



中州证券

Central China Securities Co., Ltd.

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

(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

中期報告

2021



IMPORTANT NOTICE

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

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

The 2021 interim financial statements of the Group are unaudited. The interim financial statements set out in this report were prepared pursuant to the China Accounting Standards for Business Enterprises and have been reviewed by Da Hua Certified Public Accountants (Special General Partnership).

Mr. Jian Mingjun, head of the Company, Mr. Zhu Jianmin, 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.

The Company's proposed profit distribution plan for the first half of 2021 as considered and approved at the 34th meeting of the Sixth Session of the Board is to distribute a cash dividend of RMB0.17 (tax inclusive) for every 10 shares, which is subject to the approval at the shareholders' general meeting of the Company.

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

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

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

There is no such situation in which more than half of the Directors cannot warrant the truthfulness, accuracy and completeness of this report disclosed by the Company.

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

MATERIAL RISK ALERT

The Company's business is largely dependent on the Chinese economy and market condition as most assets of the Company are located in China and the income is mainly derived from domestic securities market. The operating results of the Company and the performance of the securities market are strongly correlated. The securities market is relatively cyclical and volatile as it may be affected by a number of factors, including macro-economic performance and policies, the level of market development, fluctuations in financial market and investors' actions. It may be difficult for the Company to effectively defend itself from market risks in the event of extreme securities market condition and inadequate hedging strategies.

With the gradual relaxation of the restrictions on foreign-invested securities companies in China, foreign investment will keep an ongoing development both in scope and in depth. In the face of more intense competition in China's securities industry, the Company's business may be materially and adversely affected if it fails to compete effectively. The challenges from internet finance in recent years have already led to a declining commission rate and market share of the Company's brokerage business. It is expected that the commission rate and market share of securities brokerage business may continue to go downward, and the spreads of capital-based intermediary business may further narrow down, all of which may adversely affect the Company's profit growth. As the capital market reform continues to develop, the Company's investment banking business will be challenging in terms of customer base expansion, pricing and ability in distribution, which may cause adverse impact on the income of the Company's investment banking business. Besides, along with the changes in regulatory policies and intensified competitions in the asset management industry, the asset under management of the Company may be reduced, which may result in a negative impact on the asset management fees or performance rewards charged by the Company. Against the backdrop of continuous industry innovation, the Company has been committed to providing its customers with new products and services in order to strengthen its competitive position in the industry. However, business innovation also leads to new risk exposures to the Company. Moreover, the Company's operation relies on the management and professionals. Due to keen market competition for this kind of talents, failure in attracting or retaining these talents may have adverse impact on the Company's business.

The Company manages risks according to internal risk management framework and procedures, but certain risk management measures are based on historical market data or past experience which may fail to predict future risks accurately, especially, it may lack effectiveness for extreme market events. The Company has further exposure to various risks, such as failure of information technologies, which would result in adverse impact on business operation. Any force majeure, including but not limited to the COVID-19 epidemic, may limit the level of economic activity in the affected areas, which may adversely affect the Company's business, financial conditions and operating results. For the risks in the Company's operation, investors are advised to refer to Section 3 "Management Discussion and Analysis V. (I) Potential risks" in this report.

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DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

Interim report published in other securities markets.

Other relevant materials.

SECTION 1 DEFINITIONS

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

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

SECTION 1 DEFINITIONS

H shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Hong Kong Stock Exchange
Reporting Period/Period	1 January 2021 to 30 June 2021
end of the Reporting Period/end of the Period	30 June 2021
PRC or China	the People's Republic of China
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Henan Provincial Government	Henan Provincial People's Government (河南省人民政府)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
STAR Market	science and technology innovation board of SSE
New Third Board	National Equities Exchange and Quotations
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司)
Central China Futures	Central China Futures Co., Ltd. (中原期貨股份有限公司)
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司)
ZZKY Venture Capital	Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. (河南中證開元創業投資基金管理有限公司)
Central China Blue Ocean	Central China Blue Ocean Investment Management Company Limited (中州藍海投資管理有限公司)
Central China International	Central China International Financial Holdings Company Limited (中州國際金融控股有限公司)
Equity Exchange Co.	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司)
Central China Micro-lending	Henan Central China Micro-lending Company Limited (河南省中原小額貸款有限公司)
Yuxin Investment	Yuxin Investment Management (Shanghai) Co., Ltd. (豫新投資管理(上海)有限公司)

SECTION 1 DEFINITIONS

Zhongyuan Trust	Zhongyuan Trust Co., Ltd. (中原信託有限公司)
Articles of Association	the prevailing valid Articles of Association of the Company
Company Law	the Company Law of the PRC (《中華人民共和國公司法》)
Securities Law	the Securities Law of the PRC (《中華人民共和國證券法》)
RMB	the lawful currency of China Renminbi, with the basic unit “yuan”
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
%	per cent

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION ABOUT THE COMPANY

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

Registered capital and net capital

Unit: Yuan Currency: RMB

	At the end of the Reporting Period	At the end of last year
Registered capital	4,642,884,700.00	4,642,884,700.00
Net capital	8,902,816,395.36	10,141,843,317.23

Qualifications for each individual business of the Company

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

15. Sponsorship of shareholder structure reform
16. Warrant trading
17. Clearing participants of the China Securities Depository and Clearing Corporation Limited
18. Foreign exchange business
19. National inter-bank lending and borrowing business
20. Primary dealer of Integrated Electronic Platform of Fixed-income Securities of the SSE
21. Qualified investor of block trading system
22. Trading in the inter-bank bond market
23. Intermediary introduction business for futures companies
24. Agency system host securities dealer business
25. Sponsoring broker of the New Third Board
26. Passed the globally recognised standard ISO/IEC20000 for IT service management field
27. Direct investment business
28. Margin financing and securities lending business
29. Agency sale of financial products
30. Underwriting of private placement bonds for small and medium-sized enterprises
31. Exchange-quoted bond pledged repo business
32. Agreed repurchase type securities trading business
33. Fund business
34. Capital refinancing business
35. Agency service for registration of pledge of securities
36. Stock-pledged repo business
37. Securities refinancing and lending business
38. Shanghai-Hong Kong Stock Connect business on the SSE

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

39. Market-making business on the New Third Board
40. Piloting of issuing short-term corporate bonds
41. Piloting of OTC market business
42. Piloting of internet securities business
43. Option brokerage business on the SSE
44. Market-making business on quotation system of inter-institutional private products
45. Shenzhen-Hong Kong Stock Connect business on the SZSE

II. CONTACT PERSONS AND CONTACT METHODS

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

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	http://www.ccnew.com
Email address	investor@ccnew.com
Principal place of business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspaper designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for publishing this report	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing this report	http://www.hkexnews.hk
Place for inspection of this report of the Company	19F, 20 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

V. SHARES OF THE COMPANY

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

VI. OTHER RELEVANT INFORMATION

Accounting firm engaged by the Company	Name	Da Hua Certified Public Accountants (Special General Partnership) ^{Note}
	Office address	1101, Building 7, 16 Xi Si Huan Zhong Road, Haidian District, Beijing, China
	Names of signing accountants	Aodu Jiya, Li Tiantian
Sponsor performing the duty of continuous supervision during the Reporting Period	Name	Huatai United Securities Co., Ltd.
	Office address	6F, Block A, Fengming International Building, No. 22, Fengsheng Hutong, Xicheng District, Beijing, China
	Names of signing sponsors	Sun Zexia and Sun Xuan
	Term of continuous supervision	11 October 2019–31 December 2021
Legal advisors as to PRC Law	Beijing Junzhi Law Firm	
Legal advisors as to Hong Kong (PRC) Law	Jingtian & Gongcheng LLP	
A share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch	
H share registrar	Computershare Hong Kong Investor Services Limited	
Unified social credit code	91410000744078476K	

Note: As considered and approved at the 2020 Annual General Meeting of the Company held on 30 June 2021, it was agreed to appoint Da Hua Certified Public Accountants (Special General Partnership) as the sole auditing firm of the Company for the year of 2021 to provide both domestic and overseas audit services in accordance with the China Accounting Standards for Business Enterprises.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

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

(I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	January-June 2021	January-June 2020	Growth of the Period from last period (%)
Operating income	2,336,041,148.75	1,249,975,323.25	86.89
Profit before tax	307,052,034.04	58,419,447.21	425.60
Net profits attributable to owners of the parent	228,961,700.48	30,850,805.92	642.16
Net profits attributable to owners of the parent after deducting non-recurring profit or loss	221,131,715.65	28,191,631.67	684.39
Net cash flows from operating activities	-1,282,743,968.59	3,066,071,606.88	-141.84
Other comprehensive income	1,881,081.67	4,318,809.85	-56.44
	30 June 2021	31 December 2020	Growth of the end of the Period from the end of last period (%)
Total assets	54,272,568,713.13	52,376,875,557.00	3.62
Total liabilities	39,959,336,308.92	38,190,399,466.49	4.63
Accounts payable to brokerage clients	11,339,802,645.78	10,555,230,551.25	7.43
Equity attributable to owners of the parent	13,512,824,737.82	13,368,714,617.90	1.08
Total equity	14,313,232,404.21	14,186,476,090.51	0.89
Share capital (shares)	4,642,884,700.00	4,642,884,700.00	—
Net assets per share attributable to owners of the parent (RMB/share)	2.91	2.88	1.04

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Principal financial indicators

Principal financial indicators	January-June 2021	January-June 2020	Growth of the Period from last period (%)
Basic earnings per share (RMB/share)	0.05	0.01	400.00
Diluted earnings per share (RMB/share)	0.05	0.01	400.00
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	0.05	0.01	400.00
Weighted average return on net assets (%)	1.70	0.32	Increase by 1.38 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	1.64	0.29	Increase by 1.35 percentage points
	30 June 2021	31 December 2020	Growth of the end of the Period from the end of last period (%)
Gearing ratio (%)	66.66	66.08	Increase by 0.58 percentage point

Notes on principal accounting data and financial indicators

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Unit: Yuan Currency: RMB

Item	30 June 2021	31 December 2020
Net capital	8,902,816,395.36	10,141,843,317.23
Net assets	13,928,564,219.58	13,743,917,923.23
Sum of various risk capital provisions	3,779,373,490.05	3,402,946,504.41
Total on-and-off balance sheet assets	42,801,555,148.62	40,511,316,360.05
Risk coverage ratio (%)	235.56	298.03
Capital leverage ratio (%)	18.06	21.39
Liquidity coverage ratio (%)	191.89	169.52
Net stable funding ratio (%)	143.65	169.30
Net capital/net assets (%)	63.92	73.79
Net capital/liabilities (%)	33.89	39.93
Net assets/liabilities (%)	53.03	54.12
Proprietary equity securities and its derivatives/net capital (%)	5.56	3.82
Proprietary non-equity securities and its derivatives/ net capital (%)	270.10	226.07
Amount of margin financing (securities lending inclusive)/net capital (%)	98.18	85.84

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

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

Unit: Yuan Currency: RMB

Items of non-recurring profit or loss	Amount	Notes (if applicable)
Gain or loss from disposal of non-current assets	-255,393.13	
The government subsidizes recognized into the profit or loss for the period, but has strong relationship with the Company's operating business, excluding the government subsidizes the Company continues to enjoy in line with national policies and in a fixed amount or quantity according to certain standards	10,723,104.87	Mainly attributable to government grants
Other non-operating income/expenses other than the above items	109,565.39	
Effect of minority interests	-102,973.02	
Effect on income tax	-2,644,319.28	
Total	7,829,984.83	

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The securities industry is a special industry rooted in the capital market. The overall industry performance is closely related to the capital market and the macro-economy, showing a significant cyclicality. On 11 March 2021, the Fourth Session of the 13th National People's Congress approved the resolution on the Outline for the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035, pointing out the direction for comprehensively deepening the reform of the capital market in the next five years. During the "14th Five-Year Plan" period, with the continued rapid advancement of the comprehensive deepening of capital market reform and the comprehensive promotion of the registration-based issuance system, the benefits from various reform policies will be reaped continuously, the hub function of the capital market will be significantly strengthened, and the core function of the capital market to serve the high-quality development of the real economy will be effectively enhanced. As a special industry rooted in capital market, the securities industry is bound to continuous benefit, and the space for high-quality development of the industry will be further opened up.

According to the statistics of the Securities Association of China, as of 30 June 2021, there were 139 securities companies in China, with the total assets and net assets of RMB9.72 trillion and RMB2.39 trillion, respectively, representing an increase of 9.21% and 3.46% as compared to the end of 2020, respectively. In the first half of 2021, the securities industry achieved a total operating income and net profit of RMB232.414 billion and RMB90.279 billion, respectively, representing a year-on-year increase of 8.91% and 8.58%, respectively.

Currently, the Company is the only securities company registered in Henan Province. After over 10 years of development, the Company has developed itself into a comprehensive securities company with distinctive advantages in the region. According to the statistics of the Securities Association of China, in the first half of 2021, the Company ranked 43rd, 44th and 57th in the securities industry in terms of total assets, net assets and net capital, respectively; and ranked 44th and 64th in the securities industry in terms of operating income and net profit, respectively.

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

Confronted with the complex and ever-changing environment this year, the Company has, in accordance with the work plan set out at the beginning of the year, seized the significant opportunities such as the full implementation of the registration-based issuance system reform in the capital market, the successful inclusion in the first batch of "white list" of securities companies, and cooperation with top-tier institutions. Focused on improving professional service levels and building core competitiveness, the Company made great efforts to push forward the upgrades of its principal business lines and the further optimization of the spatial layout. The Company's principal businesses, including wealth management, fixed-income investment, investment banking and investment, have maintained a good momentum of rapid development and opened up a new round of rapid development.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

The Company adhered to the main theme of seeking progress while maintaining stability in wealth management, strengthened technology empowerment and accelerated digital transformation, and continued to improve professional service level and service support capabilities, with the results of the reform being further demonstrated. The balance of margin financing and securities lending, the sales of publicly-offered funds and the number of new customers have increased greatly as compared with the same period last year. The investment banking business of the Company developed in all aspects. The Company ranked 24th in terms of the equity underwriting amount in Shanghai and Shenzhen stock markets, ranked 17th in terms of the lead underwriting amount in IPO projects, ranked 12th in terms of the deal value for merger, acquisition and restructuring projects with a financial adviser role, and ranked 18th in terms of the fees and commissions as the lead underwriter for IPO projects, further improving the market influence of the Company. The Company's proprietary trading business continued to perform strongly, and investment in both bonds and stocks had good return; Central China Blue Ocean, an alternative investment subsidiary of the Company, went along with "giants", continuously promoted the layout of high-quality projects, optimized the investment structure and enriched the investment portfolio, as a result, the investment capability and investment return have been enhanced significantly. Equity Exchange Co., which is controlled by the Company, continued to optimize the service model, undertook the operation of the Henan Base of the New Third Board, accelerating the change from focusing on scale expansion to focusing on quality improvement. [Source: Wind Info]

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

Focusing on the business strategy of "strengthening investment banking business and making excellent investments", the Company continued to deepen the reform of investment banking, with professional capabilities and the ranking in terms of core indicators such as the equity underwriting amount, the deal value for merger, acquisition and restructuring projects with a financial adviser role and the financing scale of private placement projects with an underwriter role significantly improved, reaching the top of the industry. Besides, the number of IPO projects with a sponsor role approved by the Issuance Examination Committee Meeting of the CSRC and reserved projects of investment banks have significantly increased. The leading role of driving the investment, credit business and wealth management business has become increasingly prominent.

(II) Advantage of A+H listing platforms

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

(III) Comprehensive financial operation advantage

Currently, the Company establishes over 110 branches in provincial capitals and core cities like Beijing, Shanghai, Hong Kong, Guangzhou and Shenzhen, as well as provincial cities and developed counties in Henan Province, and subsidiaries such as Equity Exchange Co., Central China Futures, Central China Blue Ocean, ZDKY Venture Capital, Central China International and Central China Micro-lending. Based on securities business, the Company has initially developed the comprehensive operation pattern covering regional equity market, futures, alternative investment, private fund management business, micro-lending and other financial forms, providing all-round and all life-cycle services for customers.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Advantage of “base area”

As the only securities company registered in Henan Province, the Company is endowed with the “base area” of the largest economic province in China’s central and western areas. The Company has deeply explored the Henan market for a long time and established in-depth cooperation with the local governments, enterprises and individual customers, with a stable customer base and top regional market share in many of its businesses.

III. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

1. Securities brokerage business

Market environment

During the first half of 2021, the index fluctuated and the trading was relatively active. The SSE Composite Index closed at 3,591.20 points, representing an increase of 3.40% as compared to the end of last year, the SZSE Component Index closed at 15,161.70 points, representing an increase of 4.78% as compared to the end of last year, and the ChiNext Index closed at 3,477.18 points, representing an increase of 17.22% as compared to the end of last year. The trading volume of A-share funds in Shanghai and Shenzhen stock markets reached RMB115.73 trillion, representing a year-on-year increase of 22.2%. As the market competition was intensified and the commission rate of the industry channel continued to decline, the proportion of income from traditional securities brokerage business continued to decline while the proportions of income from investment consultancy services and agency sale of financial products continued to increase. At the same time, with the rapid development of mobile Internet, securities companies are investing more in financial technology, the “online customer acquisition” and “online wealth management” methods have been further strengthened, and the securities brokerage business is developing in the direction of “centralized, online, and intelligent”. [Source: Wind Info]

Business measures and performance

In the first half of 2021, the Company developed its securities brokerage business primarily in Henan market with the focus on customer operation and seized the new opportunity of deepening the development of capital market, and accelerated the layout of online and offline channels. The online services of the Company were provided through the building of “three terminals and a WeChat (三端一微)” online service platform, centering on “Caishengbao of Central China Securities (中原证券财升宝)” APP, to steadily improve online operation capabilities for customers, products and investment consultancy services. More than 90% customers purchased wealth management products through “Caishengbao of Central China Securities” APP and the number of wealth management orders were increased 2.6 times year on year, which initially built the Company’s digital marketing network and showed that the Company’s online service brand influence was further enhanced. The Company has continued to improve its service system offline, focused on product innovation and investment research service capabilities, launched service products such as “eight privileges for new clients”, and added new customers and assets through cooperation between banks and securities companies, offline activities and other forms. In addition, the Company used “investment consultancy business” and the “sales of funds” as the starting point to launch excellent products such as “Top Ten Gold Stocks of the Month” and “Selected Publicly-offered Fund Pools” to promote a significant increase in the performance of the agency sale of financial products.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company's stock fund trading volume reached RMB854.794 billion, representing a year-on-year increase of 1.13%; the number of new customers reached 161,700, representing a year-on-year increase of 44%; the number of stock option contracts signed amounted to 1.563 million; the average daily balance of publicly-offered funds (excluding monetary market funds) reached RMB5.192 billion, representing a year-on-year increase of 198.91%; the accumulative sales of publicly-offered funds reached RMB2.927 billion, representing a year-on-year increase of 68.51%; the accumulative sales of beneficiary certificates reached RMB4.031 billion, representing a year-on-year increase of 190.639%.

The Company ranked 24th overall among domestic securities companies in terms of online operation indicators such as daily active users and monthly active users of the "Caishengbao of Central China Securities" App, and its official WeChat account ranked 13th in terms of average monthly influence. (Source: Qianfan and Gsdata)

Outlook

In the second half of 2021, the Company will accelerate the coordinated offline and online development of its securities brokerage business. With respect to online operation, the Company will continue to promote the application of artificial intelligence and big data business, strengthen the precision and digitization of marketing and services, and provide customers with tailor-made wealth management planning and all-weather asset allocation services by using customer panoramic portrait and itinerary map. With respect to offline operation, the Company will continue to develop its securities brokerage business in Henan, make full use of the geographical and channel advantages to add new customers and assets, improve the professional ability and service level of investment advisors, and become the financial experts for investors. In addition, the Company will cooperate with first-class fund management companies, expand the scale of the agency sale of publicly-offered fund products, promote the agency sale of private funds, enhance the proportion of revenue from the agency sale of financial products, and explore ways of wealth management transformation suitable for our own development.

2. Credit business

Market environment

Benefiting from the active trading in A-share market in the first half of 2021, the margin financing and securities lending business has maintained a trend of stable growth overall. As of the end of the Reporting Period, the balance of the margin financing and securities lending in Shanghai and Shenzhen stock markets was approximately RMB1.78 trillion, representing an increase of 10.20% as compared to the end of last year. The overall scale of securities-backed lending business continued the downward trend of last year, with the risks mitigated.

Business measures and performance

In the first half of 2021, in terms of margin financing and securities lending business, the Company, by carrying out marketing and service activities on the theme of "strengthening the foundation", helped branches to carry out their business through distribution of materials and on-site lectures, to push forward the activation of customers of margin financing and securities lending, and to increase the utilization rate of margin financing and securities lending accounts of core customers, with obvious results in customers' activation.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the Company had 1,181 new accounts for margin financing and securities lending, with a balance of RMB7.396 billion, representing a year-on-year increase of 23.93%; with an average daily balance of RMB7.357 billion, representing a year-on-year increase of 29.94%. The balance of financing amount under the stock-pledged repo business was RMB2.250 billion, representing a year-on-year decrease of 8.92%. The scale of on-balance sheet stock-pledged repo business amounted to RMB1.571 billion, representing a year-on-year decrease of 12.30%, with an average collateral ratio of 183.70%, while the scale of off-balance sheet stock-pledged repo business amounted to RMB0.679 billion, essentially flat compared to the same period of last year.

Outlook

In the second half of 2021, with respect to its margin financing and securities lending services, the Company will continue to improve customer service quality, manage investor education, and focus on promoting the activation of high-net-worth core customers to promote steady growth in business scale and realize the development of both quantity and quality of customers; improve the share of income from margin financing and securities lending services and expand the scale of securities lending to avoid unbalance business structure and reduce the impact of market fluctuations on business income. The Company will continue to position the securities-backed lending business as a quasi credit business, establish a core customer management system, and leverage the advantages of business synergy information to manage stock control while carrying out new business.

3. Futures business

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

Market environment

In the first half of 2021, the economic situation was complex and changeable at home and abroad. The commodity market price went up generally. The demand for risk management spurred surge in the trading volume of futures. The amount of funds in the futures market and the volume of trading positions hit a new high. During the Reporting Period, the accumulated trading volume in China's futures market was 3.716 billion lots, representing a year-on-year increase of 47.37%; the transaction amount in China's futures market was RMB286.33 trillion, representing a year-on-year increase of 73.05%. [Source: China Futures Association]

Business measures and performance

In the first half of 2021, Central China Futures steadily promoted the coordinated development of its three main businesses, i.e. futures brokerage business, futures asset management and risk management. In terms of the futures brokerage business rooted in local economy, Central China Futures vigorously expanded the development of and the cooperation with industrial institutions in regional markets, and made every effort to increase the proportion of the corporate customers through ploughing into the core industrial value chains of agricultural products, chemicals, breeding and nonferrous metals, and through the integration of production and research. In terms of futures asset management, Central China Futures adhered to product-driven strategy and enhanced active management capabilities of products through talent introduction, product design, marketing and risk control protection to accumulate momentum for the development of futures asset management business; the subsidiary engaging in risk management continued to expand the business scale of basis trading and futures market-making business, increased varieties of futures market-making services, took the initiative to participate in the "insurance + futures" projects of the futures exchanges, obtained China's first order of "insurance + futures" for the two futures varieties of hogs and peanuts, accumulated experience in OTC derivatives management and enhanced the capability to serve the real economy.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, futures brokerage business acquired 1,970 new customers and served a total of 30,500 customers, of which institutional clients increased by 158.33% year on year. The total number of transactions was 12.5612 million lots, representing a year-on-year increase of 26.57%, and the total transaction amount was RMB1,034.020 billion, representing a year-on-year increase of 81.49%. Central China Futures had 15 existing asset management schemes with AUM net value of RMB2.598 billion as at the end of the Reporting Period. During the Reporting Period, the total amount of purchase of goods by Yuxin Investment, a subsidiary engaged in risk management, amounted to RMB1.108 billion, representing a year-on-year increase of 102.82%; its total revenue from the sales of goods was RMB1.045 billion, representing a year-on-year increase of 163.67%; and its revenue from futures market-making business was RMB22 million, representing a year-on-year increase of 186.04%.

Outlook

In the second half of 2021, Central China Futures will further consolidate the foundation of the Company's transformation and development: accelerating the construction of research capability, relying on advantageous industrial chain services, intensifying the development of industrial customers, further improving the Company's customer structure, and promoting the transformation of futures brokerage business to institutionalization and industrialization; steadily carrying out risk management business, continuing to build high-quality futures market-making varieties, cultivating and developing "insurance + futures" projects, and contributing wisdom of futures to the revitalization of rural areas; accelerating the pace of transformation of futures asset management business, and enriching the product and business structure to provide customers with more high-quality investment options.

4. Investment banking business

Market environment

With the accelerating development of capital market reform in China, the successive introduction of the registration system for STAR Market and ChiNext Market, and the NEEQ Select, and the new regulations for mergers, acquisitions, restructuring and refinancing provided market opportunities for the development of investment banking business. In the first half of 2021, 245 enterprises completed their initial offering either on the SSE or SZSE, raising a total of RMB210.950 billion, representing a year-on-year increase of 51.46%. The proceeds raised from the refinancing of the listed companies amounted to RMB436.180 billion, representing a year-on-year increase of 12.68%. 42 companies were newly quoted on the New Third Board, raising a total of RMB9.191 billion on the New Third Board through private placement, representing a year-on-year decrease of 18.85%. The total amount of bonds issued by various institutions was RMB12.63 trillion, representing a year-on-year decrease of 51.24%. [Source: Wind Info]

Business measures and performance

In the first half of 2021, the investment banking business of the Company fastened on the market development opportunities, vigorously promoted the implementation of IPO, refinancing and other projects that are subject to approval by the Issuance Examination Committee Meeting of the CSRC, and pushed forward the application of reserved projects for approval. The Company completed 6 lead underwriting projects and 2 refinancing projects of listed companies, with the equity lead underwriting amount on the SSE and SZSE totaling RMB5.683 billion; completed 1 enterprise bond project, 6 corporate bond projects, with the debt lead underwriting amount totaling RMB3.702 billion; acted as the sponsor in 2 IPO projects which were approved by the Issuance Examination Committee Meeting of the CSRC during the Reporting Period.

As of the end of the Reporting Period, the Company ranked 24th in terms of the equity underwriting amount on the SSE and SZSE, ranked 17th in terms of the lead underwriting amount in IPO projects, ranked 12th in terms of the deal value for merger, acquisition and restructuring project with a financial advisor role, and ranked 18th in terms of fees and commissions as the lead underwriter for IPO projects. [Source: Wind Info]

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

In the second half of 2021, with respect to the investment banking business, the Company will closely focus on the strategic objectives of the Company, play the role as an “engine” for the Company’s development, and strengthen the linkage with the investment business sectors; give full play to local advantages, deeply explore the Henan market, respond to the business needs of large state-owned enterprises, listed companies and outstanding private enterprises in Henan, and provide “one enterprise, one policy” targeted services, so as to deeply integrate into the overall situation of the province’s economic and social development; vigorously develop markets in developed regions such as Beijing-Tianjin, Yangtze River Delta, Pearl River Delta Economic Zone, intensify efforts to undertake projects, reserve high-quality projects, and orderly push forward application of mature key projects; continuously deepen the reform, improve relevant systems, enhance the market brand influence of the Company’s investment banking business, and accelerate the upgrading of investment banking business.

5. Investment management business

(1) Asset management

Market environment

With the gradual improvement of the regulatory framework, the asset management industry has gradually entered a new stage of regulated development and reshaping of competition. In the first half of 2021, the securities companies further accelerated the development of asset management transformation by setting up asset management subsidiaries, applying for the qualification as publicly-offered fund manager and accelerating the transformation of the collective investment schemes into publicly-offered funds, among other ways to increase the deployment of asset management business. In the future, the securities companies will continue to insist on active management as the core and explore distinctive and differentiated asset management business based on their respective resources. As of the end of the Reporting Period, the securities and futures operators managed RMB15.70 trillion worth of privately-offered funds in total (excluding the National Social Security Fund, enterprise annuity funds and collective investment schemes of securities companies), representing a decrease of RMB0.57 trillion from RMB16.27 trillion at the end of 2020. By product classification, single asset management plans took a major share, up to 66.77%, in existing products. By management mode (excluding privately-offered funds of privately-offered fund subsidiaries of securities companies), the size of channel products further went down and that of active management products stably grew. The size of channel products decreased by RMB1.66 trillion from RMB5.60 trillion at the end of 2020 to RMB3.94 trillion. The size of active management products rose by RMB1.08 trillion from RMB10.13 trillion at the end of 2020 to RMB11.21 trillion. [Source: Asset Management Association of China]

Business measures and performance

In the first half of 2021, the Company strictly followed the new regulatory requirements for the asset management business and expedited the standardization and rectification of existing privately-offered asset management products and the transformation of collective investment schemes into publicly-offered funds. At the same time, the Company focused on improving the investment research level and strengthening the active management capacity based on the industry trend after combing business flows. Meanwhile, the Company was committed to the transformative development of the asset management line and steadily initiated the establishment of new standardized products and the preparation of various types of products.

As of the end of the Reporting Period, the total asset under management of the Company amounted to RMB5.80 billion, including 9 collective investment schemes in the amount of RMB4.601 billion, 3 separately managed asset management schemes in the amount of RMB750 million and 2 specialized asset management schemes in the amount of RMB449 million.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

In the second half of 2021, the Company will strengthen the compliance and risk control capacity in every aspect of the asset management business and promote the sound development of the business management. The Company will continue to focus on enhancing the active management capabilities, identify internal customer demands and expand external customer resources. We will actively develop the equity investment and fixed-income investment segments and continuously enrich the underlying product portfolio.

(2) Private fund management

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

Market environment

In the first half of 2021, the equity investment market recovered significantly. In terms of fundraising, in the first half of 2021, China's equity investment market raised a total of RMB454.774 billion, representing a year-on-year increase of 6.9%; the number of newly raised funds reached 1,941, representing a year-on-year increase of 58.2%. In terms of investment, the number of investment cases and the total investment amount reached 4,230 and RMB470.0 billion, respectively, representing a year-on-year increase of 26.0% and 50.3%, respectively, among which, the recovery of large consumer investment accelerated, and the investment in new energy and autonomous driving increased significantly. In terms of exit, a total of 1,880 withdrawals were made in the first half of 2021, representing a year-on-year increase of 23.6%, and the exit channels were gradually smooth after IPO under the stable operation of the registration system. [Source: Zero2IPO Data]

Business measures and performance

In the first half of 2021, ZDKY Venture Capital focused its work on project development and post-investment management. During the Reporting Period, ZDKY Venture Capital mainly carried out project due diligence on a number of enterprises focusing on sci-tech industry, new energy, new materials, modern service industry and other sectors, and completed the investments in two projects, including Xinxiang Good Team Electronics Technology Co., Ltd. (新鄉市慧聯電子科技股份有限公司) and Zhengzhou Huaying Package Co., Ltd. (鄭州華英包裝股份有限公司), which are both the National High-Tech Enterprises. The projects involved a total amount of RMB39.95 million and aimed at guiding the private capital to follow and smashing the funding bottlenecks of both target enterprises. At the same time, ZDKY Venture Capital carried out post-investment management to boost corporate growth and enhance corporate value, and completed the exit of several invested projects.

As of the end of the Reporting Period, ZDKY Venture Capital and its subordinate institutions filed and managed 14 private funds, with a scale of RMB4,999.5 million.

Outlook

In the second half of 2021, ZDKY Venture Capital will, under the basic working concept of "invest and gain", continue to deeply explore Henan market while accelerating the business development in Guangzhou and Shenzhen. By cooperating with large-scale state-owned investment platforms in the province, state-owned enterprises, listed companies, industry leaders and national strategic partners, ZDKY Venture Capital will track high-quality projects, promote the establishment of funds based on projects and expand the scale of funds under management. Besides, it will accelerate the search for and survey on projects inside and outside the province, reserve high-quality investment targets, develop premium projects and improve the level of return. Meanwhile, it will seek diversified exit channels, and help enterprises exit and mitigate risks by means of market promotion, introduction of purchasers, strategic investors, etc.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Alternative investment

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

Market environment

In the first half of 2021, the domestic economy recorded a steady growth and the reform of registration system in the capital market achieved periodical results, and both the financing size and amount significantly rose in the capital market, creating more opportunities for the primary market investment. On the other side, serious bipolarization of the industry, worsened by the ever-changing macroeconomic and international climates, further aggravated the complexity and volatility of the corporate development environment, which has in turn substantially increased the operating risk of some investment projects and made them even more difficult to bring the returns on investment.

Business measures and performance

In the first half of 2021, Central China Blue Ocean promoted the cooperation with domestic renowned investment institutions, increased the layout of high-quality projects and optimized the investment structure. It enriched its investment segments and enhanced its investment scale and investment capacity. At the same time, the Company continued to implement the equity investment strategy focused on Pre-IPO, reinforced the support for high-quality enterprises in Henan Province and accumulated high-quality investment project resources.

