokerages and margin financing), investment banking business (equity financing, financial advisory and bond financing), investment management business (asset management, private equity investment fund management business and alternative investment business), proprietary trading business, overseas business, and other business at headquarters (stock pledged repurchase and securities repurchase transactions, the new OTC market making business, micro-credit, innovation business, regional equity market, 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 598,100,000 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 RMB3,223.73 million.

The Company completed its initial public offering of domestic-listed shares ("A shares") on the Shanghai Stock Exchange in 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 ordinary shares of H share from the secondary 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 27 August 2019.



# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim financial information for the six months ended 30 June 2019 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 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The financial information relating to the year ended 31 December 2018 that is included in the interim financial information for the six months ended 30 June 2019 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 27 March 2019.

### 2.2 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 2018.

Standards and amendments effective in 2019 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.

IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 16	Leases
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	The Annual Improvements to IFRSs 2015–2017 Cycle
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Employee Benefits Regarding Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures

The new accounting policies of IFRS 16 and their impacts are disclosed in Note 3 Changes in accounting policies. 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.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

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

### 2.2 Principal accounting policies (continued)

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

		<i>Effective for annual periods beginning on or after</i>
(1)	Amendments to IAS 1 and IAS 8	The Definition of Material 1 January 2020
(2)	Amendments to IFRS 3	The Definition of A Business 1 January 2020
(3)	IFRS 17	Insurance Contracts 1 January 2022
(4)	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. Early application of the amendments continues to be permitted.

Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2018. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

### 2.3 Taxation

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

#### 2.3.1 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%.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

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

### 2.3 Taxation (continued)

#### 2.3.2 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), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No. 46), the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No. 70) 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 the "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No. 140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No. 2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018.

**2.3.3** Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

**2.3.4** Urban maintenance and construction taxes are charged at 1%, 5% or 7% of turnover taxes payable. Educational surcharges and local educational surcharges are charged at 3% and 2% of turnover taxes payable, respectively.

## 3 CHANGES IN ACCOUNTING POLICIES

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.27% for leasing period between one year and five years and 5.56% for leases longer than five years.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases. The right-of-use assets and lease liabilities were not recognized.

The Group anticipates that the adoption of the expedients will not have a significant impact on the Group's consolidated financial statements.

	<b>1 January 2019</b>
Operating lease commitments disclosed as at 31 December 2018	147,320
Less: short-term leases recognised on a straight-line basis as expense	(8,427)
<hr/>	
Subtotal	138,893
Less: taxes	(6,614)
<hr/>	
Total	132,279
<hr/>	
<b>As at 1 January 2019, the date of initial application, lease liability discounted using the lessee's incremental borrowing rate</b>	<b>126,594</b>
Of which are	
Current lease liabilities	43,615
Non-current lease liabilities	82,979

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	<b>1 January 2019</b>
Properties	158,369

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 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 2018.

## 5 COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Securities brokerage	359,703	284,896
Asset management and fund management	48,042	55,227
Futures brokerage	42,275	51,113
Investment advisory	38,419	31,329
Financial advisory	36,758	23,402
Underwriting and sponsorship	53,600	12,475
Listing service	8,284	5,080
Total	587,081	463,522

## 6 INTEREST INCOME

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Financial assets held under resale agreements	129,200	304,236
Margin financing and securities lending	188,901	230,146
Bank deposits	109,276	91,230
Loans and advances to customers	58,898	66,592
Financial assets at fair value through other comprehensive income	24,228	–
Financial assets at amortized costs	36,635	19,200
Total	547,138	711,403

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 7 NET INVESTMENT GAINS

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Dividends and interest income from financial assets at fair value through other comprehensive income	–	5,511
Dividends and interest income from financial assets at fair value through profit or loss	341,902	264,915
Net gains/(losses) from financial assets at fair value through profit or loss	168,534	(111,544)
Net losses from financial liabilities at fair value through profit or loss	(3,792)	(5,126)
Net (losses)/gains from derivative financial instruments	(8,492)	6,680
Others	2,076	261
Total	500,228	160,697

## 8 OTHER OPERATING INCOME

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Income from bulk commodity trading	208,399	115,273
Government grants	4,281	14,591
Rental income	1,238	1,439
Others	6,962	15,422
Total	220,880	146,725

## 9 COMMISSION AND FEE EXPENSES

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Securities brokerage	80,385	63,694
Futures brokerage	20,956	23,727
Asset and fund management	3,783	546
Financial advisory	196	2,669
Underwriting and sponsorship	120	1,300
Total	105,440	91,936

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 10 INTEREST EXPENSES

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Corporate bonds	203,527	210,709
Financial assets sold under repurchase agreements	160,022	197,135
Due to other financial institutions	70,152	44,310
Bank loans	21,289	36,171
Short-term notes payable	12,000	21,268
Accounts payable to brokerage clients	15,417	14,138
Others	4,416	1,239
<b>Total</b>	<b>486,823</b>	<b>524,970</b>

## 11 STAFF COSTS

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Salaries and bonus	336,008	205,380
Pension	47,215	53,124
Other social security benefits	39,421	40,857
Labor union funds and employee education funds	14,065	8,387
Other welfare	7,707	5,909
<b>Total</b>	<b>444,416</b>	<b>313,657</b>

## 12 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Cost of bulk commodity trading	207,764	113,868
Rental expenses	17,788	32,279
Securities investors protection fund	12,741	15,602
Electronic device operating costs	12,489	10,725
Consulting fees	9,387	9,197
Communication costs	9,093	7,764
Travel expenses	7,880	6,823
Tax and surcharges	7,795	7,362
Exchange annual fees	6,126	4,869
Auditor's remuneration	6,025	4,630
– Audit services	5,803	4,543
– Non-audit services	222	87
Business entertainment expenses	5,690	7,112
Incidental fees	3,476	5,244
Others	38,664	29,587
<b>Total</b>	<b>344,918</b>	<b>255,062</b>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 13 IMPAIRMENT LOSSES

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Financial assets held under resale agreements	77,841	38,296
Loans and advances to customers	(1,052)	5,923
Margin accounts receivable	(1,027)	12,041
Other current assets	1,214	5,490
Others	7,302	1,719
Total	84,278	63,469

## 14 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Current		
– Mainland China	71,494	62,710
– Hong Kong	1,524	4,182
Deferred		
– Mainland China	(7,700)	(5,771)
– Hong Kong	7,965	(7,254)
Total	73,283	53,867

## 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	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to shareholders of the Company	239,927	145,734
Weighted average number of ordinary shares in issue	3,869,071	3,914,674
Basic and diluted earnings per share (in RMB yuan)	0.06	0.04

For the six months ended 30 June 2019 and 2018, 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

For the six months ended 30 June 2019 (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 2019	182,059	25,575	329,993	11,975	549,602
Additions	–	568	4,998	8,288	13,854
Transfer to assets classified as held for sale	(23,780)	–	–	–	(23,780)
Disposals	–	(306)	(1,119)	–	(1,425)
Exchange difference	–	4	5	–	9
30 June 2019	158,279	25,841	333,877	20,263	538,260
<b>Accumulated depreciation</b>					
1 January 2019	(54,475)	(18,957)	(247,132)	–	(320,564)
Additions	(2,072)	(874)	(13,999)	–	(16,945)
Transfer to assets classified as held for sale	5,377	–	–	–	5,377
Disposals	–	291	700	–	991
Exchange difference	–	(4)	(8)	–	(12)
30 June 2019	(51,170)	(19,544)	(260,439)	–	(331,153)
<b>Carrying amount</b>					
30 June 2019	107,109	6,297	73,438	20,263	207,107

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 16 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings	Motor vehicles	Electronics and other equipment	Construction in progress	Total
(Audited)					
<b>Cost</b>					
1 January 2018	176,889	25,931	329,925	7,542	540,287
Additions	–	415	19,741	4,433	24,589
Transfer from investment properties	5,170	–	–	–	5,170
Disposals	–	(834)	(19,696)	–	(20,530)
Exchange difference	–	63	23	–	86
31 December 2018	182,059	25,575	329,993	11,975	549,602
<b>Accumulated depreciation</b>					
1 January 2018	(47,311)	(18,224)	(236,545)	–	(302,080)
Additions	(4,647)	(1,323)	(28,401)	–	(34,371)
Transfer from investment properties	(2,517)	–	–	–	(2,517)
Disposals	–	608	17,843	–	18,451
Exchange difference	–	(18)	(29)	–	(47)
31 December 2018	(54,475)	(18,957)	(247,132)	–	(320,564)
<b>Carrying amount</b>					
31 December 2018	127,584	6,618	82,861	11,975	229,038

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 17 RIGHT-OF-USE ASSETS

The Group leases assets are buildings. Information about leases for which the Group is a lessee is presented below.