During the Reporting Period, Central China Blue Ocean made a total of 18 new investments with a total investment scale of RMB739 million, including 9 equity investments with a scale of RMB151 million and 9 financial product investments with a scale of RMB588 million. Central China Blue Ocean also exited from 11 investment projects of various types and recovered investment amount of RMB203 million. As of the end of the Reporting Period, Central China Blue Ocean recorded a total of 47 existing investment projects with a total investment scale of RMB2,695 million. These projects are distributed in a number of industries such as medical service, consumer goods, package, agriculture and environmental protection. They have played a positive role in solving funding demands of enterprises, helping the development of enterprises and consolidating their leading positions.

Outlook

In the second half of 2021, Central China Blue Ocean will, while keeping risks under strict control, continue to strengthen the cooperation with well-known investment institutions in the industry, and adopt multiple methods such as participating in funds, co-investment, and mixed investment to increase channels and enhance capabilities for obtaining high-quality projects, thereby increasing investment scale and profitability. It will maintain the close linkage with investment banking, invest limited self-owned funds in projects with lower risks and shorter cycles, accelerate the turnover of funds and improve the returns on investment. It will strengthen post-investment management, conduct project-by-project inspections, and implement policies one by one, forming a virtuous cycle of investment — value-added exit — reinvestment and improve profitability while better serving the real economy.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

6. Proprietary trading

Market environment

In the first half of 2021, the economy kept going stable and rebounding, accompanied by growing development drives, obvious increase in positive factors and flexible, precise, reasonable and moderate monetary policy. The A-share market tended to rise on the whole. The SSE Composite Index rose 3.40%, the SZSE Component Index rose 4.78% and the ChiNext Index rose 17.22%. The bond market presented an overall trend of oscillation and differentiation, accompanied by the exposure of credit risk and gradual emergence of structural differentiation. As China's economy became stable, the yield on the 10-year treasury bond swayed down, and the ChinaBond Aggregate Index (Full Price) increased by 0.24%. [Source: Wind Info]

Business measures and performance

In the first half of 2021, as far as the equity investment is concerned, the Company took the optimization of its business flows and the strengthening of the investment strategy as key factors to ensure the investment security and stability of returns by participating in private placement, subscribing asset management products and making the proprietary investment in various equity products. At the same time, the Company strengthened the investment research exchange with the Research Institute of the Company, realized a comprehensive improvement of investment research quality and achieved good investment incomes. When it comes to the fixed-income investment business, first, the Company performed the waveband operation based on the investment concept of prudential allocation and conducted the market-neutral investment business in such fashions as hedging; second, the Company conducted the investment trading, sales trading and distribution business in an orderly manner and reasonably controlled the scale of debenture investment. The Company participated in the bill business of Shanghai Commercial Paper Exchange and harvested stable excess returns while assuring low risks. The Company has ranked among top 300 in terms of the trading volume of bonds at the China Foreign Exchange Trade System for consecutive years.

During the Reporting Period, the proprietary trading business achieved an operating income of RMB233 million.

Outlook

In the second half of 2021, for equity investment, the Company will continue to improve its investment research capability, grasp the market rhythm, operate prudently, and steadily expand neutral proprietary trading business such as private placements and subscription in initial public offerings to achieve diversified income. The fixed-income investment business will maintain the market-neutral strategy based on market changes, study the bond market, and carry out the portfolio arbitrage by using cash securities, interest rate swaps, treasury bond futures and other instruments to increase the investment by self-owned funds, gradually reduce the leverage level and improve investment yields.

7. Overseas business

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Market environment

In the first half of 2021, the Hong Kong capital market remained active, and the Hang Seng Index closed at 28,827 points, representing an increase of 5.86% as compared to the end of last year. As of the end of the Reporting Period, the total value of the Hong Kong securities market reached HKD52.8 trillion, representing a year-on-year increase of 39%. During the Reporting Period, the daily average trading amount was HKD188.2 billion, representing a year-on-year increase of 60%, and the IPOs raised a total of HKD210.4 billion, representing a year-on-year increase of 127%. [Source: Website of Hong Kong Stock Exchanges]

Business measures and performance

In the first half of 2021, Central China International paid great attention to the development of investment banking business, and strengthened business expansion within Henan Province and prudentially developed the licensed businesses. Central China International strictly controlled the investment business, reserved project resources and forged its core competitive strengths in such fields as equity financing, debt financing and high-end wealth management to build overseas market service platforms.

As of the end of the Reporting Period, Central China International recorded a total of 8,293 securities brokerage accounts, representing an increase of 8.49% as compared to the end of last year, the market capitalization of customers' stockholding reached approximately HKD1,702 million and the accumulated securities trading amount reached approximately HKD1,580 million. The margin financing business recorded a balance of HKD155 million, representing a decrease of 16.20% as compared to the end of last year. The futures brokerage business had a total of 248 accounts, representing an increase of 12.73% as compared to the end of last year, the customers' fund under custody added up to HKD74 million, representing a decrease of 6.30% as compared to the end of last year, and the accumulated trading volume reached approximately 1.4485 million contracts. The investment banking division signed 1 sponsorship agreement on an IPO project and had a total of 3 IPO projects underway.

Outlook

In the second half of 2021, Central China International will focus on the target market, take investment banking business as the guide, give full play to the Company's resource advantages in cooperation with first-class institutions, strengthen domestic-overseas collaboration, enhance the financing and service capability in overseas markets, and thus drive the investment and institutional business. It will improve the compliance and risk control system, take differentiated measures against risky projects and reinforce the risk resolution to reduce the loss. It will accelerate the transformation of brokerage business to high-end wealth management, provide high-quality services and financial products, and bring sustainable and steady returns to customers and shareholders.

8. Others

(1) Regional equity market business

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Market environment

In the first half of 2021, CSRC formally issued the Guiding Opinions on Perfecting the Listing Termination Mechanism for National Equities Exchange and Quotations (《關於完善全國中小企業股份轉讓系統終止掛牌制度的指導意見》). It is of vital importance for the Equity Exchange Co. to conduct the registration and custody of enterprises delisted from the New Third Board and will conduce to the top-bottom linkage of the multi-level capital market. At the same time, Henan Provincial Government promulgated a number of supporting policies, including the Implementation Opinions on Further Improving the Quality of Listed Companies (《關於進一步提高上市公司質量的實施意見》), which further helped facilitate the relevant business of the Equity Exchange Co..

Business measures and performance

In the first half of 2021, the overall development of the Equity Exchange Co. continued to maintain good momentum. It completed the equity registration and custody of consumer finance companies, broadened the types of enterprises accepting the registration and custody service, strengthened the intelligence financing service, improved the information system, optimized service modes and fully played the role as a "Service Base of Capital Market for Henan" initiated by the SSE. During the Reporting Period, the Equity Exchange Co. undertook the operation of Henan Base of the New Third Board and hosted the monthly event of the 2021 "Zhengchuanghui" (鄭創匯), an international innovation and entrepreneurship competition, in April and the roadshow of high-quality enterprises engaged in strategic emerging industries after its formal inauguration.

As of the end of the Reporting Period, the Equity Exchange Co. recorded an accumulated number of more than 9,000 listed companies, representing an increase of 5.88% as compared to the end of last year, realized an accumulative financing amount of RMB13,911 million, representing an increase of 18.56% as compared to the end of last year, and managed 456 enterprises under custody and 65,704 million shares under custody, representing an increase of 2.47% and 6.49% over the end of last year, respectively.

Outlook

In the second half of 2021, the Equity Exchange Co. will follow the concept of high-quality development. Firstly, it will further give play to the role as a service base of capital market for Henan initiated by the SSE as well as the Henan Base of the New Third Board, strengthen the screening and cultivation of enterprise resources, focus on key regions and high-quality enterprises, and strengthen the connection of resources and precise services. Secondly, it will further push the reorganization tutorship for enterprises, strengthen the effort to promote the enterprise reorganization tutorship and improve the quantity and quality of enterprises listed on the trading board. Thirdly, it will enlarge the direct financing business by enhancing cooperation with qualified institutions, increasing roadshow of investment and financing. By doing so, it intends to set up more typical samples in private placement of equity securities, financing by convertible bonds, listing guidance and other aspects.

(2) Micro-lending business

The Company carried out its micro-lending business through Central China Micro-lending, a subsidiary of the Company.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Market environment

The micro-lending industry is an important component in China's inclusive finance system and has effectively enriched the domestic financial system and financial business format. In the first half of 2021, the formal implementation of classified regulatory rating in the micro-lending industry will greatly promote faster and better development of micro-lending companies with great financial strength, new business model and good risk control.

Business measures and performance

In the first half of 2021, Central China Micro-lending focused its business on the industrial chain of the shareholders, further adjusted its customer orientation and asset structure, precisely conducted business and forged stable business models. At the same time, it mitigated the potential risks in its existing asset portfolio through credit enhancement, collection, commercial negotiation and other measures. During the Reporting Period, Central China Micro-lending was awarded the 2020 Special Contribution Award of Kaifeng City Urban-Rural Integration Demonstration Zone for Opening-up and Investment Attraction (開封市城鄉一體化示範區2020年度對外開放和招商引資工作特殊貢獻獎), and was selected as the 2020 Outstanding Micro-lending Company of Henan Province (2020年度河南省優秀小額貸款公司) by Henan Finance Guarantee Industry Association.

During the Reporting Period, the loans provided by Central China Micro-lending totaled RMB306 million. As of the end of the Reporting Period, Central China Micro-lending recorded a loan balance of RMB1,066 million.

Outlook

In the second half of 2021, Central China Micro-lending will continue to strengthen business transformation and asset restructuring, closely revolve around upstream and downstream customers along the core industrial chain of its substantial shareholders and expand the scale of loans provided to small, medium and micro enterprises. In combination with the industrial layout of Henan Province, Central China Micro-lending will conduct key research and analysis on industries such as "carbon neutralization" and advanced logistics, innovate business models and improve the level of serving the real economy. It will leverage on financial technology to effectively improve the risk management capability and lay a solid foundation for sustainable and prudential development.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

IV. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis on principal businesses

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

Unit: Yuan Currency: RMB

Item	January-June 2021	January-June 2020	Growth of the Period from last period (%)
Operating income	2,336,041,148.75	1,249,975,323.25	86.89
Operating costs	2,030,792,428.20	1,185,589,385.64	71.29
Net cash flows from operating activities	-1,282,743,968.59	3,066,071,606.88	-141.84
Net cash flows from investment activities	293,403,392.62	-35,427,401.10	N/A
Net cash flows from financing activities	2,398,114,092.38	-441,325,534.43	N/A

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

Item	January- June 2021	January-June 2020	Growth of the Period from last period (%)	The reason of the change
Net interest income	80,657,575.42	18,374,722.76	338.96	Mainly due to the increase of income from margin accounts.
Net fee and commission income	721,448,578.20	513,950,325.00	40.37	Mainly due to the increase of net income from investment banking business.
Gains on changes in fair value	163,829,668.53	-65,586,204.75	N/A	Mainly due to the fair value change of financial assets at fair value through profit or loss.
Gains on foreign exchange	-281,103.30	-2,759,526.70	N/A	Mainly due to the impact of exchange rate changes.
Other operating income	1,050,096,626.23	414,430,890.62	153.38	Mainly due to the increase of income from bulk commodity trading.
Gains from assets disposal	7,895.89	564.81	1,297.97	Mainly due to the increase of income from disposal of fixed assets.
Business and administrative expenses	845,336,205.01	620,061,508.05	36.33	Mainly due to the increase of employee expenses.
Other assets impairment losses	1,272,342.22	22,934,995.27	-94.45	Mainly due to the decrease of the provision from inventory.
Other operating costs	1,027,242,517.95	392,750,309.63	161.55	Mainly due to increase of cost from bulk commodity trading.
Non-operating income	2,204,667.53	1,136,020.51	94.07	Mainly due to the increase of government subsidies income unrelated to the company's daily activities.
Non-operating expenses	401,354.04	7,102,510.91	-94.35	Mainly due to the decrease of donation.
Income tax expenses	74,614,019.98	24,735,859.16	201.64	Mainly due to the increase of in current income tax expense.
Other comprehensive income after tax	1,881,081.67	4,318,809.85	-56.44	Mainly due to the impact of exchange.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group realized operating income of RMB2,336 million, representing an increase of 86.89% as compared to the same period of 2020, of which revenue of futures brokerage business accounting for RMB1,074 million, representing an increase of RMB620 million (mainly due to the increase in sales income from bulk commodity of the subsidiary, Yuxin Investment); income of proprietary trading business accounting for RMB233 million, representing an increase of RMB183 million (mainly due to the increase in income from equity investment); revenue of investment banking business accounting for RMB261 million, representing an increase of RMB179 million (mainly due to the increase in income from securities underwriting business); income of credit business accounting for RMB226 million, representing an increase of RMB104 million (mainly due to the increase in interest income from margin financing); revenue of investment management business accounting for RMB129 million, representing an increase of RMB78 million (mainly due to the increase in income from investment projects of some subsidiaries); revenue of overseas business accounting for RMB-25 million, representing an increase of RMB20 million (mainly due to the increase in gains on changes in fair value of financial products held by Central China International); revenue of securities brokerage business accounting for RMB347 million, representing an increase of RMB4 million (mainly due to the increase in income from agency sales of financial assets); revenue of headquarters and other business accounting for RMB121 million, representing a decrease of RMB80 million (mainly due to the decrease in income from the New Third Board market-making business).

During the Reporting Period, the Group recorded an operating costs of RMB2,031 million, representing an increase of 71.29% as compared with the same period in 2020, which was mainly due to the increase in sales costs of bulk commodity of subsidiaries. Among which, the expected credit losses accounting for RMB146 million, representing a year-on-year increase of 4.12%. The Company assesses the credit risk of each business in accordance with the principles of prudence and adequate provision, and makes provision for impairment through the “expected loss model”. The Company will continue to monitor the market value of collaterals and the credit status of financiers, prudently evaluate the risks of stock pledged repurchase business. In the event of adverse factors such as a decline in the market value of collaterals, the Company will strictly comply with the Accounting Standards for Business and the Company’s accounting policies and provisions to make full provision for the current impairment.

During the Reporting Period, the Group’s net profit attributable to shareholders of listed companies amounted to RMB229 million, representing an increase of 642.16% as compared with the same period in 2020, which was mainly due to the sound development of the domestic capital market, the Company active grasp of market opportunities, steady development of its principal businesses, and increase of revenue from proprietary trading, investment banking business, credit business, subsidiary’s business and others.

Note: During the Reporting Period, the Company’s subsidiary Yuxin Investment had seen an increase in the business scale of bulk commodity, which leads to an increase in both sales income and sales costs and recorded low gross profit margin.

Explanation of the change of net cash flows from operating activities: mainly due to the net cash outflows generated from repurchase business for the Period, while net cash inflows generated from repurchase business for the corresponding period of last year.

Reasons for change in net cash flows from investment activities: mainly due to the increase of cash received from disposal of investment.

Reasons for change in net cash flows from financing activities: mainly due to the increase of cash received from bonds issuance.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	30 June 2021	Percentage of the amount at the end of the Period in total asset (%)	31 December 2020	Percentage of the amount at the end of the previous year in total asset (%)	Growth of the end of the Period from the end of last period (%)	Description
Cash and bank balances	12,221,996,702.79	22.52	10,951,131,021.90	20.91	11.60	Mainly due to the increase of deposits from customers affected by market conditions
Margin accounts receivable	7,586,183,242.23	13.98	7,400,757,113.38	14.13	2.51	Mainly due to the increase of scale in margin accounts receivable
Amounts receivable	90,310,635.48	0.17	169,323,523.34	0.32	-46.66	Mainly due to the decrease of interest payments of bonds receivable
Financial assets at fair value through profit or loss	23,517,387,318.61	43.33	22,592,572,498.77	43.13	4.09	Mainly due to the increase of investment in public funds and bills
Short-term financing instruments payable	7,862,024,825.54	14.49	4,154,657,809.90	7.93	89.23	Mainly due to the increase of corporate bonds size
Due to banks and other financial institutions	2,504,430,138.93	4.61	3,694,418,222.23	7.05	-32.21	Mainly due to the decrease of in refinancing and inter-bank borrowing funds
Derivative financial liabilities	346,155.17	0.00	57,980.91	0.00	497.02	Mainly due to the increase of option size
Financial assets sold under repurchase agreements	11,656,081,798.82	21.48	12,200,308,194.73	23.29	-4.46	Mainly due to the decrease of pledge sell repo business size
Accounts payable to brokerage clients	11,339,802,645.78	20.89	10,555,230,551.25	20.15	7.43	Mainly due to the increase of funds from customers affected by market conditions
Taxes payable	171,360,193.07	0.32	131,604,084.55	0.25	30.21	Mainly due to the increase of enterprise income tax payable
Accounts payable	170,405,022.00	0.31	65,874,572.60	0.13	158.68	Mainly due to the increase of securities liquidation
Contract liabilities	43,504,914.44	0.08	26,495,681.41	0.05	64.20	Mainly due to the increase of trade advance
Bonds payable	3,556,994,197.66	6.55	4,610,250,342.02	8.80	-22.85	Mainly due to certain bonds with the remaining maturity less than one year divided into short-term financing instruments payable
Deferred income tax liabilities	22,279,698.90	0.04	14,241,536.99	0.03	56.44	Mainly due to the change in fair value of financial instruments
Other liabilities	534,434,323.97	0.98	344,423,399.69	0.66	55.17	Mainly due to the increase of dividends payable and prepaid fee

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2021, the total assets of the Group amounted to RMB54.273 billion, representing an increase of RMB1.896 billion or 3.62% as compared to the end of the previous year, mainly representing an increase in cash and bank balances and financial assets at fair value through profit or loss. Among them: cash and bank balances, clearing settlement funds and refundable deposits accounted for 28.77% of total assets, financial assets accounted for 47.38% of total assets, margin accounts receivable accounted for 13.98% of total assets, investment properties, fixed assets, construction in progress accounted for 0.45% of total assets, long-term equity investments accounted for 2.06% of total assets, financial assets held under resale agreements accounted for 3.00% of total assets, and right-of-use assets and other assets accounted for 4.36% of total assets.