	<b>Six months ended 30 June 2019 (Unaudited)</b>
Balance at 31 December 2018	–
Impact on initial application of IFRS 16	152,963
Balance at 1 January 2019	152,963
Additions	17,833
Depreciation for the period	(23,776)
	<hr/>
Balance at 30 June 2019	147,020

## 18 INVESTMENT IN ASSOCIATES

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

	<b>Six months ended 30 June 2019 (Unaudited)</b>	Year ended 31 December 2018 (Audited)
Balance at beginning of the period/year	<b>939,294</b>	492,860
Capital contribution	<b>87,059</b>	492,159
Disposal	<b>(2,389)</b>	(39,097)
Impairment loss	–	(28,714)
Share of results	<b>25,255</b>	22,086
	<hr/>	
Balance at end of the period/year	<b>1,049,219</b>	939,294

The capital contribution and disposal of investment in associates are mainly composed of those invested by Central China Blue Ocean Investment Management Co., Ltd., Zhongding Kaiyuan Venture Capital Management Co., Ltd. and Henan Zhongyuan Kechuang Venture Capital Investment Fund (limited partnership).

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

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

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
<b>Non-current</b>		
Debt securities	<b>1,373,008</b>	471,936
Analyzed into:		
Listed outside Hong Kong	<b>1,373,008</b>	471,936
Analyzed into:		
Cost	<b>1,367,498</b>	468,130
Change of fair value	<b>5,510</b>	3,806
<b>Total</b>	<b>1,373,008</b>	471,936
<b>Current</b>		
Debt securities	<b>182,257</b>	253,692
Analyzed into:		
Listed outside Hong Kong	<b>182,257</b>	253,692
Analyzed into:		
Cost	<b>181,913</b>	253,450
Change of fair value	<b>344</b>	242
<b>Total</b>	<b>182,257</b>	253,692

As at 30 June 2019, 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 35) were RMB604.42 million (31 December 2018: RMB308.08 million). Impairment of RMB0.26 million has been provided in respect of the financial assets at fair value through other comprehensive income held by the Group (31 December 2018: RMB0.26 million).

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

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

	<b>30 June 2019 (Unaudited)</b>	30 December 2018 (Audited)
<b>Non-current</b>		
Equity investments for unlisted companies	<b>712,720</b>	667,073
Debt securities	<b>459,499</b>	20,000
Trust scheme products	<b>100,233</b>	100,233
Fund investments	<b>316,687</b>	90,902
Asset management schemes	<b>24,638</b>	217,353
<b>Total</b>	<b>1,613,777</b>	1,095,561
Analyzed into:		
Listed outside Hong Kong	<b>308,956</b>	–
Listed in Hong Kong	<b>138,789</b>	–
Unlisted	<b>1,166,032</b>	1,095,561
<b>Total</b>	<b>1,613,777</b>	1,095,561
<b>Current</b>		
Debt securities	<b>11,633,250</b>	8,822,289
Fund investments	<b>1,284,916</b>	2,487,450
Equity securities	<b>451,803</b>	1,091,910
Wealth management products	<b>300,207</b>	303,816
Asset management schemes	<b>169,922</b>	81,231
Trust scheme products	<b>39,980</b>	49,500
<b>Total</b>	<b>13,880,078</b>	12,836,196
Analyzed into:		
Listed outside Hong Kong	<b>11,596,497</b>	9,360,332
Listed in Hong Kong	<b>1,386</b>	104,434
Unlisted	<b>2,282,195</b>	3,371,430
<b>Total</b>	<b>13,880,078</b>	12,836,196

As at 30 June 2019, the fair value of financial assets at fair value through profit or loss pledged as collateral for repurchase agreements (Note 35) and securities borrowing business by the Group were RMB4,290.47 million and RMB946.23 million respectively (31 December 2018: RMB4,928.16 million and RMB240.34 million respectively).

As at 30 June 2019, financial assets at fair value through profit or loss of the Group included securities lent to clients amounted to RMB5.71million (31 December 2018: RMB1.98 million).

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 21 FINANCIAL ASSETS AT AMORTIZED COSTS

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
<b>Non-current</b>		
Trust schemes	<b>18,000</b>	5,098
Less: impairment allowance	<b>(33)</b>	(9)
<b>Total</b>	<b>17,967</b>	5,089
Analyzed into:		
Unlisted	<b>17,967</b>	5,089
<b>Current</b>		
Trust schemes	<b>470,714</b>	371,415
Debt instruments	<b>275,132</b>	335,358
Others <sup>(1)</sup>	<b>244,388</b>	–
Less: impairment allowance	<b>(21,330)</b>	(17,968)
<b>Total</b>	<b>968,904</b>	688,805
Analyzed into:		
Unlisted	<b>968,904</b>	688,805

(1) Others include receivable from Fujian Minxing Pharmaceutical Co., Ltd., please refer to Note 44.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

### Non-current assets

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Analyzed by collateral:		
– Equity securities	<b>286,571</b>	379,170
Less: Impairment allowance	<b>(208)</b>	(348)
Total	<b>286,363</b>	378,822

### Current assets

Analyzed by asset type:		
– Debt securities	<b>3,238,919</b>	5,895,784
– Equity securities	<b>2,355,815</b>	2,867,683
Less: Impairment allowance	<b>(303,702)</b>	(225,721)
Total	<b>5,291,032</b>	8,537,746

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 2019, the fair value of securities of the Group which have been placed as collateral were RMB1,558.14 million (31 December 2018: RMB2,921.74 million) (Note 35).

The guarantee ratio of five agreements with stock collateral of RMB788.00 million were below one and overdue, the guarantee ratio of two agreement with stock collateral of RMB305.01 million were below mandatory liquidation line and overdue, the guarantee ratio of one agreement with stock collateral of RMB100.59 million was over mandatory liquidation line but overdue. The directors of the Company, taking into consideration of the value of collateral, concluded that provision of RMB303.91 million was recognized as of 30 June 2019 (31 December 2018: RMB226.07 million).

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 23 LOANS AND ADVANCES TO CUSTOMERS

### Non-current assets

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Micro-loans	<b>225,131</b>	278,135
Entrusted loans	<b>7,688</b>	8,371
Less: Impairment allowance	<b>(9,330)</b>	(10,602)
Total	<b>223,489</b>	275,904

### Current assets

Micro-loans	<b>1,054,965</b>	994,516
Entrusted loans	<b>27,000</b>	27,000
Less: Impairment allowance	<b>(53,917)</b>	(53,697)
Total	<b>1,028,048</b>	967,819

Entrusted loans represent the Group's lending to third parties via domestic commercial banks in Mainland China, with interest rates of 10% per annum. The interest rates of loan business carried out by Henan Zhongyuan Micro-lending Co., Ltd. ("HZMC") mainly range from 7% to 17% per annum.



# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 24 DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	Provision for asset impairment	Employee benefits payable	Changes in fair value of financial instruments	Accrual and others	Total
(Audited)					
<b>As at 1 January 2018</b>	46,315	74,151	25,062	15,757	161,285
Income statement charge	47,789	(10,411)	48,354	151	85,883
Tax charge relating to components of other comprehensive income	4,074	–	–	–	4,074
Exchange difference	–	–	–	74	74
<b>As at 31 December 2018</b>	98,178	63,740	73,416	15,982	251,316

	Provision for asset impairment	Employee benefits payable	Changes in fair value of financial instruments	Others	Total
(Unaudited)					
<b>As at 1 January 2019</b>	98,178	63,740	73,416	15,982	251,316
Income statement charge	33,390	9,536	(31,323)	(1,380)	10,223
Tax charge relating to components of other comprehensive income	–	–	–	–	–
Exchange difference	–	–	–	77	77
<b>As at 30 June 2019</b>	131,568	73,276	42,093	14,679	261,616

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

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

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

	Changes in fair value of financial instruments	Others	Total
(Audited)			
<b>As at 1 January 2018</b>	(8,373)	(1,987)	(10,360)
Income statement charge	5,604	1,987	7,591
Tax charge relating to components of other comprehensive income	(646)	(46)	(692)
<b>As at 31 December 2018</b>	<b>(3,415)</b>	<b>(46)</b>	<b>(3,461)</b>

	Changes in fair value of financial instruments	Others	Total
(Unaudited)			
<b>As at 1 January 2019</b>	(3,415)	(46)	(3,461)
Income statement charge	(9,911)	(47)	(9,958)
Tax charge relating to components of other comprehensive income	(452)	–	(452)
<b>As at 30 June 2019</b>	<b>(13,778)</b>	<b>(93)</b>	<b>(13,871)</b>

## 25 REFUNDABLE DEPOSITS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	30,520	23,371
– Shenzhen Stock Exchange	20,814	20,037
– Hong Kong Stock Exchange	2,041	2,031
– National Equities Exchange and Quotations	911	880
Deposits to Futures and Commodities Exchanges		
– China Financial Futures Exchange	12,793	34,712
– Shanghai Futures Exchange	66,807	54,788
– Zhengzhou Commodities Exchange	78,884	82,938
– Dalian Commodities Exchange	49,194	45,900
– Shanghai International Energy Exchange Center	359	2,001
Deposits to China Securities Finance Corporation Limited	87,006	16,053
<b>Total</b>	<b>349,329</b>	<b>282,711</b>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 26 MARGIN ACCOUNT RECEIVABLE

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Margin accounts receivable		
– Individuals	<b>5,378,769</b>	4,428,457
– Institutions	<b>379,532</b>	372,334
Subtotal	<b>5,758,301</b>	4,800,791
Less: Impairment allowance	<b>(79,716)</b>	(80,293)
Total	<b>5,678,585</b>	4,720,498

As at 30 June 2019, two margin accounts receivables were credit-impaired, with amount of RMB66.96 million. (31 December 2018: RMB85.43 million).

As at 30 June 2019, the Group received collateral with fair value amounted to RMB15,078.61 million (31 December 2018: RMB13,540.89 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 national debt futures contracts and the commodity futures contracts, commodity options and equity derivative. The Group settles its future gains or losses on position on a daily basis, with the corresponding receipts and payments as at 30 June 2019 and 31 December 2018 included in “clearing settlement funds”.

	<b>30 June 2019 (Unaudited)</b>			31 December 2018 (Audited)		
	Contractual value	Fair value		Contractual value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Stock index futures	<b>47,826</b>	–	–	108,279	–	–
National debt futures	<b>185,620</b>	–	–	–	–	–
Commodity futures	<b>69,026</b>	–	–	33,563	–	–
Commodity options	<b>780</b>	–	<b>86</b>	–	–	–
Equity derivative	<b>358,284</b>	<b>56,922</b>	–	435,465	62,986	–
	<b>661,536</b>	<b>56,922</b>	<b>86</b>	577,307	62,986	–

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 28 CLEARING SETTLEMENT FUNDS

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Clearing settlement funds held for clients	<b>1,819,887</b>	2,264,515
Proprietary clearing settlement funds	<b>45,962</b>	75,838
Total	<b>1,865,849</b>	2,340,353

## 29 CASH HELD FOR BROKERAGE CLIENTS

The Group maintains separate bank accounts with banks for clients' monies arising from the normal course of business. The Group records these monies as cash held for brokerage clients under current assets, and recognize them as due to clients given that they are held liable for any loss or miss-appropriation of these monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC regulations.

## 30 CASH AND BANK BALANCES

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Cash on hand	<b>209</b>	266
Deposits in banks <sup>(1)</sup>	<b>2,346,955</b>	2,606,675
Total	<b>2,347,164</b>	2,606,941

(1) Including RMB 40.00 million restricted deposits, which pledged to Zhongyuan bank, in order to borrow money from Zhongyuan Bank.

## 31 OTHER CURRENT ASSETS

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Interest receivable	<b>5,043</b>	4,409
Accounts receivable	<b>228,803</b>	103,448
Other receivables	<b>128,309</b>	94,659
Indemnity receivables	<b>90,596</b>	92,422
Others	<b>144,404</b>	63,745
Less: Impairment allowance	<b>(39,842)</b>	(36,818)
Total	<b>557,313</b>	321,865

As at 30 June 2019, the other current assets included RMB90.60 million (31 December 2018: 92.42 million) due from certain shareholders and senior management of Central China International Financial Group Limited arising from their indemnity of an investment loss incurred by the Group. Such indemnity arrangement has been resolved during the meetings of board of directors as well as shareholders of Central China International Financial Group Limited. The Group is of the opinion that there is no significant credit risks related to the receivable.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 32 ASSETS CLASSIFIED AS HELD FOR SALE

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Investment in associates <sup>(1)</sup>	<b>8,806</b>	9,119
Investment properties	–	234
Property and equipment <sup>(2)</sup>	<b>18,404</b>	–
<b>Total</b>	<b>27,210</b>	9,353

(1) It mainly related to investment in 8.50%. Taiping Fund Management Co., Ltd. which has been presented as held for sale as at 30 June 2019 and 31 December 2018. The Board of Directors of the Company made a disposal decision of Taiping Fund Management Co., Ltd. in September 2017.

(2) As at 30 June, 2019, RMB18.40 million property and equipment has been transferred from buildings to assets classified as held for sale (note 16).

## 33 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 2019 (Unaudited)</b>	31 December 2018 (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>	1,195,365
<b>Total</b>	<b>3,869,071</b>	3,869,071
Share Capital		
– Domestic shares	<b>2,673,706</b>	2,673,706
– H shares	<b>1,195,365</b>	1,195,365
<b>Total</b>	<b>3,869,071</b>	3,869,071

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 34 RESERVES

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Capital reserve <sup>(1)</sup>	<b>3,735,376</b>	3,735,376
Other reserves	<b>20,490</b>	20,490
Statutory surplus reserve <sup>(2)</sup>	<b>611,556</b>	611,556
Discretionary surplus reserve <sup>(2)</sup>	<b>148,356</b>	148,356
General reserve <sup>(2)</sup>	<b>692,069</b>	692,069
Transaction risk reserve <sup>(2)</sup>	<b>606,803</b>	606,803
Revaluation reserve <sup>(3)</sup>	<b>5,404</b>	4,048
Foreign currency translation reserve <sup>(4)</sup>	<b>27,540</b>	24,975
Total	<b>5,847,594</b>	5,843,673

### (1) Capital reserve

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

### (2) Surplus reserve, general reserve and transaction risk reserve

Pursuant to the PRC Company Law, the Company's Articles of Association and resolutions of the Board, the Company is required to appropriate 10% of its profit net of the previous years' losses to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalization.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering potential securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

According to the Board of Directors resolution in 2013 and approval of the 2013 Extraordinary General Meeting of Shareholders, 5% of the annual net profit will be appropriated to discretionary surplus reserve, and 11% of its annual net profit will be appropriated to the general risk reserve, as long as the Company has outstanding bonds payable.

Pursuant to the relevant regulatory requirements, the Company's subsidiaries are required to appropriate certain amount of their net profit as general reserve.

### (3) Revaluation reserve

The investment revaluation reserve represents the fair value changes of financial assets at fair value through other comprehensive income.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 34 RESERVES (CONTINUED)

### (4) Foreign currency translation reserve

The foreign currency translation reserve represents the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China with functional currencies other than RMB.

## 35 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

### Non-current liabilities

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Analysed by asset type:		
– Margin accounts receivable	<b>600,000</b>	1,502,926
Analysed by transaction type:		
– Pledged	<b>600,000</b>	1,502,926
Analysed by counterparty:		
– Bank	–	500,000
– Non-bank financial institutions	<b>600,000</b>	1,002,926
<b>Total</b>	<b>600,000</b>	1,502,926

### Current liabilities

Analysed by asset type:		
– Debt securities	<b>9,647,594</b>	8,668,864
– Margin accounts receivable	<b>401,821</b>	–
<b>Total</b>	<b>10,049,415</b>	8,668,864
Analysed by transaction type:		
– Pledged	<b>9,396,784</b>	6,836,429
– Sold	<b>652,631</b>	1,832,435
<b>Total</b>	<b>10,049,415</b>	8,668,864
Analysed by counterparty:		
– Bank	<b>9,239,530</b>	7,778,864
– Non-bank financial institutions	<b>809,885</b>	890,000
<b>Total</b>	<b>10,049,415</b>	8,668,864

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 36 BONDS PAYABLE

### Non-current liabilities

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Subordinated bonds	<b>4,120,947</b>	4,097,519
Corporate bond	<b>2,018,741</b>	–
Total	<b>6,139,688</b>	4,097,519

### Current liabilities

Subordinated bonds	–	2,573,068
Corporate bond	<b>1,511,712</b>	1,563,584
Total	<b>1,511,712</b>	4,136,652

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

On 26 March 2019, the Group issued RMB2.00 billion three-year Corporate bonds at par value, paying annual interest at 3.90%.

On 16 April 2019, the Group issued RMB1.50 billion one-year Corporate bonds at par value, paying annual interest at 3.80%.



# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 37 BANK LOANS

### Non-current liabilities

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Unsecured loans	<b>355,338</b>	–

### Current liabilities

Unsecured loans	<b>782,875</b>	1,208,427
Guaranteed loans	<b>519,578</b>	565,206
Pledged loans	<b>379,636</b>	101,354
<b>Total</b>	<b>1,682,089</b>	1,874,987

As at 30 June 2019, the interest rates on the long-term borrowing of the Company were in the range of 4.00% to 5.70%, the short-term borrowings of the Company were in the range of 2.60% to 7.83% (31 December 2018: short-term 2.44% to 6.53%).

## 38 LEASE LIABILITIES

### Non-current liabilities

	<b>30 June 2019 (Unaudited)</b>	31 December 2019 (Audited)
Lease Liabilities	<b>102,492</b>	–

### Current liabilities

Lease Liabilities	<b>37,552</b>	–
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The Group leases a number of properties and buildings as business departments and branches. The lease liabilities are measured based on the net present value of lease payments that have not been paid during the lease term. For the six months ended 30 June 2019, the total cash outflow of leases was RMB0.24 million.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

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

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Debt securities selling <sup>(1)</sup>	<b>689,178</b>	–
Non-controlling interests in consolidated structured entities <sup>(2)</sup>	<b>372,464</b>	380,028
Total	<b>1,061,642</b>	380,028

(1) The Company sells securities to other financial institutions to engage in margin financing business.

(2) 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.

## 40 TAX PAYABLE

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Corporate income tax	<b>39,029</b>	48,948
Individual income tax withheld	<b>3,276</b>	3,378
Value added tax	<b>6,757</b>	5,735
Others	<b>1,498</b>	1,502
Total	<b>50,560</b>	59,563

## 41 SHORT-TERM NOTES PAYABLE

### Current liabilities

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Beneficiary certificates	<b>801,555</b>	537,577

As at 30 June 2019, the annual interest rates on the short-term notes payable are in the range of 3.10% to 7.80% (31 December 2018: 3.40% to 7.00%).

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 42 DUE TO OTHER FINANCIAL INSTITUTIONS

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Refinancing business	<b>505,853</b>	500,298
Credit borrowing business	<b>500,241</b>	1,741,104
	<b>1,006,094</b>	2,241,402

As at 30 June 2019, RMB500 million of the balance represented placements from China Securities Finance Corporation Limited (“CSF”), bearing the interest rate at 4.30% per annum. RMB500 million of the balance represented placements from Huaxia Bank, bearing interest rates at 2.48% per annum.

## 43 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 2019, cash collateral received from clients for margin financing and securities lending arrangements amounted to RMB932.17 million (31 December 2018: RMB750.75 million), and are included in the Group’s accounts payable to brokerage clients.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 44 OTHER CURRENT LIABILITIES

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Other payables <sup>(1)</sup>	<b>399,392</b>	105,029
Salaries, bonus, allowances and benefits	<b>337,219</b>	337,210
Accounts payable	<b>92,787</b>	323,196
Interest payable	<b>421</b>	2,081
Others	<b>45,286</b>	48,687
Total	<b>875,105</b>	816,203

- (1) Including RMB244 million due to investors. As at 30 June 2019, two asset management plans managed by the Company, "Union 17" and "Zhong Jing 1", became overdue as their underlying borrower, Fujian Minxing Pharmaceutical Co., Ltd. (hereinafter referred to as "Minxing Pharmaceutical") became unable to repay principal and interest on schedule. The Company believes that the financing documents provided by Minxing Pharmaceutical are considered to be falsified, and the Company have reported to the Public Security Bureau. On 30 June 2019, the Group consolidated "Union 17" and "Zhong Jing 1", and accounted for the assets corresponding to the rights held by the original investors of the asset management plans with total amount of RMB244 million as financial assets measured at amortized cost (Note 21), and recorded the amount of RMB244 million to be paid to the original investors in other payables. The investigation of case is still actively underway. It is currently expected that the value of the recoverable assets can cover the book value of the assets held by the asset management plans, and accordingly, does not expect impairment.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 45 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 2019 (Unaudited)</b>	31 December 2018 (Audited)
Cash on hand	<b>209</b>	266
Deposits in banks	<b>2,346,955</b>	2,606,675
Proprietary clearing settlement funds	<b>45,962</b>	75,838
Less: Restricted deposits in banks	<b>(40,000)</b>	–
Total	<b>2,353,126</b>	2,682,779

## 46 UNCONSOLIDATED STRUCTURED ENTITIES

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

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, targeted and special asset management schemes and limited partnership managed by the Group amounted to RMB12,559 million and RMB11,613 million as at 30 June 2019 and 31 December 2018 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 2019 and 31 December 2018, the maximum exposure of relevant balance sheet items of the Group arising from these unconsolidated structured entities, were set out as below:

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Financial assets at fair value through profit or loss	<b>1,283,079</b>	2,488,573
Financial assets at amortized costs	<b>529,018</b>	375,000
Other current assets	<b>361,216</b>	325,135
Total	<b>2,173,313</b>	3,188,708

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 46 UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

For the six months ended 30 June 2019, the income derived from these unconsolidated structured entities held by the Group was as follows:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Net investment gains	36,943	(1,265)
Fee and commission income	42,669	38,885
Total	79,612	37,620

As at 30 June 2019 and 31 December 2018, the Group did not provide, nor intend to provide, any financial support to these unconsolidated structured entities.

## 47 COMMITMENTS AND CONTINGENT LIABILITIES

### 47.1 Capital commitments

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Contracted but not provided for	43,381	50,482

### 47.2 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:

	31 December 2018 (Audited)
Within 1 year	40,783
1 to 3 years	50,109
Over 3 years	56,428
Total	147,320

### 47.3 Non-compliance with regulations and legal proceedings

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

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.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 48 RELATED PARTY TRANSACTIONS

### 48.1 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 or common control by the same party, the Group and the entity are related parties. Related parties can be individuals or legal entities.