As of 30 June 2021, the total liabilities of the Group amounted to RMB39.959 billion, representing an increase of RMB1.769 billion or 4.63% as compared to the end of the previous year, mainly representing an increase in short-term financing instruments payable. Among them: accounts payable to brokerage clients (including acting trading securities of credit trading) accounted for 28.38% of total liabilities; bonds payable, short-term financing instruments payable accounted for 28.58% of total liabilities, financial assets sold under repurchase agreements accounted for 29.17% of total liabilities, bank loans accounted for 0.81% of total liabilities, due to banks and other financial institutions accounted for 6.27% of total liabilities, financial liabilities at fair value through profit or loss accounted for 2.66% of total liabilities, and employee benefits payable, taxes payable, other liabilities accounted for 4.13% of total liabilities.

As of 30 June 2021, the Group's equity attributable to owners of the Parent amounted to RMB13.513 billion, representing an increase of RMB144 million or 1.08% as compared to the end of the previous year.

As of 30 June 2021, the Group's gearing ratio after deducting accounts payable to brokerage clients was 66.66%, representing an increase of 0.58 percentage point as compared to the end of the previous year.

2. Overseas assets

The overseas assets amounted to RMB2.214 billion, accounting for 4.08% of the total assets.

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

Please refer to NOTE 59 in the "VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION" of this report.

4. Commitments and contingent liabilities

Please refer to "XI. Commitments and contingencies" under Section 8 "REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION" of this report.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) Access to and ability of financing

Currently the Company meets its operating capital requirement through equity financing and debt financing. As a company listed on both domestic and overseas markets, the Company can obtain equity financing through channels such as issuance of new shares as approved by relevant authorities and according to market conditions and its own needs. Debt financing of the Company primarily consists of long-term financing through the issuance of corporate bonds, subordinated bonds and private bonds. In addition, the Company obtains short-term funds from investors such as commercial banks through platforms including the SSE, SZSE 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 limits by several banks. The existing financing channels of the Company are effective and sufficient to meet its business development funding needs.

For debt financing instruments and liquidity of the Company for the first half of 2021, please refer to 22, 23, 24, 26, 32 and 33 in the "VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION" of this report.

(IV) Analysis of investments

Overall analysis on external equity investments

At the end of the Reporting Period, the Group has long-term equity investment of RMB1.120 billion, representing an increase of RMB53 million or 4.96% as compared with the end of the previous year.

(1) Material equity investments

Please refer to NOTE 11 in the "VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 8 "REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION" of this report.

(2) Material non-equity investments

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

(3) Financial assets measured at fair value

Unit: Yuan Currency: RMB				
Item	Opening balance	Closing balance	Changes in current period	The amount of impact on current profits
Financial assets at fair value through profit or loss	22,592,572,498.77	23,517,387,318.61	924,814,819.84	602,480,217.14
Financial assets at fair value through other comprehensive income	2,088,805,149.07	1,828,566,172.53	-260,238,976.54	47,295,816.43
Derivative financial assets	—	—	—	—
Derivative financial liabilities	57,980.91	346,155.17	288,174.26	-20,279,373.48
Total	24,681,435,628.75	25,346,299,646.31	664,864,017.56	629,496,660.09

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(V) Material disposal of assets and equity interests

The transfer of the partial equity interest of Central China Micro-lending

The Proposal on the Transfer of the Partial Equity Interest Held by Central China Blue Ocean in Central China Micro-lending (《關於轉讓中州藍海持有中原小貸部分股權的議案》) was considered and approved at the 21st meeting of the Sixth Session of the Board on 13 August 2020, pursuant to which the Board agreed that Central China Blue Ocean would transfer its 15% equity interests in Central China Micro-lending by public quotation, and authorized the Company's management to handle various matters in respect of such equity transfer. On 22 January 2021, Central China Blue Ocean and Luohe Financial Holding Co., Ltd.* (漯河市金融控股有限公司) entered into the State-owned Property Rights Transaction Contract (《國有產權交易合同》).

For details of the above, please refer to the relevant announcements disclosed on the website of the SSE by the Company on 14 August 2020, 9 October 2020 and 23 January 2021. (Announcement No.: 2020-062, 2020-066 and 2021-005)

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

Central China Futures Co., Ltd.

Registered address:	4F, Zhongyuan Guangfa Finance Building, No. 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou, Henan Province
Date of incorporation:	18 April 1993
Registered capital:	RMB330 million
Shareholding proportion:	51.357%
Legal representative:	Xie Xuezhu
Contact No.:	0371-68599199
Principle business:	Commodity futures brokerage; financial futures brokerage; futures investment consultation; assets management
Financial position:	As of 30 June 2021, the total assets and net assets amounted to RMB2.071 billion and RMB416 million, respectively. In the first half of 2021, Central China Futures recorded an operating income of RMB1.074 billion and a net profit of RMB0.5293 million.
Reasons for the large fluctuations:	Central China Futures recorded a year-on-year increase of 136.56% in operating income and a year-on-year decrease of 88.80% in net profit in the first half of the year. During the Reporting Period, the increase in operating income was mainly due to the year-on-year increase in income from Yuxin Investment, a subsidiary of Central China Futures, the decrease in net profit during the Reporting Period was mainly due to the fact that in the basis trading and fixed-income business of Yuxin Investment, a subsidiary of Central China Futures, held spot and futures hedge, and the implied profit from the spot appreciation was not reflected in the large loss in the futures market as the forward purchase contract has not been executed. With the execution of forward purchase contracts and the successive sales of goods, the spot gains will be gradually reflected.

* For identification purpose only

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Zhongding Kaiyuan Venture Capital Management Co., Ltd.

Registered address:	Rooms 501–11, Building No. 1, No. 18 Courtyard, Lize Road, Fengtai District, Beijing
Date of incorporation:	8 February 2012
Registered capital:	RMB680 million
Shareholding proportion:	100%
Legal representative:	Zhou Jie
Contact No.:	0371–69177108
Principle business:	Investment management; assets management; equity investment; venture capital; investment consultation; financial consultant
Financial position:	As of 30 June 2021, the total assets and net assets amounted to RMB1.145 billion and RMB788 million, respectively. In the first half of 2021, ZDKY Venture Capital recorded an operating income of RMB62.4505 million and a net profit of RMB32.6188 million.
Reasons for the large fluctuations:	ZDKY Venture Capital recorded a year-on-year increase of 78.76% in operating income and a year-on-year increase of 107.18% in net profit in the first half of the year. The market value of the enterprises in which ZZKY Venture Capital, a subsidiary of ZDKY Venture Capital, invested reached record highs, contributing more investment income to ZDKY Venture Capital.

Central China International Financial Holdings Company Limited

Registered address:	Suites 1505 and 1508, Two Exchange Square, No. 8 Connaught Place, Central, Hong Kong
Date of incorporation:	29 October 2014
Registered capital:	HK\$1.8 billion
Shareholding proportion:	100%
Contact No.:	00852–25001375
Principle business:	Securities brokerage, futures brokerage, advising on securities, margin financing, futures brokerage, advising on futures contract, sponsorship and underwriting, financial consultant, proprietary investment
Financial position:	As of 30 June 2021, the total assets amounted to HK\$2.661 billion and net assets amounted to HK\$1.051 billion. In the first half of 2021, Central China International recorded an income and other incomes of HK\$16 million and a net profit of HK\$-57 million.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

Central China Blue Ocean Investment Management Company Limited

Registered address:	West to Laodong Road and north to Hongteng Road, Weidu Industry Cluster Area, Xuchang, Henan Province
Date of incorporation:	25 March 2015
Registered capital:	RMB3.00 billion
Shareholding proportion:	100%
Legal representative:	Xu Haijun
Contact No.:	0371-86503971
Principle business:	Investments in financial products, securities and equity using its own capital
Financial position:	As of 30 June 2021, the total assets and net assets amounted to RMB3.381 billion and RMB2.697 billion respectively. In the first half of 2021, Central China Blue Ocean recorded an operating income of RMB126 million and a net profit of RMB17.0509 million.
Reasons for the large fluctuations:	Central China Blue Ocean recorded a year-on-year increase of 117.27% in operating income and a year-on-year decrease of 40.56% in net profit in the first half of the year. Central China Blue Ocean recorded an increase in operating capital and the investment strategies delivered fruits, and the investment income from equity projects and financial products increased significantly. The profit for the period was reduced compared to the same period last year due to the accrued investment credit impairment losses for the period.

Central China Equity Exchange Co., Ltd.

Registered address:	No. 23 Business Outer Ring Road, Zhengdong New District, Zhengzhou, Henan Province
Date of incorporation:	29 June 2015
Registered capital:	RMB350 million
Shareholding proportion:	35%
Legal representative:	Zhao Jizeng
Contact No.:	0371-61775086
Principle business:	Provide enterprises with registration, custody, listing, transfer and financing services of equity, debt and other equity assets; investment and asset management; financial consultant, enterprise promotion, enterprise display, training and consulting services. (For items subject to approval according to law, business activities can be carried out only after approval by relevant authorities)
Financial position:	As of 30 June 2021, the total assets and net assets amounted to RMB428 million and RMB368 million, respectively. In the first half of 2021, Equity Exchange Co. recorded an operating income of RMB64 million and a net profit of RMB36.5861 million.

(VII) Structured entities controlled by the Company

As of 30 June 2021, the Group had consolidated 8 structured entities, including asset management plans and partnerships. For the structured entities that the Company acts as the manager of the structured entities and holds the product shares, the Company has included the structured entities over which the Company has control in the consolidated financial statements after taking into account factors such as the Company's right to make investment decisions, exposure to variable returns and the ability to use the right to make investment decisions to affect variable returns.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

V. OTHER DISCLOSURE

(I) Potential risks

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

1. Risk management framework

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

During the Reporting Period, the Company analyzed the risks arising in the industry and the Company and strengthened risk management through two aspects: firstly, improving the authorization management of the scale and limits of each business and subsidiary; secondly, continuously participating in the key risk management processes of each department and subsidiary to improve the control system.

2. Risk management system

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

During the Reporting Period, the Company continued to improve its risk control system and diversify risk control means: firstly, the Company summarized the risk loss characteristics of the industry and the Company's stock pledge business, and revised and improved the Company's Management Measures for Risk of Stock Pledge Business (《股票質押業務風險管理辦法》) and Rules for Risk Monitoring of Stock Pledge Business (《股票質押業務風險監控細則》); secondly, according to the changes in margin financing and securities lending risks, the Company revised the Management Measures for Risk of Margin Financing and Securities Lending Business (《融資融券業務風險管理辦法》) and Rules for Risk Monitoring of Margin Financing and Securities Lending Business (《融資融券業務風險監控細則》); thirdly, according to the new regulation and reform requirements of asset management and internal management needs, planned to formulate Rules for Risk Monitoring in Cash Management of Asset Management Business (《資產管理業務現金管理風險監控細則》); fourthly, according to the needs of business development, promoted the revision and improvement of the securities management system of asset management business, the stress test system of asset management products, the measures for managing cooperation institutions of private placement commission business and the front-end risk control system of securities conversion and securities lending business.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

3. Risk management information system

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

During the Reporting Period, the Company's risk management system was continuously upgraded and improved: first, completed the construction of subsidiary management system, and realized the extraction and system monitoring of the main business data of the subsidiaries; second, completed the upgrade of interest rate swap module test; third, promoted the implementation of the internal rating system, and strengthened credit risk management; fourth, investigated the implementation plan of the same business and customer system, and promoted unified risk management and control; fifth, organized the upgrading work of the second generation of PBOC credit system.

4. Risk response mechanism

The key risks faced by the Company include credit risk, market risk, liquidity risk, operation risk, compliance risk and information technology risk. Specific details are set out as follows:

(1) Credit risk and policies

Credit risks refer to risks of losses arising from a borrower, counterparty or issuer's failure to perform an agreement as agreed, specifically in the following aspects: (1) default or ratings downgrade of investment targets; (2) a counterparty's default; (3) risk of failure to duly repay loans or securities upon expiry of product or customer contracts or when the maintenance guarantee ratio or performance guarantee ratio falls under the closing positions; and (4) receivables due to settlement of brokerage business becoming bad debts. Currently the Company's credit risk mainly comes from the bond investment, margin financing and securities lending, and securities-backed lending, as well as financing business, investment business and over-the-counter derivatives business carried out by its subsidiaries.

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

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

At the end of the Reporting Period, the average maintenance guarantee ratio of our customers in the margin financing and securities lending business was 278%, and the average performance guarantee ratio of our customers in the securities repurchase transaction business was 273%, the average performance guarantee ratio of the customers of the on-balance sheet securities-backed lending business was 184%, and no significant credit risk items were added to the Company's business and subsidiaries.

(2) Market risk and policies

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, the Company continued to improve the control of market risk. Firstly, the DV01 amount of the basis point value management index was broken down and detailed to departments and securities varieties such as credit bonds and interest rate bonds for control. Secondly, it researched hedging investment strategies and used financial derivatives such as treasury bond futures and interest rate swaps to carry out risk-neutral investment trading business and hedge part of the market risk exposure. Thirdly, the Company unified market risk management and improved the market risk business of the Company and its subsidiaries according to the same risk control management principles, including improving the risk control programs for various products of asset management business according to product series, and improving the risk control indicators such as the scale, limit, single-variety concentration and stop loss limit of investment business of Central China Futures.

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

(3) Liquidity risk and policies

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

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

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the Company's liquidity coverage ratio and the net stable funding ratio were 191.89% and 143.65%, respectively, which were in compliance with the regulatory requirements, and no material liquidity risk event occurred.

(4) Operational risk and policies

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

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

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

(5) Compliance risk and policies

Compliance risk refers to the risk of the Company being legally held accountable, subject to supervisory measures, given self-discipline penalties or suffering from loss of property or reputation arising from violation of laws, regulations or rules by the operation and management or licensed practices of the Company or its personnel.

The Company's Compliance Management Department keeps track of laws, regulations and guidelines in a timely manner, and continuously improves the Company's compliance management system based on the actual situation of the Company; supervises each Company unit to timely improve the internal management systems and optimize the business processes in accordance with changes in laws, regulations and standards; provides compliance advice and consultation for the Company's management and various units; conducts compliance reviews of the Company's internal management systems, major decisions, new products, new business plans, etc.; strengthens the training of compliance administrators of relevant units, and creates a team of compliance administrators with strong compliance awareness and professional capabilities; timely identifies, evaluates and manages the relevant compliance risks in the Company's operation and management through compliance monitoring, supervision and inspection, compliance management, effectiveness assessment and other measures, and integrates compliance management into decision-making, execution, supervision, feedback and other links, and integrates into the whole process of company operation and management; organizes money laundering risk prevention and control work in accordance with the Company's anti-money laundering system; strictly implements compliance assessment and accountability mechanisms to provide strong guarantees for compliance management; performs regular and ad hoc compliance reporting obligations to regulatory authorities; carries out the construction of compliance culture, strengthens compliance publicity, and improves the self-restraint mechanism to ensure compliance operation and standardized development.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Compliance Management Headquarters strengthened the Company's compliance inspections for key business and key areas, mainly involving comprehensive inspections on self-inspection and self-correction, special inspections on integrity practices, verification of employee securities account openings, special inspections for compliance assessment in 2020, investor suitability special inspection, brokerage business branch compliance and anti-money laundering inspection, investment bank equity business issuance and underwriting special inspection and other 12 items, supervising all units to effectively identify, prevent and resolve compliance risks. At the same time, the Company optimized the functional modules and parameter settings of the anti-money laundering management system 4.0, added compliance administrator review nodes and high-risk customer due diligence modules, improved the blacklist monitoring and early warning processing process, and further increased the Company's money laundering risk management ability.