The immediate parent entity of the company is Henan Investment Group Limited. The registered place is Zhengzhou, Henan, with a holding ratio of 21.27%.

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

The following table lists the Group's significant related legal entities as at 30 June 2019:

<b>Enterprise</b>	<b>The relationship with the Group</b>
Henan Investment Group	The controlling shareholder of the Company
Bohai Industrial Investment Fund Management Co., Ltd. (representing Bohai Industrial Investment Fund)	Major shareholder holding over 5% shares of the Company
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	The associate invested by the subsidiary of the Company
Zhongyuan Trust Co., Ltd.	Controlled by the controlling shareholder of the Company
Henan Asset Management Company	Controlled by the controlling shareholder of the Company

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 48 RELATED PARTY TRANSACTIONS (CONTINUED)

### 48.2 Related party transactions and balances

#### 48.2.1 Controlling shareholder and enterprise controlled by the controlling shareholder of the Company

##### Transactions during the period

		Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Henan Investment Group	Commission and fee income	–	64
Henan Asset Management Co., Ltd.	Commission and fee income	7	–
Zhongyuan Trust Co., Ltd.	Commission and fee income	1,003	4,007
Zhongyuan Trust Co., Ltd.	Interest income	16,153	20,175

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

		30 June 2019 (Unaudited)	31 December 2018 (Audited)
Zhongyuan Trust Co., Ltd.	Financial assets measured at amortized cost	377,000	443,000

#### 48.2.2 The associate invested by the subsidiary of the Company

##### Transactions during the period

		Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	Interest income	2,502	2,640

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

		30 June 2019 (Unaudited)	31 December 2018 (Audited)
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	Loans and advances to customers	45,000	45,000

The above related party transactions are conducted in accordance with the principle of fair market value.



# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 48 RELATED PARTY TRANSACTIONS (CONTINUED)

### 48.2 Related party transactions and balances (continued)

#### 48.2.3 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	
	2019 (Unaudited)	2018 (Unaudited)
Key management compensation	6,108	8,960

#### 48.2.4 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.

## 49 SEGMENT INFORMATION

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

- (a) Brokerage business: securities trading and brokering services; futures trading and brokering and futures information advisory and training services, Margin trading and securities lending
- (b) Investment banking: corporate finance and financial advisory services to institutional clients;
- (c) Proprietary trading: trading in financial products;
- (d) Investments and asset management: alternative investments and funds related businesses, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (e) Overseas business: the overseas operations segment mainly represents the business operation of overseas subsidiaries of the Company, which mainly engage in brokerage, margin financing, trading and investment and financial planning and advisory services;
- (f) Other businesses: primarily the treasury function from the headquarter and Micro-credit operation.

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 its business in Henan Province, the PRC.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 49 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2019 (Unaudited)							
	Brokerage business	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total
<b>Total revenue and other income</b>								
Commission and fee income	437,964	75,276	-	32,456	28,928	12,950	(493)	587,081
Interest income	189,922	-	89,488	14,064	34,754	222,315	(3,405)	547,138
Net investment gains/(losses) and share of profits and losses of associates	10,883	-	400,505	78,701	61,276	(4,678)	(21,204)	525,483
Other gains/(loss)	215,418	-	4,515	78	180	1,332	(643)	220,880
Total expenses	(673,489)	(84,395)	(322,317)	(29,103)	(80,517)	(341,484)	4,875	(1,526,430)
<b>Profit before income tax</b>	<b>180,698</b>	<b>(9,119)</b>	<b>172,191</b>	<b>96,196</b>	<b>44,621</b>	<b>(109,565)</b>	<b>(20,870)</b>	<b>354,152</b>
<b>Total assets</b>	<b>12,376,746</b>	<b>50,332</b>	<b>11,304,766</b>	<b>4,224,099</b>	<b>3,202,179</b>	<b>19,580,417</b>	<b>(5,406,103)</b>	<b>45,332,436</b>
<b>Total liabilities</b>	<b>11,405,100</b>	<b>59,451</b>	<b>11,082,637</b>	<b>736,962</b>	<b>1,986,287</b>	<b>8,979,980</b>	<b>(465,982)</b>	<b>33,784,435</b>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 49 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2018 (Unaudited)							
	Brokerage business	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total
<b>Total revenue and other income</b>								
Commission and fee income	348,834	27,537	-	40,526	40,089	6,843	(307)	463,522
Interest income	223,954	-	169,123	17,885	27,806	272,635	-	711,403
Net investment gains/(losses) and share of profits and losses of associates	(2,074)	-	151,331	76,352	(9,857)	(26,599)	(14,444)	174,709
Other gains/(loss)	121,188	400	13,110	941	9,446	2,304	(664)	146,725
Total expenses	(558,681)	(57,065)	(279,959)	(30,434)	(89,386)	(270,629)	946	(1,285,208)
<b>Profit before income tax</b>	133,221	(29,128)	53,605	105,270	(21,902)	(15,446)	(14,469)	211,151
<b>Total assets</b>	10,148,978	8,093	11,394,597	3,933,340	2,948,677	22,315,806	(4,885,749)	45,863,742
<b>Total liabilities</b>	9,050,260	37,222	11,288,159	444,726	2,049,047	11,739,602	(65,014)	34,544,002

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT

### 50.1 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 Department, 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.

#### 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.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.1 Overview (continued)

#### **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.

The main duties of the Legal Affairs Department: Under the leadership of the company's board of directors and the board of supervisors, assisting the company's management to establish a legal management system and legal risk prevention mechanism, participating in the company's significant economic activities, providing legal advice for major business decisions, and being responsible for company's contract management, litigation and arbitration. Managing asset preservation works. Being responsible for the selection, management, and evaluation of corporate legal counsel and other legal service intermediaries, providing legal support and consulting services for the company's operation and management, and the business development of various departments and branches. Organizing legal education and training, organizing and implementing the work of preventing illegal fund-raising, and guiding and coordinating the legal risk prevention works of the organization.

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.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.1 Overview (continued)

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

The fourth level of risk control is the front-line 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.

### 50.2 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 at fair value through other comprehensive income, financial assets held under resale agreements, financial assets at amortized costs, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited ("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.

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.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

Control of credit risk from securities financing business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the accounting standards of IFRS 9.

#### Expected credit loss measurement

From the commencement date of IFRS 9 on 1 January 2018, the measurement of the expected credit loss allowance for debt instruments of financial assets measured at amortized cost and FVOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of clients (such as the likelihood of customers defaulting and the resulting losses).

The Group has applied a 'three-stage' impairment model for expected credit losses ("ECL") 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 ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

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

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

The measurement of ECL adopted by management according to IFRS 9, involves judgements, assumptions and estimations.

- Selection of the appropriate models and assumptions;
- Determination of the criteria for SICR;
- Establishment of the number and relative weightings of forward-looking scenarios for each type of product;

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### Expected credit loss measurement (continued)

##### *Measuring ECL – inputs, assumptions and estimation techniques*

The ECL are measured on either a 12-month (12M) or Lifetime basis depending on whether SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

ECL are the discounted product of PD having considered the forward-looking impact, EAD, and LGD.

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For margin loan financing, the Company determines the PD by borrower, based on factors including the coverage ratio of margin loans to underlying collateral value and, the volatility of such collateral's valuation. For debt securities investments, the external credit rating and related PD are taken into consideration.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. For margin loan financing, the Company determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and the type of securities.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

##### *The criteria of Significant increase in credit risk (SICR)*

The Company evaluates the financial instruments at each financial statement date after considering whether SICR has occurred since initial recognition. An ECL allowance for financial assets is recognized according to the stage of ECL, which reflects the reasonable information and evidence available about the SICR and is also forward-looking. The Company considers a financial instrument to have experienced SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

The Company considers margin financing to have experienced a significant increase in credit risk if margin calls were triggered by a decrease of the ratio of margin loan to collateral below liquidation line. As at 30 June 2019, more than 90% of the margin financing business of the Company has been rated as investment grade or above which did not experience any significant increase in credit risk.