(6) Information technology risk and policies

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

During the Reporting Period, through the application of and the investment in information system business continuity system construction, new technology application, security reinforcement, infrastructure update and other aspects, the Company laid a solid foundation for the operation and maintenance of information system and further improved the stability of information system. Firstly, the Company carried out self-inspection and rectification of the information system, carried out security reinforcement, and strengthened operation and maintenance monitoring; secondly, in terms of security and emergency response, the Company improved the security, effectiveness and stability of the information system by optimizing the network structure, strengthening threat early warning and virus prevention, and carrying out attack penetration tests and regular emergency drills; thirdly, the Company strengthened the safe operation performance of infrastructure and ensured the safe operation of information system by upgrading the network exchange bandwidth of core business areas to 10 gigabit, replacing the 5 million-level Internet core firewall equipment, expanding the cloud computing resource pool used for production, carrying out the construction of the second phase of big data log and speeding up troubleshooting, etc.; fourthly, in terms of emergency management capability of disaster recovery systems, by improving the construction of the remote disaster recovery system, completing the valuation system, the TA system, and the legal person clearing system construction of the remote disaster recovery, the Company's information system backup capability has been improved. By regularly organizing and conducting switching and exercises of disaster preparedness for the trading system, the Company's emergency response capabilities have been improved. During the Reporting Period, the Company carried out automation and intelligent construction through continuous implementation of normalization, standardization, streamlining and refinement, continuously improved and optimized the IT operation systems, and increase investment in information security, cloud computing applications, infrastructure additions and updates, adopted stable and efficient technological framework, consolidated the basis of the information system operation and maintenance guarantee, and effectively support the Company's business development.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Impact of the COVID-19 on the Company

Based on a comprehensive valuation, the COVID-19 pandemic (the “Pandemic”) had no material impact on the Company’s finance or operation during the Reporting Period. In terms of credit risks, the Pandemic containment in mainland China mitigates its impact on enterprises quickly, which recovered enterprises’ development. The Company’s major customers were domestic customers and Chinese enterprises, and the Pandemic had no material impact on the Company’s finance or operation. The credit risk was under control as a whole and it is expected to have little impact on the Company in the future. In terms of market risks, the Company’s investment business mainly targets the domestic market, which has not been significantly impacted. In terms of operational risks, the Company focused on the online off-site transactions and services, securing scheduled and orderly operation of the Company and putting the operational risk under control on the whole. In terms of liquidity risks, as the Pandemic mitigates, central banks and governments of major global economies will release easing and gradually collect monetary policy expectations. Though this may cause market volatility, it will have little impact on the Company’s liquidity risk.

(III) Employees, remuneration policies and training

As of the end of the Reporting Period, the Group had a total of 2,788 employees, including 2,417 from the Company and 371 from its subsidiaries. By signing letter of responsibilities on annual operation objectives, the Company revised and optimized annual incentive and restriction mechanism for all business lines, and linked incentives and restriction directly to business performances. Under a strict performance assessment mechanism, the Company also increased incentives for special contributors to inspire the cadres and staff. The remuneration provided by the Company consists of basic salary, allowance, performance bonus and welfare. The welfare provided to employees includes basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund, etc. In addition, the Company also established the enterprise annuity program so as to further enhance its ability in providing enterprise welfare and security.

The Company provided tailor-made training programs to its cadres and staff, and continued to strengthen training so that training could be provided on a regular basis. The Company has prepared the annual training program and organized a number of professional business training in the first half of 2021.

SECTION 4 CORPORATE GOVERNANCE

I. SUMMARY OF GENERAL MEETING

General meeting	Date of convention	Designated website for publication of the poll results	Date of publication of the poll results
2020 Annual General Meeting	30 June 2021	http://www.sse.com.cn http://www.hkexnews.hk	1 July 2021 30 June 2021

During the Reporting Period, the Company convened 1 general meeting in total, with the information about the meeting and resolutions set out as follows:

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

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

Name	Position	Change
Chang Junsheng	Executive Director, Vice Chairman and President	Resigned
Yuen Chi Wai	Independent Non-executive Director	Resigned
Ning Jincheng	Independent Non-executive Director	Resigned
Chen Zhiyong	Independent Non-executive Director	Elected
Tsang Sung	Independent Non-executive Director	Elected

- On 8 June 2021, the Board of the Company received a written report of resignation from Mr. Chang Junsheng, an executive Director, vice chairman and the President of the Company. Mr. Chang Junsheng applied to resign as the executive Director, vice chairman, and the President of the Company and all other positions he held in the Company due to personal family reasons. According to the Company Law, the Articles of Association and relevant regulations, his resignation shall take effect from the date on which his report of resignation was served to the Board of the Company. On 9 June 2021, the Proposal on Performing the Duties of the President by the Executive Vice President was considered and approved at the 31st meeting of the Sixth Session of the Board of the Company, pursuant to which, Mr. Zhu Jianmin, the Executive Vice President of the Company, is designated to perform the duties of the President. The Company will complete the appointment of the new President as soon as practicable with legal procedures in accordance with the relevant provisions of the Company Law and the Articles of Association.

SECTION 4 CORPORATE GOVERNANCE

2. On 30 June 2021, the Resolution on the Election of Independent Directors of the Sixth Session of the Board was considered and approved at the 2020 Annual General Meeting of the Company, and it was agreed that Mr. Chen Zhiyong and Mr. Tsang Sung be elected as independent non-executive Directors of the Sixth Session of the Board of the Company, with a term of office until the expiry of the current session of the Board. From the effective date of the aforesaid appointment of the independent non-executive Directors of Mr. Chen Zhiyong and Mr. Tsang Sung (i.e. 30 June 2021), Mr. Yuen Chi Wai ceased to serve as an independent non-executive Director, the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee under the Board, and Mr. Ning Jincheng ceased to serve as an independent non-executive Director, a member of the Remuneration and Nomination Committee and a member of the Risk Control Committee under the Board. According to the adjustment proposal on the composition of members of the specialized committees under the Sixth Session of the Board considered and approved by the Board on 28 May 2021, since 30 June 2021, Mr. Chen Zhiyong has served as the chairman of the Remuneration and Nomination Committee and a member of the Risk Control Committee under the Board, and Mr. Tsang Sung has served as a member of the Remuneration and Nomination Committee and a member of the Audit Committee under the Board.

For details of the above information, please refer to the announcements of the Company dated 28 May 2021, 9 June 2021 and 30 June 2021 respectively published on the HKExnews website of the Hong Kong Stock Exchange, and the relevant announcements of the Company dated 29 May 2021, 10 June 2021 and 1 July 2021 respectively published on the website of the SSE. (Announcement No.: 2021-029, 2021-033 and 2021-037)

III. PROPOSAL FOR PROFIT DISTRIBUTION OR CONVERSION 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 or significant cash outlay, or any other events occurred that prohibit profit distribution in accordance with relevant laws, regulations and regulatory documents, the profit distributed by cash dividend each year shall be no less than 20% of the distributable profit realized for that year.

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

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

SECTION 4 CORPORATE GOVERNANCE

According to the 2021 interim financial statements of the Company (unaudited), the Company achieved a net profit attributable to owners of the parent company of RMB228,961,700.48 for the first half of 2021. After the withdrawal of the surplus reserve and various risk reserves, and plus the undistributed profits at the beginning of this year, the accumulated distributable profit amounted to RMB157,682,349.05 as of 30 June 2021.

As approved by the Board, the Company proposes to distribute a cash dividend for the first half of 2021 (interim dividend) of RMB0.17 (tax inclusive) for every 10 shares based on the number of total issued shares of the Company on the record date for payment of the cash dividend to all shareholders whose names appear on the register of members of the Company on the record date. The cash dividend proposed to be distributed totals RMB78,929,039.90 (tax inclusive), representing 34.47% of the net profit attributable to owners of the parent company for the first half of 2021 and 50.06% of the accumulated distributable profit. In the event of change in total share capital of the Company after the date of the Board meeting approving the profit distribution plan for the first half of 2021 and before the record date for payment of the cash dividend, the total distribution amount will be kept unchanged and the rate will be adjusted accordingly. No capital reserves will be converted into share capital and no bonus shares will be issued by the Company for the first half of 2021.

The proposed profit distribution plan is subject to the consideration and approval at the 2021 first extraordinary general meeting of the Company.

The formation 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.

After the profit distribution plan of the Company for the first half of 2021 is considered and approved at the first extraordinary general meeting in 2021, the Company will distribute the cash dividend (interim dividend) in two months after the date of such general meeting. The Company will publish separate announcement on the record date and book closure period for the payment of the dividends to H shareholders, as well as the record date and the payment date in relation to the distribution to A shareholders after the date of the first extraordinary general meeting in 2021 is determined.

SECTION 5 SIGNIFICANT EVENTS

I. PERFORMANCE OF UNDERTAKINGS

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

Background of undertakings	Type of undertakings	Undertaking party	Contents of undertakings	Date and duration of undertakings	Any deadline for performance	Whether timely and strictly performed	In case of failure to perform in time, the specific reasons for the incomplete performance shall be stated	In case of failure to perform in time, future plans shall be described
Undertaking in relation to the initial public offering	Shares subject to trading moratorium	Henan Investment Group	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	Within 12 months from the date of listing and trading of the restricted A shares under the initial public offering of Central China Securities held by Henan Investment Group, the shares held by Central China Securities shall not be reduced in any way	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		

SECTION 5 SIGNIFICANT EVENTS

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

* For identification purpose only

SECTION 5 SIGNIFICANT EVENTS

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

- Notes: (1) For the three consecutive years from 2020 to 2022, the Company's investment in compliance risk control of each year shall not be less than 3% of the Company's operating income in the previous year;
- (2) For the three consecutive years from 2020 to 2022, the Company's investment in information technology of each year shall not be less than 6% of the Company's operating income in the previous year;
- (3) According to the plan for the use of proceeds from the non-public issuance of A shares, the Company intends to use no more than RMB100 million for the continuous construction and improvement of information systems and increasing the investment in compliance management and comprehensive risk management system construction;
- (4) From 2020 to 2022, the Company shall disclose in its annual report the actual investment in compliance risk control and information technology;
- (5) On the premise of the use of proceeds from the non-public issuance of A shares complying with relevant laws and regulations, the Company shall take into full account the capital investment in both compliance risk control and information technology.

* For identification purpose only

SECTION 5 SIGNIFICANT EVENTS

II. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period:

Unit: 10,000 Currency: RMB

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

* For identification purpose only

SECTION 5 SIGNIFICANT EVENTS

Note 1: The Company filed a lawsuit against Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership) (hereinafter referred to as “Ruichen Investment”), Tan Songbin and Zhou Juan, asserting the defendants’ breach of contract in the securities-backed lending business. On 22 January 2020, the Company received the (2019) Supreme Court Minzhong No. 1917 civil judgment issued by the Supreme People’s Court of the People’s Republic of China, which supported the claim that Ruichen Investment shall pay the Company the financing principal of approximately RMB187.9998 million and liquidated damages, attorney’s fees and insurance premiums. Under the procedure for compulsory enforcement, Zhengzhou Intermediate People’s Court (hereinafter referred to as “Zhengzhou Intermediate People’s Court”) auctioned 24,529,900 shares of Guangdong Silver Age Sci & Tech Co., Ltd.* (廣東銀禧科技股份有限公司) according to the corresponding procedures, and the auction was completed at the price of RMB188,884,151.85 on 2 March 2021. The Company has received the full amount of RMB188,884,151.85 for the auction. In addition, in the case of a dispute on a financial loan contract among Suzhou Branch of the Shanghai Pudong Development Bank Co. Ltd.* (上海浦東發展銀行股份有限公司), Tan Songbin and Zhou Juan, the Company, as a creditor, received a total of RMB14,696,886.5 for the execution of the distribution. (Details of the aforementioned issues were disclosed in the 2021 First Quarterly Report dated 20 April 2021 as published by the Company on the HKExnews website of the Hong Kong Stock Exchange.) On 6 April 2021, the Company received the (2021) Yu 01 Zhi No. 490 execution ruling from the Zhengzhou Intermediate People’s Court. As the Company and Ruichen Investment reached a settlement agreement and performed it for a long time, the enforcement of this case was determined to be terminated. As at the end of the Reporting Period, the execution of the settlement agreement of the case was still in the process of performance. As of 30 June 2021, the principal had been fully recovered.

Note 2: The Company filed a lawsuit against Kedi Food Group Co., Ltd. (hereinafter referred to as “Kedi Group”), asserting the defendant’s breach of securities-backed lending contract, and after the first instance judgment issued by the Zhengzhou Intermediate People’s Court, both Kedi Group and the Company refused to obey the first instance judgment and instituted an appeal. On 3 August 2020, the Company received the (2020) Yu Minzhong No. 636 civil judgment from Henan High People’s Court (hereinafter referred to as “Henan High People’s Court”) stating that Kedi Group was deemed to withdraw the appeal on its own account since it failed to pay the appeal fees within the stipulated period, and the Company’s withdrawal of the appeal was allowed and this ruling was final. Zhengzhou Intermediate People’s Court accepted the case for compulsory enforcement on 24 August 2020. On 24 December 2020, Henan Kedi Dairy Co., Ltd.* (河南科迪乳業股份有限公司) published an alert announcement regarding the application for bankruptcy reorganization of its controlling shareholder, and Shangqiu Intermediate People’s Court (hereinafter referred to as “Shangqiu Intermediate People’s Court”) made a (2020) Yu 14 Po Shen No.20 civil judgment, ruling that Wei Junping (魏均平)’s application for bankruptcy reorganization of Kedi Group was accepted. The Company has reported its claims as a creditor. On 21 January 2021, Zhengzhou Intermediate People’s Court issued (2020) Yu 01 Zhi Two of No. 1089 enforcement ruling, to conclude the enforcement procedure against Kedi Group, the person subject to enforcement, as the application for bankruptcy reorganization of Kedi Group was accepted by Shangqiu Intermediate People’s Court. As of the end of the Reporting Period, Kedi Group was under the procedure of bankruptcy reorganization. As of 30 June 2021, the book value of the financing principal amounted to RMB305 million, and the accumulated provision for impairment amounted to RMB83 million.

* For identification purpose only

SECTION 5 SIGNIFICANT EVENTS

Note 3: The Company filed a lawsuit against Great Wall Film & Culture Company Group Limited (currently known as Zhejiang Qingfeng Yuansheng Culture Limited, hereinafter referred to as “Great Wall Film” or “Zhejiang Qingfeng”), asserting the defendant’s breach of securities-backed lending contract. On 5 December 2019, the Henan High People’s Court issued the (2019) Yuminchu No. 11 civil judgment, which supported the Company’s claims including the payment to be made by Great Wall Film for the financing principal with an amount of RMB200.00 million and interest, liquidated damages, attorney’s fees and litigation property preservation insurance premiums. After the case entered the compulsory enforcement procedure, Zhengzhou Intermediate People’s Court ruled that 50,400,000 shares of Great Wall Movie and Television Co., Ltd. (長城影視股份有限公司) (Stock Abbreviation: *ST Grate Wall) (Stock Code: 002071) held by Great Wall Film were valued at RMB71,542,800 and delivered to the Company to offset its equivalent creditor’s rights, and ruled to conclude this enforcement procedure. In order to protect its legal rights and interests, the Company filed an enforcement objection lawsuit with Zhengzhou Intermediate People’s Court, requesting an order to add the defendants, Zhao Feifan (趙非凡) and Zhao Ruiyong (趙銳勇), as the persons to be executed in the execution case between the Company and the third party, Zhejiang Qingfeng; and to order the defendants, Zhao Feifan and Zhao Ruiyong, to assume joint and several liability for the debts owed to the Company by the third party, Zhejiang Qingfeng in the amount of RMB146.5671 million within the scope of their subscribed capital contribution. (Details of the aforementioned issues have been disclosed in the annual results announcement for the year ended 31 December 2020 dated 30 March 2021 as published by the Company on the HKExnews website of the Hong Kong Stock Exchange.). The Company received the (2020) Yu 01 Minchu No. 1751 civil judgment issued by Zhengzhou Intermediate People’s Court on 26 May 2021, which ruled to add Zhao Ruiyong and Zhao Feifan as the persons to be executed in the case of Central China Securities Co., Ltd. against Great Wall Film on the securities-backed lending contract, and to assume liability within the scope of the not fully paid capital contribution of RMB350,065 million and RMB649,935 million respectively. As of the end of the Reporting Period, this judgment had come into effect. As of 30 June 2021, the book value of the balance of the creditor’s right amounted to RMB128 million, and a full provision for bad debt had been made.