A financial instrument is considered to have experienced a significant increase in credit risk if the borrower or the debtor is past due on its contractual payments.

The Company has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements (debt instruments) for the period ended 30 June 2019.



# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### Expected credit loss measurement (continued)

##### *Definition of credit-impaired assets*

The Company considers whether a financial instrument is credit-impaired according to IFRS 9 based on criteria, which is consistent with the internal credit risk management practice. The consideration includes quantitative criteria and qualitative criteria. The Company defines a financial instrument as credit-impaired, which is fully aligned with the definition of in default, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For margin financing and stock pledge repurchase agreements, a forced liquidation of a client's position triggered when the collateral valuation falling short of the related loan amounts;
- The latest external ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor is in significant financial difficulty;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the debtor's financial difficulty;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructure.

When a financial asset is considered to be credit-impaired, it may be from multiple events, not due to a separately identifiable event.

##### *Forward-looking information*

The assessment of SICR and the calculation of ECL incorporate forward-looking information.

The Company has analyzed historical data and identified the economic variable impacting credit risk and ECL for each financial instrument portfolio. The economic variable includes macro-economic coincident index, which ranges from 90 to 105 in optimistic scenario, base case scenario and pessimistic scenario. The impact of the economic variable on the PD has been determined by performing historical statistical regression analysis to forecast the expected changes in the variable on default rates.

In addition to the base economic scenario, the Company's Expert Team also identifies other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 30 June 2019, for all portfolios the Company concluded that three scenarios appropriately captured non-linearities of economic variable. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### Expected credit loss measurement (continued)

##### *Forward-looking information* (continued)

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. The 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.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes.

##### *Sensitivity analysis*

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variable in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments impact the assessment of SICR and the measurement of ECL.

##### *Collateral and other credit enhancements*

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### Expected credit loss measurement (continued)

#### Credit risk exposure analysis

The clients' margin loan financing assets were considered by Management to be in good condition, and the coverage ratio of margin loan to underlying collateral value was over liquidation line for more than 90% of margin financing and financial assets held under resale agreements (debt instruments) of the Company as at 30 June 2019. High thresholds of margin loans to collateral ratios indicates that probability of default was low. For debt securities investments, the Company employed open market credit ratings.

#### (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 2019 (Unaudited)</b>	31 December 2018 (Audited)
Refundable deposits	<b>349,329</b>	282,711
Other current assets	<b>433,602</b>	267,306
Loans and advances to customers	<b>1,251,537</b>	1,243,723
Margin accounts receivable	<b>5,678,585</b>	4,720,498
Financial assets held under resale agreements	<b>5,577,395</b>	8,916,568
Financial assets at fair value through other comprehensive income	<b>1,555,265</b>	725,628
Financial assets at amortized costs	<b>986,871</b>	693,894
Financial assets at fair value through profit or loss	<b>12,310,471</b>	9,173,095
Derivative financial assets	<b>56,922</b>	62,986
Clearing settlement funds	<b>1,865,849</b>	2,340,353
Cash held for brokerage clients	<b>7,708,573</b>	4,654,494
Bank balances	<b>2,346,955</b>	2,606,675
Total	<b>40,121,354</b>	35,687,931

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### (2) Credit quality:

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
Stage 1		
– Loans and advances to customers	<b>1,180,096</b>	1,172,256
– Margin accounts receivable	<b>5,691,340</b>	4,715,365
– Financial assets at fair value through other comprehensive income	<b>1,555,265</b>	725,628
– Financial assets at amortized costs	<b>576,207</b>	629,071
– Financial assets held under resale agreements	<b>4,677,166</b>	7,782,529
Subtotal	<b>13,680,074</b>	15,024,849
Less: allowances for impairment losses	<b>(28,346)</b>	(33,932)
Subtotal	<b>13,651,728</b>	14,990,917
Stage 2		
– Financial assets at amortized costs	<b>103,038</b>	51,000
– Financial assets held under resale agreements	–	267,100
Subtotal	<b>103,038</b>	318,100
Less: allowances for impairment losses	<b>(1,265)</b>	(8,169)
Subtotal	<b>101,773</b>	309,931
Stage 3		
– Loans and advances to customers	<b>134,688</b>	135,766
– Margin accounts receivable	<b>66,961</b>	85,426
– Financial assets held under resale agreements	<b>1,204,139</b>	1,093,008
– Financial assets at amortized costs	<b>328,988</b>	31,800
Subtotal	<b>1,734,766</b>	1,346,000
Less: allowances for impairment losses	<b>(438,625)</b>	(346,797)
Subtotal	<b>1,296,151</b>	999,203
Total	<b>15,049,652</b>	16,300,051

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

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

	30 June 2019		31 December 2018	
	Gross loan balance (Unaudited)	Percentage	Gross loan balance (Audited)	Percentage (Audited)
Loans and advances to customers				
– Culture, sports and entertainment	259,148	20%	367,000	28%
– Manufacturing	383,592	28%	365,200	28%
– Leasing and business services	170,452	13%	174,330	13%
– Agriculture, forestry, farming, fishing	195,520	15%	151,453	11%
– Real estate	191,292	15%	125,000	10%
– Wholesale and retail trade	53,144	4%	91,500	7%
– Personal loans	38,983	3%	–	0%
– Others	22,653	2%	33,539	3%
<b>Total</b>	<b>1,314,784</b>	<b>100%</b>	<b>1,308,022</b>	<b>100%</b>

All loans and advances to customers are located in the Henan Province.

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

	30 June 2019		31 December 2018	
	Gross loan balance (Unaudited)	Percentage	Gross loan balance (Audited)	Percentage (Audited)
Loans and advances to customers				
– Loans secured by monetary assets	94,638	7%	93,000	7%
– Guaranteed loans	1,189,942	92%	1,185,022	92%
– Loans secured by tangible assets other than monetary assets	30,204	2%	30,000	1%
<b>Total</b>	<b>1,314,784</b>	<b>100%</b>	<b>1,308,022</b>	<b>100%</b>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### (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 2019 (Unaudited)</b>			
Loans and advances to customers			
– Guaranteed loans	–	60,571	68,741
– Loans secured by tangible assets other than monetary assets	–	21,253	–
As a percentage of loans and advances to customers	–	6%	5%
	Within 3 months	3 months to 1 year	1 year to 3 years
<b>31 December 2018 (Audited)</b>			
Loans and advances to customers			
– Guaranteed loans	7,000	100,395	8,371
– Loans secured by tangible assets other than monetary assets	5,000	15,000	–
As a percentage of loans and advances to customers	0.92%	8.82%	0.64%

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### (6) Financial assets held under resale agreements-ECL

(Unaudited)	Six months ended 30 June 2019			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2019	5,320	3,069	217,680	226,069
Increase	–	–	80,721	80,721
Decrease	(2,880)	–	–	(2,880)
Write-off	–	–	–	–
Transfers to stage 1	265	(265)	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	(2,804)	2,804	–
30 June 2019	2,705	–	301,205	303,910

(Audited)	For year ended 31 December 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2018	16,067	–	185	16,252
Increase	–	1,754	209,019	210,773
Decrease	(772)	–	(184)	(956)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	(1,315)	1,315	–	–
Transfers to stage 3	(8,660)	–	8,660	–
31 December 2018	5,320	3,069	217,680	226,069

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### (7) Loans and advances to customers-ECL

(Unaudited)	Six months ended 30 June 2019			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2019	12,814	–	51,485	64,299
Increase	–	–	–	–
Decrease	(369)	–	(683)	(1,052)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	–	–	–
30 June 2019	12,445	–	50,802	63,247