Note 4: Central China Blue Ocean filed a lawsuit against Henan Zhongyi Real Estate Co., Ltd. (hereinafter referred to as “Zhongyi Real Estate”), asserting the defendant’s breach of financial entrusted wealth management contract. On 31 October 2019, Central China Blue Ocean received the (2019) Yu 01 Minchu No. 1407 civil judgment issued by Zhengzhou Intermediate People’s Court, which supported Central China Blue Ocean’s claims including the payment to be made by Zhongyi Real Estate of trust loan principal with an amount of RMB99.69 million and interest, penalty interest, compound interest, liquidated damages and attorney’s fees. After the case entered the compulsory enforcement procedure, in accordance with the corresponding procedures, Zhengzhou Intermediate People’s Court conducted an auction of the 2 properties located at East Park, No. 69 Hongyuan Road, Jinshui District in the names of Xu Zengcai and Xu Xianghong, the persons being executed, and one of the two properties was sold out at the auction for a consideration of RMB5,527,354.5 (Details of the aforementioned issues have been disclosed in the 2021 First Quarterly Report dated 20 April 2021 as published by the Company on the HKExnews website of the Hong Kong Stock Exchange). On 18 June 2021, Central China Blue Ocean received the amount of RMB2,443,099.88 for the execution of the distribution after deducting the balance of the principal of and interest on the bank mortgage loan and execution charge from the auction consideration.

In addition, on 3 June 2021, Zhengzhou High-tech Industrial Development Zone People’s Court (hereinafter referred to as “Zhengzhou High-tech Zone Court”) made the (2021) Yu 0191 Zhihui No. 2387 order. According to the (2020) Yu 0191 Xiezhishi No. 9422 execution order, a total of 37 sets of properties located at No. 5 Yinping Road, High-tech Industrial Development Zone under the name of the Zhongyi Real Estate, the person subject to enforcement, were sealed up and to be disposed of. Central China Blue Ocean, as the mortgagee of the above properties sealed up, was not satisfied with the court’s enforcement, and filed an enforcement objection lawsuit with Zhengzhou High-tech Zone Court on 10 June 2021. As of the end of the Reporting Period, the court had not yet made a decision. As of 30 June 2021, the book balance amounted to RMB98 million, and the accumulated provision for impairment amounted to RMB1 million.

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

SECTION 5 SIGNIFICANT EVENTS

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

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

IV. MATERIAL RELATED PARTY/CONNECTED TRANSACTIONS

During the Reporting Period, the Company conducted related party/continuing connected transactions in the ordinary course of business in strict compliance with the Resolution on Estimation of Related Party/Continuing Connected Transactions Contemplated in the Ordinary Course of Business in 2021 considered and approved at the twenty-seventh 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 subsidiaries and associates

1. Securities and financial products transactions

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual cap for transactions in 2021	Actual amount during the Reporting Period
Securities and financial products transactions	Total net cash inflow to the Group	1,500.00	0.00
	Total net cash outflow from the Group	12,300.00	2,041.68

Note: In 2021, the estimated total net cash inflow to the Group is mainly the gains derived from subscriptions by the Group of financial products issued by Zhongyuan Trust and the total net cash outflow from the Group is mainly the Group's subscription amount of financial products issued by Henan Asset Fund Management Co., Ltd.

2. Securities and financial services

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual cap for transactions in 2021	Actual amount during the Reporting Period
Securities and financial services	Revenue from provision of securities and financial services to Henan Investment Group and its associates	3,380.50	30.42

SECTION 5 SIGNIFICANT EVENTS

(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 cap for transactions in 2021	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 2021, the estimated total net cash inflow to the Group is mainly the amount incurred by Equity Exchange Co. for the subscription of financial products issued by the Group and contribution to the funds set up by the Group, and the total net cash outflow from the Group is mainly the payment to Equity Exchange Co. of the gains derived from its subscriptions of financial products issued by the Group.

2. Securities and financial services

Unit: 10,000 Currency: RMB

Nature of transaction	Type of transaction	Annual cap for transactions in 2021	Actual amount during the Reporting Period
Securities and financial services	Revenue from the provision of securities and financial services to Equity Exchange Co.	194.50	112.96
	Expenses incurred by the provision of securities and financial services to the Group	1,010.00	72.02

SECTION 5 SIGNIFICANT EVENTS

V. MATERIAL CONTRACTS AND CONTRACT PERFORMANCE

Unit: Yuan Currency: RMB

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

Guarantor	Relationship between guarantor and the listed company	Guarantee amount	Commencement date of guarantee (date of the agreement)	Guarantee starting date	Guarantee expiration date	Type of guarantee	Main liabilities	Collaterals (if any)	Guarantee fully performed	Guarantee overdue	Overdue amount	Counter guarantee available	Guarantee provided to related parties	Related party relationship
Total amount of guarantees incurred during the Reporting Period (excluding the guarantees provided to subsidiaries)														0
Total balance of guarantees as at the end of the Reporting Period (A) (excluding the guarantees provided to subsidiaries)														0
Guarantees provided by the Company and its subsidiaries to subsidiaries														
Total amount of guarantees provided to subsidiaries during the Reporting Period														0.00
Total balance of guarantee provided to subsidiaries as at the end of the Reporting Period (B)														278,746,800.00
Total amount of guarantees provided by the Company (including the guarantees to subsidiaries)														
Total amount of guarantees (A+B)														278,746,800.00
Percentage of total guarantee over the net assets of the Company (%)														2.06
Including:														
Amount of guarantees provided to shareholders, de facto controller and their related parties (C)														
Amount of debt guarantees directly or indirectly provided to the parties guaranteed with the gearing ratio exceeding 70% (D)														
Amount of total guarantee exceeding 50% of net assets (E)														
Total amount of the above three types of guarantees (C+D+E)														
Explanations on outstanding guarantee which may assume joint and several liabilities for repayment														
Explanations on guarantees														

As at the end of the Reporting Period, the Company provided counter-guarantee for its wholly-owned subsidiary Central China International's overseas loans, the balance of which amounted to RMB278,746,800.00 in total (equivalent to HK\$335,000,000.00)

SECTION 5 SIGNIFICANT EVENTS

VI. OTHER SIGNIFICANT EVENTS

(I) Non-public issuance of A shares

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

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 capital-based intermediary business; (2) developing investment and trading businesses; (3) increasing the capital of the domestic and overseas wholly-owned subsidiaries; (4) investing in the information system construction and compliance and risk control; and (5) replenishing the working capital.

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

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

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

SECTION 5 SIGNIFICANT EVENTS

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

(II) Compliance with the Corporate Governance Code

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

(III) Compliance with the Model Code

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

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

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

(V) Review of the report

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

(VI) Events after the balance sheet date

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

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in shares

During the Reporting Period, the changes in shares of the Company are as follows:

Unit: Share

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

2. Explanations on changes in shares

On 1 February 2021, a total of 773,814,000 A shares under the non-public issuance of new A shares were released from sales restrictions and commenced trading. For details of the above, please refer to the relevant announcement disclosed by the Company on the website of the SSE on 23 January 2021 (Announcement No.: 2021-004).

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

(II) Changes in shares subject to trading moratorium

Unit: Share

Name of shareholders	Number of shares subject to trading moratorium at the beginning of the Period	Number of shares released from trading moratorium during the Reporting Period	Increase in the number of shares subject to trading moratorium during the Reporting Period	Number of shares subject to trading moratorium as at the end of the Reporting Period	Reasons for trading moratorium	Date of release from trading moratorium
Shanghai Gaoyi Asset Management Partnership (Limited Partnership)	116,595,322	116,595,322		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
China International Capital Corporation Limited	91,295,116	91,295,116		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Guotai Junan Securities Co., Ltd.	82,802,547	82,802,547		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	63,694,267	63,694,267		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Caitong Fund Management Co., Ltd.	53,927,813	53,927,813		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Henan Railway Investment Co., Ltd.	47,239,915	47,239,915		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Generali China Asset Management Co., Ltd	42,462,845	42,462,845		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Jinxiu Zhonghe (Tianjin) Investment Management Co., Ltd.	39,702,760	39,702,760		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
CITIC Securities Company Limited	35,031,847	35,031,847		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Bay Area Industry and Finance Investment (Guangzhou) Co., Ltd.	31,847,133	31,847,133		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Jiangsu SOHO Holdings Group Co., Ltd.	25,477,707	25,477,707		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
CSC Financial Co., Ltd.	25,477,707	25,477,707		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Hangzhou Zetong Investment Management Co., Ltd.	21,443,736	21,443,736		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Sunshine Asset Management Corporation Limited	20,382,165	20,382,165		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Hebei Guokong Capital Management Co., Ltd.	19,108,280	19,108,280		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Zi Jianjun	19,108,280	19,108,280		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Guosen Securities Co., Ltd.	19,108,280	19,108,280		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Shanghai Boshen Investment Limited Partnership	19,108,280	19,108,280		0	Shares subject to trading moratorium issued under the non-public issuance	1 February 2021
Total	773,814,000	773,814,000		0	/	/

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS

(I) Total number of shareholders

Total number of holders of ordinary shares as at the end of the Reporting Period 158,626
Among which: 158,585 A shareholders; 41 registered H shareholders

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

Unit: Share

Shareholdings of the top ten shareholders

Name of shareholders (Full name)	Changes during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Shares pledged, marked or frozen	Status of shares	Number	Nature of shareholders
HKSCC Nominees Limited		1,195,140,850	25.74			None		Foreign legal person
Henan Investment Group Co., Ltd.		822,983,847	17.73			None		State-owned legal person
Bohai Industrial Investment Fund Management Co., Ltd. — Bohai Industrial Investment Fund (Tranche 1)* (渤海產業投資基金管理有限公司 — 渤海產業投資基金一期)	-92,953,547	338,785,004	7.30			None		Others
Anyang Iron & Steel Group Co., Ltd.* (安陽鋼鐵集團有限責任公司)		177,514,015	3.82			None		State-owned legal person
China Pingmei Shenma Energy & Chemical Group Co., Ltd.		63,694,267	1.37			None		State-owned legal person
Anyang Economic Development Group Co., Ltd.* (安陽經濟開發集團有限公司)		48,824,693	1.05			Pledged	24,412,346	State-owned legal person
Henan Railway Investment Co., Ltd.* (河南鐵路投資有限責任公司)		47,239,915	1.02			None		State-owned legal person
Zheng Yu (鄭宇)	10,414,300	45,056,490	0.97			None		Domestic natural person
China Construction Bank Corporation — Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund* (中國建設銀行股份有限公司 — 國泰中証全指證券公司交易型開放式指數證券投資基金)	11,495,125	38,220,225	0.82			None		Others
Jiangsu SOHO Holdings Group Co., Ltd.	1,804,900	27,282,607	0.59			None		State-owned legal person

Note: As known to the Company, as of the end of the Reporting Period, in addition to the 822,983,847 A shares of the Company directly held by it, Henan Investment Group also held 46,733,000 H shares of the Company through its wholly-owned subsidiary, Dahe Paper (Hong Kong) Co., Limited, and held 104,977,000 H shares of the Company through Stock Connect's Southbound trading, totaling 974,693,847 shares of the Company, accounting for 20.99% of the total issued shares of the Company.

* For identification purpose only

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares not subject to trading moratorium	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	1,195,140,850	Overseas-listed foreign shares	1,195,140,850
Henan Investment Group Co., Ltd.	822,983,847	RMB-denominated ordinary shares	822,983,847
Bohai Industrial Investment Fund Management Co., Ltd. — Bohai Industrial Investment Fund (Tranche 1)	338,785,004	RMB-denominated ordinary shares	338,785,004
Anyang Iron & Steel Group Co., Ltd.	177,514,015	RMB-denominated ordinary shares	177,514,015
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	63,694,267	RMB-denominated ordinary shares	63,694,267
Anyang Economic Development Group Co., Ltd.	48,824,693	RMB-denominated ordinary shares	48,824,693
Henan Railway Investment Co., Ltd.	47,239,915	RMB-denominated ordinary shares	47,239,915
Zheng Yu	45,056,490	RMB-denominated ordinary shares	45,056,490
China Construction Bank Corporation — Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	38,220,225	RMB-denominated ordinary shares	38,220,225
Jiangsu SOHO Holdings Group Co., Ltd.	27,282,607	RMB-denominated ordinary shares	27,282,607

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》)

(III) Interests and short positions of Directors, Supervisors and senior management in the shares, underlying shares and debentures of the Company and its associated corporations

As at the end of the Reporting Period, based on the information acquired by the Company and the knowledge of the Directors, the Directors, Supervisors and 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 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	0.016	0.063	Long position
		Beneficiary of a trust	539,754	0.012	0.045	Long position

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

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

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

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

Name 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	A Share	Beneficial owner	822,983,847	17.726	23.872	Long position
	H Share	Beneficial owner/ Interest of corporation controlled by the substantial shareholder	151,710,000 ¹	3.268	12.692	Long position
Bohai Industrial Investment Fund	A Share	Beneficial owner	338,785,004	7.297	9.827	Long position
Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of the Bohai Industrial Investment Fund)	A Share	Investment manager	338,785,004	7.297	9.827	Long position
Anyang Iron & Steel Group Co., Ltd.	A Share	Beneficial owner	177,514,015	3.823	5.149	Long position
Shanghai Ningquan Asset Management Co., Ltd.* (上海寧泉資產管理有限公司)	H Share	Investment manager	84,067,000	1.811	7.033	Long position

Note:

- As known to the Directors, as of 30 June 2021, Henan Investment Group (through Stock Connect's Southbound trading) directly held a long position in 104,977,000 H shares of the Company, and through its indirect wholly-owned subsidiary, Dahe Paper (Hong Kong) Co., Limited, indirectly held a long position in 46,733,000 H shares of the Company.

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

* For identification purpose only

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

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

(I) Basic information of corporate bonds

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Value date	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there are risks of termination of listing and trading
2019 Corporate Bonds Publicly Issued to Qualified Investors (Tranche 1) of Central China Securities Co., Ltd.	19 Central China 01	155259	2019/3/25	2019/3/26	2022/3/26	20	3.9	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By bidding, quotation, inquiry and agreement	No
2019 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	19 Central China C1	162323	2019/10/29	2019/10/30	2022/10/30	10	4.9	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By quotation, inquiry and agreement	No
2020 Non-public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	20 Central China C1	166631	2020/4/22	2020/4/23	2023/4/23	15	4.08	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By quotation, inquiry and agreement	No
2021 Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	21 Central China 01	175736	2021/3/4	2021/3/5	2024/3/5	10	4.03	Simple interest on an annual basis and the principal repayable upon maturity in full	SSE	In compliance with relevant requirements	By bidding, quotation, inquiry and agreement	No
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 1) of Central China Securities Co., Ltd.	21 Central China S1	163875	2021/5/19	2021/5/20	2022/5/20	10	3.21	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	By bidding, quotation, inquiry and agreement	No
2021 Short-term Corporate Bonds Publicly Issued to Professional Investors (Tranche 2) of Central China Securities Co., Ltd.	21 Central China S2	163881	2021/6/17	2021/6/18	2022/6/18	12	3.35	Simple interest on an annual basis and the principal and interest repayable upon maturity in full	SSE	In compliance with relevant requirements	By bidding, quotation, inquiry and agreement	No

(II) Other information on corporate bonds

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

SECTION 7 INFORMATION ON BONDS ISSUED BY THE COMPANY

II. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: Yuan Currency: RMB

Principal indicators	At the end of the Reporting Period	At the end of last year	Changes compared with the end of last year (%)	Reason for change
Current ratio	1.49	1.56	-4.49	
Quick ratio	1.49	1.56	-4.49	
Gearing ratio (%)	66.66	66.08	0.88	

Principal indicators	The Reporting Period (January– June)	The corresponding period of last year	Changes compared with the corresponding period of last year (%)	Reason for change
Net profit after non-recurring profit or loss	221,131,715.65	28,191,631.67	684.39	Mainly due to the significant increase in the Company's profits
Debt-to-EBITDA ratio	2.87	2.00	43.50	Mainly due to the increase in the EBITDA and the all debt ratios
Interest coverage ratio	1.71	1.14	50.00	
Cash interest coverage ratio	-2.18	12.76	N/A	Mainly due to changes in cash flow from operating activities
EBITDA interest coverage ratio	1.8	1.24	45.16	
Loan repayment ratio (%)	100	100		
Interest payment ratio (%)	100	100		

SECTION 8 REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Review Report

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

We have reviewed the attached financial statements of Central China Securities Co., Ltd. (hereinafter referred to as the "Company"), including the consolidated and parent company's balance sheet as at 30 June, 2021, the consolidated and the company's income statement, the consolidated and parent company's cash flow statement, the consolidated and the company's statement of changes in shareholders' equity and notes to the financial statements from January to June 2021. The preparation of these financial statements is the responsibility of the management of the Company. Our responsibility is to issue a review report on these financial statements based on the implementation of the review work.