(Audited)	For year ended 31 December 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2018	13,179	–	8,336	21,515
Increase	1,332	–	41,418	42,750
Decrease	–	–	(402)	(402)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	(1,697)	–	1,697	–
Foreign exchange and other movements	–	–	436	436
31 December 2018	12,814	–	51,485	64,299



# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### (8) Financial assets at amortized costs-ECL

(Unaudited)	Six months ended 30 June 2019			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2019	1,322	5,100	11,555	17,977
Increase	–	1,265	3,000	4,265
Decrease	(879)	–	–	(879)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	(5,100)	5,100	–
Foreign exchange and other movements	–	–	–	–
30 June 2019	443	1,265	19,655	21,363

(Audited)	For year ended 31 December 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2018	2,478	–	–	2,478
Increase	42	4,939	11,495	16,476
Decrease	(1,009)	–	–	(1,009)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	(161)	161	–	–
Transfers to stage 3	(60)	–	60	–
Foreign exchange and other movements	32	–	–	32
31 December 2018	1,322	5,100	11,555	17,977

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### (9) Financial assets at fair value through other comprehensive income-ECL

(Unaudited)	Six months ended 30 June 2019			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2019	260	–	–	260
Increase	3	–	–	3
Decrease	–	–	–	–
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	–	–	–
30 June 2019	263	–	–	263

(Audited)	For year ended 31 December 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2018	129	–	–	129
Increase	131	–	–	131
Decrease	–	–	–	–
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	–	–	–
31 December 2018	260	–	–	260

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.2 Credit risk (continued)

#### (10) Margin accounts receivable-ECL

(Unaudited)	Six months ended 30 June 2019			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2019	14,216	–	66,077	80,293
Increase	–	–	–	–
Decrease	(1,027)	–	–	(1,027)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	–	–	–
Foreign exchange and other movements	(436)	–	886	450
30 June 2019	12,753	–	66,963	79,716

(Audited)	For year ended 31 December 2018			
	Stage of assets			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
1 January 2018	14,457	–	51,117	65,574
Increase	3,416	–	14,771	18,187
Decrease	(3,669)	–	–	(3,669)
Write-off	–	–	–	–
Transfers to stage 1	–	–	–	–
Transfers to stage 2	–	–	–	–
Transfers to stage 3	–	–	–	–
Foreign exchange and other movements	12	–	189	201
31 December 2018	14,216	–	66,077	80,293

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.3 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.

#### 50.3.1 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.

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit before income tax		
Increases by 25 bps	2,612	14,748
Decreases by 25 bps	(2,612)	(14,748)

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Other comprehensive income before income tax		
Increases by 25 bps	173	161
Decreases by 25 bps	(173)	(161)

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.3 Market risk (continued)

#### 50.3.1 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.

#### 50.3.2 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.

The Group believes that the income from businesses conducted in foreign currencies represents an insignificant portion in the Group's income structure. The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2019 and 31 December 2018. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group in RMB equivalent, categorised by the original currencies.

	<b>30 June 2019 (Unaudited)</b>	31 December 2018 (Audited)
	<b>HKD in RMB equivalent</b>	HKD in RMB equivalent
Net on-balance sheet position	<b>1,459,252</b>	1,096,075

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.3 Market risk (continued)

#### 50.3.3 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 due to change in the prices of equity investments for unlisted companies, securities, trust scheme products, fund investments, 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.

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit before income tax		
Increase by 10%	229,769	425,678
Decrease by 10%	(229,769)	(425,678)

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.4 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 2019, the Group holds cash and cash equivalents of approximately RMB2,353 million that are expected to readily generate cash flows for managing liquidity risk (31 December 2018: RMB2,683 million). In addition, the Group holds part of financial assets at fair value through profit or loss of RMB1,493 million as at 30 June 2019, 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 RMB7,709 million, clients' clearing settlement funds of RMB1,866 million, which could be used to settle the Group's account payable to brokerage clients whenever needed (31 December 2018: RMB4,654 million and 2,340 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 2019 and 31 December 2018. 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.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.4 Liquidity risk (continued)

As at 30 June 2019	On demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	Undated	Total
(Unaudited)							
Short-term notes payable	-	272,532	400,717	128,306	-	-	801,555
Bonds payable	-	-	-	1,511,712	6,139,688	-	7,651,400
Financial assets sold under repurchase agreements	-	9,647,594	-	401,821	600,000	-	10,649,415
Due to other financial institutions	-	500,241	505,853	-	-	-	1,006,094
Accounts payable to brokerage clients	414,064	9,083,172	-	-	-	-	9,497,236
Bank loans	-	114,356	254,530	1,313,204	355,337	-	2,037,427
Financial liabilities at fair value through profit or loss	-	718,197	-	-	343,445	-	1,061,642
Other current liabilities	-	-	-	-	-	829,398	829,398
<b>Total</b>	<b>414,064</b>	<b>20,336,092</b>	<b>1,161,100</b>	<b>3,355,043</b>	<b>7,438,470</b>	<b>829,398</b>	<b>33,534,167</b>

As at 31 December 2018	On demand	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	Undated	Total
(Audited)							
Short-term notes payable	-	273,448	117,910	149,571	-	-	540,929
Bonds payable	-	-	-	4,413,850	4,299,550	-	8,713,400
Financial assets sold under repurchase agreements	-	8,673,266	-	-	1,633,091	-	10,306,357
Due to other financial institutions	-	1,741,275	-	510,869	-	-	2,252,144
Accounts payable to brokerage clients	727,800	5,819,162	-	-	-	-	6,546,962
Bank loans	-	227,737	452,054	1,233,717	-	-	1,913,508
Financial liabilities at fair value through profit or loss	-	34,741	-	-	345,287	-	380,028
Other current liabilities	-	-	-	-	-	779,157	779,157
<b>Total</b>	<b>727,800</b>	<b>16,769,629</b>	<b>569,964</b>	<b>6,308,007</b>	<b>6,277,928</b>	<b>779,157</b>	<b>31,432,485</b>



# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 50 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 50.5 Capital management

The Group's objectives of capital management are:

To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

To support the Group's stability and growth;

To maintain a strong capital base to support the development of their business; and

To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC and effective 1 October 2016, the Company is required to meet the following standards for risk control indicators on a continual basis:

The risk coverage ratio shall be no less than 100%;

The capital leverage ratio shall be no less than 8%;

The liquidity coverage ratio shall be no less than 100%;

The net stable funding ratio shall be no less than 100%;

Core net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

## 51 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.

### 51.1 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.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 51 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### 51.2 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).

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2019 and 31 December 2018.

<b>As at 30 June 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(Unaudited)				
Financial assets at fair value through profit or loss				
– Equity securities	<b>86,829</b>	<b>364,974</b>	–	<b>451,803</b>
– Debt securities	<b>3,119,595</b>	<b>8,248,908</b>	<b>724,246</b>	<b>12,092,749</b>
– Investment funds	<b>5,879</b>	<b>1,547,710</b>	<b>48,014</b>	<b>1,601,603</b>
– Asset management schemes	–	<b>147,281</b>	<b>47,279</b>	<b>194,560</b>
– Investment in unlisted companies	–	–	<b>712,720</b>	<b>712,720</b>
– Wealth management products	–	<b>300,207</b>	–	<b>300,207</b>
– Trust products	–	–	<b>140,213</b>	<b>140,213</b>
Financial assets at fair value through other comprehensive income				
– Debts securities	<b>1,555,265</b>	–	–	<b>1,555,265</b>
Derivative assets	–	–	<b>56,922</b>	<b>56,922</b>
<b>Total</b>	<b>4,767,568</b>	<b>10,609,080</b>	<b>1,729,394</b>	<b>17,106,042</b>
Financial liabilities as at fair value through profit or loss	<b>(689,178)</b>	–	<b>(372,464)</b>	<b>(1,061,642)</b>
Derivative financial liabilities	<b>(86)</b>	–	–	<b>(86)</b>
<b>Total</b>	<b>(689,264)</b>	–	<b>(372,464)</b>	<b>(1,061,728)</b>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 51 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### 51.2 Financial instruments measured at fair value (continued)

As at 31 December 2018	Level 1	Level 2	Level 3	Total
(Audited)				
Financial assets at fair value through profit or loss				
– Equity securities	707,022	384,889	–	1,091,911
– Debt securities	2,203,443	6,146,856	491,990	8,842,289
– Investment funds	22,557	2,507,716	48,078	2,578,351
– Asset management schemes	–	243,716	54,868	298,584
– Investment in unlisted companies	–	–	667,073	667,073
– Wealth management products	–	303,816	–	303,816
– others	–	–	149,733	149,733
Financial assets at fair value through other comprehensive income				
– Debts securities	401,979	323,649	–	725,628
Derivative assets	–	–	62,986	62,986
<b>Total</b>	<b>3,335,001</b>	<b>9,910,642</b>	<b>1,474,728</b>	<b>14,720,371</b>
Financial liabilities as at fair value through profit or loss	–	–	(380,028)	(380,028)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>(380,028)</b>	<b>(380,028)</b>

For the period ended 30 June 2019 and the year ended 31 December 2018, there were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy of the Group.