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

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

Da Hua Certified Public Accountants
(Special General Partnership)

CICPA: Ao Dujiya
(Project partner)

CICPA: Li Tiantian

Beijing, China
27 August, 2021

CONSOLIDATED BALANCE SHEET

30 June, 2021 (Unless otherwise specified, expressed in RMB Yuan)

Assets	Note VI	Closing balance	Opening balance
Assets:			
Cash and bank balances	VI. 1	12,221,996,702.79	10,951,131,021.90
Including: customer's capital deposit		9,066,078,551.04	8,193,682,554.76
Clearing settlement funds	VI. 2	2,516,954,852.02	2,379,100,088.00
Including: customer reserve		2,009,633,455.31	2,287,871,177.95
Margin accounts receivable	VI. 3	7,586,183,242.23	7,400,757,113.38
Derivative financial assets	VI. 4	—	—
Refundable deposits	VI. 5	876,032,065.73	744,878,747.69
Accounts receivable	VI. 6	90,310,635.48	169,323,523.34
Financial assets held under resale agreements	VI. 7	1,630,482,665.54	2,055,964,889.83
Financial investment:			
Financial assets at fair value through profit or loss	VI. 8	23,517,387,318.61	22,592,572,498.77
Financial assets measured at amortised cost	VI. 9	365,681,700.90	456,168,931.89
Financial assets at fair value through other comprehensive income	VI. 10	1,828,566,172.53	2,088,805,149.07
Long-term equity investments	VI. 11	1,120,234,040.42	1,067,276,173.44
Investment properties	VI. 12	16,069,341.93	16,474,089.01
Fixed assets	VI. 13	177,536,253.96	179,004,039.77
Construction in progress	VI. 14	53,332,189.77	52,427,024.00
Right-of-use assets	VI. 15	142,409,608.40	163,033,163.26
Intangible assets	VI. 16	181,447,000.60	188,018,189.26
Deferred income tax assets	VI. 17	560,049,802.86	464,734,648.09
Goodwill	VI. 18	19,739,511.61	19,882,791.61
Other assets	VI. 19	1,368,155,607.75	1,387,323,474.69
Total assets		54,272,568,713.13	52,376,875,557.00

CONSOLIDATED BALANCE SHEET

30 June, 2021 (Unless otherwise specified, expressed in RMB Yuan)

Liabilities and shareholders' equity	Note VI	Closing balance	Opening balance
Liabilities:			
Short-term loans	VI. 22	323,050,740.81	315,977,554.88
Short-term financing instruments payable	VI. 23	7,862,024,825.54	4,154,657,809.90
Due to banks and other financial institutions	VI. 24	2,504,430,138.93	3,694,418,222.23
Financial liabilities at fair value through profit or loss	VI. 25	1,061,718,305.89	1,356,226,583.04
Derivative financial liabilities	VI. 4	346,155.17	57,980.91
Financial assets sold under repurchase agreements	VI. 26	11,656,081,798.82	12,200,308,194.73
Accounts payable to brokerage clients	VI. 27	11,339,802,645.78	10,555,230,551.25
Employee benefits payable	VI. 28	568,360,869.13	561,932,538.17
Taxes payable	VI. 29	171,360,193.07	131,604,084.55
Accounts payable	VI. 30	170,405,022.00	65,874,572.60
Contract liabilities	VI. 31	43,504,914.44	26,495,681.41
Long-term borrowings	VI. 32	1,001,583.33	1,001,741.67
Bonds payable	VI. 33	3,556,994,197.66	4,610,250,342.02
Lease liabilities	VI. 34	143,540,895.48	157,698,672.45
Deferred income tax liabilities	VI. 17	22,279,698.90	14,241,536.99
Other liabilities	VI. 35	534,434,323.97	344,423,399.69
Total Liabilities		39,959,336,308.92	38,190,399,466.49
Equity:			
Share capital	VI. 36	4,642,884,700.00	4,642,884,700.00
Capital reserve	VI. 37	6,322,819,195.35	6,330,622,817.68
Other comprehensive income	VI. 38	14,430,207.55	12,549,125.88
Surplus reserve	VI. 39	838,358,247.79	838,358,247.79
General risk reserve	VI. 40	1,442,454,585.23	1,441,518,813.40
Retained earnings	VI. 41	251,877,801.90	102,780,913.15
Total equity attributable to owners of the parent company		13,512,824,737.82	13,368,714,617.90
Non-controlling interests		800,407,666.39	817,761,472.61
Total equity		14,313,232,404.21	14,186,476,090.51
Total liabilities and equity		54,272,568,713.13	52,376,875,557.00

Legal representative:
Jian Mingjun

Officer in charge of
accounting:
Zhu Jianmin

Chief accountant:
Li Zhaoxin

Head of department:
Guo Liangyong

COMPANY BALANCE SHEET

30 June, 2021 (Unless otherwise specified, expressed in RMB Yuan)

Assets	<i>Note XIV</i>	Closing balance	Opening balance
Assets:			
Cash and bank balances		10,088,406,525.27	9,353,694,098.48
Including: customer's capital deposit		8,396,853,380.16	7,812,001,585.50
Clearing settlement funds		2,317,670,582.94	2,165,049,237.07
Including: customer reserve		2,009,523,663.70	2,005,804,519.95
Margin accounts receivable		7,457,552,653.50	7,248,897,079.39
Derivative financial assets			
Refundable deposits		416,853,705.79	368,868,430.71
Accounts receivable		36,068,726.67	85,450,845.08
Financial assets held under resale agreements		1,630,482,665.54	2,055,165,080.52
Financial investment:			
Financial assets at fair value through profit or loss		20,105,756,888.90	19,933,278,797.76
Financial assets measured at amortised cost			
Financial assets at fair value through other comprehensive income		1,828,566,172.53	2,088,805,149.07
Long-term equity investments	<i>XIV. 1</i>	5,089,728,953.95	4,126,432,553.95
Investment properties		25,303,062.51	25,858,938.87
Fixed assets		162,008,563.08	164,207,159.80
Construction in progress		53,332,189.77	52,427,024.00
Right-of-use assets		116,454,906.42	133,127,127.62
Intangible assets		175,197,972.54	181,335,531.53
Deferred income tax assets		381,207,945.35	301,081,560.09
Goodwill			
Other assets		504,038,090.29	523,400,315.46
Total assets		50,388,629,605.05	48,807,078,929.40

COMPANY BALANCE SHEET

30 June, 2021 (Unless otherwise specified, expressed in RMB Yuan)

Liabilities and shareholders' equity	Note XIV	Closing balance	Opening balance
Liabilities:			
Short-term financing instruments payable		7,140,421,763.14	3,425,939,961.92
Due to banks and other financial institutions		2,504,430,138.93	3,694,418,222.23
Financial liabilities at fair value through profit or loss		324,150,598.08	778,986,314.11
Derivative financial liabilities		250,110.00	57,980.91
Financial assets sold under repurchase agreements		11,555,681,798.82	12,002,208,194.73
Accounts payable to brokerage clients		10,193,506,808.46	9,666,752,032.28
Employee benefits payable		538,926,283.01	517,314,154.75
Taxes payable		134,171,687.45	118,777,886.11
Accounts payable		147,540,136.48	60,063,783.40
Contract liabilities		13,429,117.39	10,997,000.07
Bonds payable		3,556,994,197.66	4,610,250,342.02
Lease liabilities		117,603,014.23	129,412,235.14
Deferred income tax liabilities		6,452,534.05	
Other liabilities		226,507,197.77	47,982,898.50
Total Liabilities		36,460,065,385.47	35,063,161,006.17
Equity:			
Share capital		4,642,884,700.00	4,642,884,700.00
Capital reserve		6,606,160,370.84	6,606,160,370.84
Other comprehensive income		2,232,314.87	-1,388,009.67
Surplus reserve		838,358,247.79	838,358,247.79
General risk reserve		1,372,048,328.59	1,371,112,556.76
Retained earnings		466,880,257.49	286,790,057.51
Total equity		13,928,564,219.58	13,743,917,923.23
Total liabilities and equity		50,388,629,605.05	48,807,078,929.40

Legal representative: Jian Mingjun	Officer in charge of accounting: Zhu Jianmin	Chief accountant: Li Zhaoxin	Head of department: Guo Liangyong
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CONSOLIDATED INCOME STATEMENT

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2021	Jan-June 2020
I. Total operating income		2,336,041,148.75	1,249,975,323.25
Net interest income	VI. 42	80,657,575.42	18,374,722.76
Including: interest income		518,460,146.02	439,282,092.15
Interest expenses		437,802,570.60	420,907,369.39
Net fee and commission income	VI. 43	721,448,578.20	513,950,325.00
Including: brokerages business		385,140,671.66	344,065,137.59
Investment banking		266,920,574.17	98,977,331.26
Assets management		17,288,555.89	20,062,491.49
Investment income (or less: losses)	VI. 44	311,515,840.03	363,055,154.49
Including: Investment income from associates and joint ventures		54,397,626.13	34,784,430.24
Gains on changes in fair value (or less: losses)	VI. 45	163,829,668.53	-65,586,204.75
Gains on foreign exchange (or less: losses)		-281,103.30	-2,759,526.70
Other operating income	VI. 46	1,050,096,626.23	414,430,890.62
Gains from assets disposal (or less: losses)	VI. 47	7,895.89	564.81
Other income	VI. 48	8,766,067.75	8,509,397.02
II. Total operating cost		2,030,792,428.20	1,185,589,385.64
Taxes and surcharges	VI. 49	10,750,231.66	9,440,447.39
Business and administrative expenses	VI. 50	845,336,205.01	620,061,508.05
Expected credit losses	VI. 51	146,191,131.36	140,402,125.30
Other assets impairment losses	VI. 52	1,272,342.22	22,934,995.27
Other operating costs	VI. 53	1,027,242,517.95	392,750,309.63
III. Operating profit (or less: losses)		305,248,720.55	64,385,937.61
Add: non-operating income	VI. 54	2,204,667.53	1,136,020.51
Less: non-operating expenses	VI. 55	401,354.04	7,102,510.91
IV. Profit before tax (or less: losses)		307,052,034.04	58,419,447.21
Less: income tax expenses	VI. 56	74,614,019.98	24,735,859.16
V. Net profit (or less: net loss)		232,438,014.06	33,683,588.05
(I) Classified by continuity of operations			
Net profit from continuing operations			
(or less: net losses)		232,438,014.06	33,683,588.05
Net profit from discontinued operations			
(or less: net losses)			
(II) Classified by ownership			
Net profit attributable to owners of the parent company			
(or less: net losses)		228,961,700.48	30,850,805.92
Net profit attributable to non-controlling interests			
(or less: net losses)		3,476,313.58	2,832,782.13

CONSOLIDATED INCOME STATEMENT

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2021	Jan-June 2020
VI. Other comprehensive income after tax		1,881,081.67	4,318,809.85
Items attributable to owners of the parent company		1,881,081.67	4,318,809.85
(I) Not to be reclassified subsequently to profit or loss			
1. Remeasure changes in defined benefit plans			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in the fair value of other equity instrument investments			
4. Changes in fair value of the company's own credit risk			
(II) To be reclassified subsequently to profit or loss		1,881,081.67	4,318,809.85
1. Items attributable to investees under equity method that will be reclassified to profit or loss		-1,259,678.70	-1,593,552.08
2. Gains and losses from changes in the fair value of available-for-sale financial assets			
3. The held-to-maturity investment is reclassified as available-for-sale financial asset gains and losses			
4. Changes in the fair value of financial assets at fair value through other comprehensive income		4,076,925.70	-6,842,882.33
5. The amount of financial assets reclassified and included in other comprehensive income			
6. Credit impairment reserves of financial assets at fair value through other comprehensive income		-456,601.16	6,013,782.49
7. Cash flow hedge provision			
8. Translation differences of foreign currency financial statements		-479,564.17	6,741,461.77
Items attributable to non-controlling interests			
VII. Total comprehensive income		234,319,095.73	38,002,397.90
Items attributable to owners of the parent company		230,842,782.15	35,169,615.77
Items attributable to non-controlling interests		3,476,313.58	2,832,782.13
VIII. Earnings per share (EPS):	VI. 57		
(I) Basic EPS		0.05	0.01
(II) Diluted EPS		0.05	0.01

Legal representative:
Jian Mingjun

Officer in charge of
accounting:
Zhu Jianmin

Chief accountant:
Li Zhaoxin

Head of department:
Guo Liangyong

COMPANY INCOME STATEMENT

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note XIV	Jan-June 2021	Jan-June 2020
I. Total operating income		1,116,912,645.26	803,943,770.73
Net interest income	XIV. 2	62,092,354.14	-10,294,529.92
Including: interest income		466,354,189.22	377,725,652.14
Interest expenses		404,261,835.08	388,020,182.06
Net fee and commission income	XIV. 3	649,504,287.49	466,741,968.38
Including: brokerages business		327,841,755.59	309,079,196.29
Investment banking		263,310,408.94	94,884,683.65
Assets management		13,333,462.06	18,229,098.75
Investment income (or less: losses)	XIV. 4	424,482,409.79	377,948,903.51
Including: Investment income from associates and joint ventures		—	—
Gains on changes in fair value (or less: losses)		-31,922,415.88	-55,982,487.02
Gains on foreign exchange (or less: losses)		-104,484.05	142,304.99
Other operating income		4,243,098.03	17,023,862.59
Gains from assets disposal (or less: losses)		—	727.95
Other income		8,617,395.74	8,363,020.25
II. Total operating cost		802,653,375.76	678,059,333.90
Taxes and surcharges		8,478,948.37	8,427,361.48
Business and administrative expenses	XIV. 5	741,704,363.30	542,662,510.80
Expected credit losses		51,812,132.15	126,375,297.82
Other assets impairment losses		—	—
Other operating costs		657,931.94	594,163.80
III. Operating profit (or less: losses)		314,259,269.50	125,884,436.83
Add: non-operating income		1,979,507.13	170,130.05
Less: non-operating expenses		298,019.78	3,586,454.15
IV. Profit before tax (or less: losses)		315,940,756.85	122,468,112.73
Less: income tax expenses		55,985,745.14	8,800,009.25
V. Net profit (or less: net loss)		259,955,011.71	113,668,103.48
Net profit from continuing operations (or less: net losses)		259,955,011.71	113,668,103.48
Net profit from discontinued operations (or less: net losses)		—	—

COMPANY INCOME STATEMENT

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note XIV	Jan-June 2021	Jan-June 2020
VI. Other comprehensive income after tax		3,620,324.54	-829,099.84
(I) Not to be reclassified subsequently to profit or loss		—	—
1. Remeasure changes in defined benefit plans		—	—
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		—	—
3. Changes in the fair value of other equity instrument investments		—	—
4. Changes in fair value of the company's own credit risk		—	—
5. Others		—	—
(II) To be reclassified subsequently to profit or loss		3,620,324.54	-829,099.84
1. Items attributable to investees under equity method that will be reclassified to profit or loss		—	—
2. Gains and losses from changes in the fair value of available-for-sale financial assets		—	—
3. The held-to-maturity investment is reclassified as available-for-sale financial asset gains and losses		—	—
4. Changes in the fair value of financial assets at fair value through other comprehensive income		4,076,925.70	-6,842,882.33
5. The amount of financial assets reclassified and included in other comprehensive income		—	—
6. Credit impairment reserves of financial assets at fair value through other comprehensive income		-456,601.16	6,013,782.49
7. Cash flow hedge provision		—	—
8. Translation difference of foreign currency financial statements		—	—
VII. Total comprehensive income		263,575,336.25	112,839,003.64