#### (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.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 51 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### 51.2 Financial instruments measured at fair value (continued)

#### (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 2019 and 31 December 2018, 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 offering, 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.

- (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.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 51 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### 51.2 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 period ended 30 June 2019 and for the year ended 31 December 2018.

	<b>Financial assets at fair value through profit or loss (Unaudited)</b>
Balance at 1 January 2019	<b>1,778,544</b>
Purchase	<b>251,177</b>
Settlement	<b>(357,249)</b>
<b>Balance at 30 June 2019</b>	<b>1,672,472</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>14,980</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>(142,395)</b>
	<b>Financial assets at fair value through profit or loss (Audited)</b>
Balance at 1 January 2018	1,326,664
Purchase	716,645
Settlement	(264,765)
<b>Balance at 31 December 2018</b>	<b>1,778,544</b>
Total gains or losses for the period included in profit or loss for assets held at the end of the year, under "Net investment gains"	49,808
Change in unrealized gains or losses for the year included in profit or loss for assets held at the end of the period	(70,799)

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 51 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### 51.2 Financial instruments measured at fair value (continued)

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

	Financial liabilities at fair value through profit or loss (Unaudited)
Balance at 1 January 2019	380,028
Consolidation of SEs	–
Settlement	(7,564)
<b>Balance at 30 June 2019</b>	<b>372,464</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”	(2,889)
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	(2,889)
	Financial liabilities at fair value through profit or loss (Audited)
Balance at 1 January 2018	361,418
Consolidation of SEs	60,694
Settlement	(42,084)
<b>Balance at 31 December 2018</b>	<b>380,028</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”	(2,549)
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	(2,549)

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 51 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### 51.2 Financial instruments measured at fair value (continued)

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

	Derivative assets (Unaudited)
Balance at 1 January 2019	62,986
Increase	–
Decrease	(5,238)
<b>Balance at 30 June 2019</b>	<b>56,922</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>(5,643)</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>(5,643)</b>
	Derivative assets (Audited)
Balance at 1 January 2018	59,938
Increase	3,048
<b>Balance at 31 December 2018</b>	<b>62,986</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”	803
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the period	803

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 51 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### 51.2 Financial instruments measured at fair value (continued)

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

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

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

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 51 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### 51.2 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>Using comparable company method by selecting 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>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019 (All amounts in RMB'000 unless otherwise stated)

## 52 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

### 52.1 Optimization and Adjustment of the Equity Structure of Hong Kong Subsidiaries

The Resolution to Optimize the Equity Structure of the Hong Kong Subsidiary was approved by the Board of Directors on 4 June 2019 in order to optimize the equity structure and streamline the organizational structure of Central China International Financial Holdings Co., Ltd. (hereinafter referred to as CCIFH), the Company's Hong Kong subsidiary, through purchasing the equity interests from external shareholders or asset disposition, and to simplify its organization structure.

On 4 July 2019, the Board of Directors approved the Resolution regarding the Equity Structure Optimization and Asset Transfers of Central China International Financial Group. The resolution decided to purchase the 52% equity interest held by external shareholders of Central China International Financial Group at the valuated price of HK\$847.08 million, and to transfer, at the valuated price of HK\$40.2 million and subject to approval by and filing with relevant state asset supervisory authorities, equity interests of CCIFH and its wholly-owned subsidiaries Central China Asset Management Co., Ltd. and Central China Finance Holdings Co., Ltd. After these equity restructuring and asset transfers, the Company will hold 100% equity interest in its subsidiary CCIFH, and through CCIFH, wholly owns Central China International Securities Co., Ltd., Central China International Futures Co., Ltd., Central China International Financing Co., Ltd., and Central China International Investment Co., Ltd.

As at this report date, the transfer of the 52% equity interest of the external shareholders of Central China International Financial Group Co., Ltd. has been completed, and the transfer of the shares of Central China Finance Holdings Co., Ltd. and its two wholly-owned subsidiaries has not yet been completed subject to the regulatory approval.

### 52.2 Payment of asset management plan

As at this report date, CC Micro-Lending has made a series of payments for a total of RMB155 million for the beneficiary rights under the asset management plans. The judgment remains the same that the value of future recoverable assets is expected to be able to fully cover the book value of the assets held under the asset management plans.

### 52.3 Interim dividend

On 27 August 2019, the Board of Directors of the Company proposed the 2019 interim dividend of RMB0.20 per ten shares (inclusive of tax), amounting to RMB77,381,414 in total. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting.

## 53 Comparative Figures

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.



## SECTION 10 DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

Interim report published in other securities markets.

Other relevant materials.

## SECTION 11 INFORMATION DISCLOSURE OF SECURITIES COMPANY

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

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

<b>Newly established operation branches</b>	<b>Relocation of operation branch</b>
3	1

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

No.	Securities branches	Address	Document no. of establishment approval	Date of establishment approval	License obtained on
1	Central China Securities Co., Ltd. Shangcai Caidu Avenue Securities Branch	No.21 West Caidu Avenue, Chongyang Office, Shangcai County, Henan Province, China	Yu Zheng Jian Fa [2018] No. 315	19 December 2018	31 May 2019
2	Central China Securities Co., Ltd. Zhecheng Weilai Avenue Securities Branch	Shop Front Room 116, Jinsha Masion West Garden, Weilai Avenue, Zhecheng County, Shangqiu City, Henan Province, China	Yu Zheng Jian Fa [2018] No. 315	19 December 2018	31 May 2019
3	Central China Securities Co., Ltd. Baofeng Zhongxing Road Securities Branch	Shop Front Room 111, East City International Residence Community, Zhongxing Road, Chengguan Town, Baofeng County, Henan Province, China	Yu Zheng Jian Fa [2018] No. 315	19 December 2018	31 May 2019

#### 2. Administrative licensing of relocation of branch offices during the Reporting Period

No.	Name of operation branch before relocation	Name of operation branch after relocation	New address	License obtained on
1	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	909, 9F, No.53 Building, No.14 Jiuxianqiao Road, Chaoyang District, Beijing City, China	6 June 2019

## SECTION 11 INFORMATION DISCLOSURE OF SECURITIES COMPANY

### (II) Administrative licensing of appointment of Directors, Supervisors and senior management

No.	Date	Content
1	3 June 2019	The Company received the Reply on Approval for Appointment of Zhang Huamin as a Supervisor of Securities Company (Yu Zheng Jian Fa [2019] No.121) (《關於核准張華敏證券公司監事任職資格的批覆》(豫證監發[2019]121號)) issued by Henan Branch of the CSRC, which approved the appointment of Zhang Huamin as a supervisor of the securities company.

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

The Company was classified as into Grade BBB under Class B in 2019 classification and evaluation of securities companies by CSRC.



中州证券

Central China Securities Co., Ltd.