Legal representative:
Jian Mingjun

Officer in charge of
accounting:
Zhu Jianmin

Chief accountant:
Li Zhaoxin

Head of department:
Guo Liangyong

CONSOLIDATED CASH FLOW STATEMENT

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note VI	Jan-June 2021	Jan-June 2020
I. Cash flows from operating activities:			
Cash receipt from interests, fee and commissions		1,367,476,766.24	1,208,072,344.86
Net increase in due to banks and other financial institutions		—	240,000,000.00
Net increase of repurchase business		—	2,365,737,960.69
Net decrease of resale business		379,682,648.77	630,730,969.51
Cash received from brokerage clients		784,572,094.53	2,023,415,882.52
Other cash received related to operating activities	VI. 58	1,078,773,742.34	539,098,646.10
Subtotal of cash inflows from operating activities		3,610,505,251.88	7,007,055,803.68
Net increase of financial instruments at fair value through profit or loss		733,618,289.36	1,541,121,657.71
Net decrease in due to banks and other financial institutions		1,190,000,000.00	—
Net decrease in repurchase business funds		543,881,059.90	—
Net increase in margin accounts receivable		177,613,222.40	421,854,635.58
Cash payment to interests, fee charges and commissions		352,218,875.17	316,180,245.75
Cash payments to and on behalf of employees		652,047,581.80	459,907,380.83
Cash payments of taxes		235,541,624.85	138,305,871.98
Other cash payments related to operating activities	VI. 58	1,008,328,566.99	1,063,614,404.95
Subtotal of cash outflows from operating activities		4,893,249,220.47	3,940,984,196.80
Net cash flows from operating activities	VI. 58	-1,282,743,968.59	3,066,071,606.88
II. Cash flows from investing activities:			
Cash received from investment recovery		279,389,011.90	—
Cash received from investment income		49,253,297.11	48,414,005.66
Cash received from disposal of fixed assets, intangible assets and other long-term assets		189,323.91	180,061.48
Subtotal of cash inflows from investing activities		328,831,632.92	48,594,067.14
Cash payments to acquire fixed assets, intangible assets and other long-term assets		35,428,240.30	30,492,634.99
Cash payments to acquire investments		—	53,528,833.25
Subtotal of cash outflows from investing activities		35,428,240.30	84,021,468.24
Net cash flows from investing activities		293,403,392.62	-35,427,401.10
III. Cash flows from financing activities:			
Cash received by absorbing investments		—	—
Cash received from loans		10,000,000.00	413,240,256.00
Cash received from issuance of bonds		7,230,039,000.00	2,865,576,000.00
Subtotal of cash inflows from financing activities		7,240,039,000.00	3,278,816,256.00
Cash repayments of borrowings		4,498,073,000.00	3,395,029,926.34
Cash payments for distribution of dividends or profit or interest expenses		302,135,652.54	265,178,895.70
Including: cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit		1,470,000.00	5,434,020.00
Other cash payments related to financing activities	VI. 58	41,716,255.08	59,932,968.39
Subtotal of cash outflows from financing activities		4,841,924,907.62	3,720,141,790.43
Net cash flows from financing activities		2,398,114,092.38	-441,325,534.43
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-281,103.30	-2,759,526.70
V. Net increase/(decrease) in cash and cash equivalents	VI. 58	1,408,492,413.11	2,586,559,144.65
Add: opening balance of cash and cash equivalents		13,312,322,291.24	11,805,475,726.56
VI. Closing balance of cash and cash equivalents		14,720,814,704.35	14,392,034,871.21

Legal representative:
Jian Mingjun

Officer in charge of
accounting:
Zhu Jianmin

Chief accountant:
Li Zhaoxin

Head of department:
Guo Liangyong

COMPANY CASH FLOW STATEMENT

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Note XIV	Jan-June 2021	Jan-June 2020
I. Cash flows from operating activities:			
Cash receipt from interests, fee and commissions		1,219,021,857.15	1,081,959,956.40
Net increase in due to banks and other financial institutions		—	240,000,000.00
Net increase of repurchase business		—	2,365,737,960.69
Net decrease of resale business		378,882,839.46	746,525,969.51
Cash received from brokerage clients		526,754,776.18	1,973,126,625.30
Other cash received related to operating activities		146,834,178.69	32,879,398.39
Subtotal of cash inflows from operating activities		2,271,493,651.48	6,440,229,910.29
Net increase of financial instruments at fair value through profit or loss		181,349,157.04	1,345,250,236.42
Net decrease in due to banks and other financial institutions		1,190,000,000.00	—
Net decrease in repurchase business funds		446,181,059.90	—
Net increase in margin accounts receivable		204,657,151.67	441,772,746.91
Cash payment to interests, fee charges and commissions		324,068,052.50	290,650,491.32
Cash payments to and on behalf of employees		574,160,422.29	395,521,907.43
Cash payments of taxes		194,995,409.52	92,698,627.88
Other cash payments related to operating activities		47,990,840.33	575,599,541.02
Subtotal of cash outflows from operating activities		3,163,402,093.25	3,141,493,550.98
Net cash flows from operating activities	XIV. 6	-891,908,441.77	3,298,736,359.31
II. Cash flows from investing activities:			
Cash received from investment income		60,004,338.61	101,494,571.91
Cash received from disposal of fixed assets, intangible assets and other long-term assets		98,464.91	155,335.77
Subtotal of cash inflows from investing activities		60,102,803.52	101,649,907.68
Cash payments to acquire fixed assets, intangible assets and other long-term assets		31,543,223.12	29,523,042.36
Cash payments to acquire investments		695,740,815.55	141,836,088.50
Subtotal of cash outflows from investing activities		727,284,038.67	171,359,130.86
Net cash flows from investing activities		-667,181,235.15	-69,709,223.18
III. Cash flows from financing activities:			
Cash received from issuance of bonds		7,230,039,000.00	2,865,576,000.00
Subtotal of cash inflows from financing activities		7,230,039,000.00	2,865,576,000.00
Cash repayments of borrowings		4,498,073,000.00	2,691,915,000.00
Cash payments for distribution of dividends or profit or interest expenses		261,654,313.19	227,928,161.80
Other cash payments related to financing activities		23,687,049.88	24,952,937.74
Subtotal of cash outflows from financing activities		4,783,414,363.07	2,944,796,099.54
Net cash flows from financing activities		2,446,624,636.93	-79,220,099.54
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-104,484.05	142,304.99
V. Net increase/(decrease) in cash and cash equivalents	XIV. 6	887,430,475.96	3,149,949,341.58
Add: opening balance of cash and cash equivalents		11,500,913,337.34	9,849,533,204.97
VI. Closing balance of cash and cash equivalents		12,388,343,813.30	12,999,482,546.55

Legal representative:
Jian Mingjun

Officer in charge of
accounting:
Zhu Jianmin

Chief accountant:
Li Zhaoxin

Head of department:
Guo Liangyong

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2021							
	Equity attributable to owners of the parent company							
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Non-controlling interest	Total equity
I. Balance at the end of prior year	4,642,884,700.00	6,330,622,817.68	12,549,125.88	838,358,247.79	1,441,518,813.40	102,780,913.15	817,761,472.61	14,186,476,090.51
Add: Changes of accounting policies								
Error correction of early stage								
Others								
II. Balance at the beginning of current year	4,642,884,700.00	6,330,622,817.68	12,549,125.88	838,358,247.79	1,441,518,813.40	102,780,913.15	817,761,472.61	14,186,476,090.51
III. Current period increase (or less: decrease)		-7,803,622.33	1,881,081.67		935,771.83	149,096,888.75	-17,353,806.22	126,756,313.70
(I) Total comprehensive income			1,881,081.67			228,961,700.48	3,476,313.58	234,319,095.73
(II) Capital contributed or withdrawn by owners								
1. Capital contributed by owners								
2. Capital contributed by holders of other equity instruments								
3. Amount of share-based payment included in equity								
4. Others								
(III) Profit distribution					935,771.83	-79,864,811.73	-20,830,119.80	-99,759,159.70
1. Appropriation to surplus reserve								
2. Appropriation to general risk reserve					935,771.83	-935,771.83		
3. Cash dividend recognized as distribution						-78,929,039.90	-20,830,119.80	-99,759,159.70
4. Others								
(IV) Internal carry-over within equity								
1. Transfer of capital reserve to capital								
2. Transfer of surplus reserve to capital								
3. Surplus reserve to cover losses								
4. Others								
(V) Others		-7,803,622.33						-7,803,622.33
IV. Balance at the end of current period	4,642,884,700.00	6,322,819,195.35	14,430,207.55	838,358,247.79	1,442,454,585.23	251,877,801.90	800,407,666.39	14,313,232,404.21

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2020							
	Equity attributable to owners of the parent company							Total equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Non-controlling interest	
I. Balance at the end of prior year	3,869,070,700.00	3,487,237,785.96	36,543,591.23	808,084,287.96	1,382,038,921.28	88,232,726.32	826,578,441.02	10,497,786,453.77
Add: Changes of accounting policies	—	—	—	—	—	—	—	—
Error correction of early stage	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
II. Balance at the beginning of current year	3,869,070,700.00	3,487,237,785.96	36,543,591.23	808,084,287.96	1,382,038,921.28	88,232,726.32	826,578,441.02	10,497,786,453.77
III. Current period increase (or less: decrease)	—	—	4,318,809.85	—	—	30,850,805.92	-2,601,237.87	32,568,377.90
(I) Total comprehensive income	—	—	4,318,809.85	—	—	30,850,805.92	2,832,782.13	38,002,397.90
(II) Capital contributed or withdrawn by owners	—	—	—	—	—	—	—	—
1. Capital contributed by owners	—	—	—	—	—	—	—	—
2. Capital contributed by holders of other equity instruments	—	—	—	—	—	—	—	—
3. Amount of share-based payment included in equity	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(III) Profit distribution	—	—	—	—	—	—	-5,434,020.00	-5,434,020.00
1. Appropriation to surplus reserve	—	—	—	—	—	—	—	—
2. Appropriation to general risk reserve	—	—	—	—	—	—	—	—
3. Cash dividend recognized as distribution	—	—	—	—	—	—	-5,434,020.00	-5,434,020.00
4. Others	—	—	—	—	—	—	—	—
(IV) Internal carry-over within equity	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to capital	—	—	—	—	—	—	—	—
3. Surplus reserve to cover losses	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(V) Others	—	—	—	—	—	—	—	—
IV. Balance at the end of current period	3,869,070,700.00	3,487,237,785.96	40,862,401.08	808,084,287.96	1,382,038,921.28	119,083,532.24	823,977,203.15	10,530,354,831.67

Legal representative:
Jian Mingjun

Officer in charge of
accounting:
Zhu Jianmin

Chief accountant:
Li Zhaoxin

Head of department:
Guo Liangyong

COMPANY STATEMENT OF CHANGES IN EQUITY

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2021						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. Balance at the end of prior year	4,642,884,700.00	6,606,160,370.84	-1,388,009.67	838,358,247.79	1,371,112,556.76	286,790,057.51	13,743,917,923.23
Add: Changes of accounting policies							
Error correction of early stage							
Others							
II. Balance at the beginning of current year	4,642,884,700.00	6,606,160,370.84	-1,388,009.67	838,358,247.79	1,371,112,556.76	286,790,057.51	13,743,917,923.23
III. Current period increase (or less: decrease)			3,620,324.54		935,771.83	180,090,199.98	184,646,296.35
(I) Total comprehensive income			3,620,324.54			259,955,011.71	263,575,336.25
(II) Capital contributed or withdrawn by owners							
1. Capital contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution					935,771.83	-79,864,811.73	-78,929,039.90
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve					935,771.83	-935,771.83	
3. Cash dividend recognized as distribution						-78,929,039.90	-78,929,039.90
4. Others							
(IV) Internal carry-over within equity							
1. Transfer of capital reserve to capital							
2. Transfer of surplus reserve to capital							
3. Surplus reserve to cover losses							
4. Others							
(V) Others							
IV. Balance at the end of current period	4,642,884,700.00	6,606,160,370.84	2,232,314.87	838,358,247.79	1,372,048,328.59	466,880,257.49	13,928,564,219.58

COMPANY STATEMENT OF CHANGES IN EQUITY

Jan-June 2021 (Unless otherwise specified, expressed in RMB Yuan)

Item	Jan-June 2020						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Total equity
I. Balance at the end of prior year	3,869,070,700.00	3,762,844,544.48	5,435,762.48	808,084,287.96	1,315,470,752.11	170,879,423.10	9,931,785,470.13
Add: Changes of accounting policies	—	—	—	—	—	—	—
Error correction of early stage	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
II. Balance at the beginning of current year	3,869,070,700.00	3,762,844,544.48	5,435,762.48	808,084,287.96	1,315,470,752.11	170,879,423.10	9,931,785,470.13
III. Current period increase (or less: decrease)	—	—	-829,099.84	—	—	113,668,103.48	112,839,003.64
(I) Total comprehensive income	—	—	-829,099.84	—	—	113,668,103.48	112,839,003.64
(II) Capital contributed or withdrawn by owners	—	—	—	—	—	—	—
1. Capital contributed by owners	—	—	—	—	—	—	—
2. Capital contributed by holders of other equity instruments	—	—	—	—	—	—	—
3. Amount of share-based payment included in equity	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
(III) Profit distribution	—	—	—	—	—	—	—
1. Appropriation to surplus reserve	—	—	—	—	—	—	—
2. Appropriation to general risk reserve	—	—	—	—	—	—	—
3. Cash dividend recognized as distribution	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
(IV) Internal carry-over within equity	—	—	—	—	—	—	—
1. Transfer of capital reserve to capital	—	—	—	—	—	—	—
2. Transfer of surplus reserve to capital	—	—	—	—	—	—	—
3. Surplus reserve to cover losses	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
(V) Others	—	—	—	—	—	—	—
IV. Balance at the end of current period	3,869,070,700.00	3,762,844,544.48	4,606,662.64	808,084,287.96	1,315,470,752.11	284,547,526.58	10,044,624,473.77

Legal representative:
Jian Mingjun

Officer in charge of
accounting:
Zhu Jianmin

Chief accountant:
Li Zhaoxin

Head of department:
Guo Liangyong

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

I. BASIC INFORMATION

1. Place of registration, form of organization and the headquarter address of the Company

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

I. BASIC INFORMATION (continued)

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

On 18 November, 2016, the Company issued no more than 700,000,000 shares ordinary share with a par value of RMB1 per share. According to "Implementation Measures for the Transfer of Certain State-owned Shares in the Domestic Securities Market to Enrich the National Social Security Fund" (CQ [2009] No. 94) issued by CSRC and "Approval on the Management Plan of Central China Securities Co., Ltd. Issuing A-Shares of State-owned Equity and the Transfer of State-owned Shares" (Yu Guo Zi Chan Quan [2015] No.26) issued by the SASAC of Henan Province, of the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, China Pingmei Shenma Energy Chemical Group Co., Ltd., Anyang Economic Development Group Co., Ltd, Jiangsu Soho Holding Group Co., Ltd., Henan Shenhua Group Co., Ltd, Jiaozuo Economic and Technological Development Co., Ltd., Shenzhen Guangsheng Investment Development Co., Ltd. and Hebi Economic Construction Investment Group Co., Ltd. would transfer their 47,979,175 shares, 10,348,840 shares, 4,375,124 shares, 2,846,433 shares, 1,578,336 shares, 1,034,804 shares, 793,645 shares, 526,112 shares and 517,531 shares (70,000,000 shares in total), respectively, to National Council for Social Security Fund.

On 3 January, 2017, the Company's A shares were listed on the Shanghai Stock Exchange.

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

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

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

As of 30 June, 2021, the Company has issued a total of 4,642.8847 million shares with a registered capital of RMB4,642.8847 million. The registered address is 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China, and its headquarters address is 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China. The parent company is Henan Investment Group Co., Ltd., and the actual controller of the group is Henan Provincial Department of Finance.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

I. BASIC INFORMATION (continued)

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

The basic organizational structure of the Company: the general meeting of shareholders is the Company's authority, the board of directors is the Company's decision-making body: the manager is the Company's executive body, the board of supervisors is the Company's supervisory body, The board of Directors consists of the Development Strategy Committee, Benefits and Nomination Committee, Audit Committee and Risk Management Committee. In addition, the Group has Audit Headquarters, Company Office, Strategic Development Department, Party Committee Work Department, Discipline Inspection Department, Mass Work Department, Company Disciplinary Inspection and Supervision Team, Inspection Work Office, Human Resources Management Headquarters, Planning and Finance Headquarters, Accounting Center, Capital Operation Headquarters, Settlement Trusteeship Department, Centralized Operation Center, Information Technology Headquarters, Risk Management Headquarters, Legal Affairs Headquarters, Compliance Management Headquarters, Brokerage Operation Management Headquarters, Retail Business Headquarters, Margin Trading and Derivatives Business Department, Internet Finance Department, Market Making Business Headquarters, Securities Research Institute, Pledge Financing Department, Debt Financing Headquarters, Asset Management Headquarters, Financial Markets Department, Administration Department, Beijing Comprehensive Management Department, Financial Products Department, Securities Investment Headquarters, Fixed Income Investment Headquarters, First Capital Market Department, Second Capital Market Department, Zhengzhou Investment Bank Headquarters, Investment Bank Operation Management Headquarters, First Corporate Finance Department, Second Corporate Finance Department, Third Corporate Finance Department, Forth Corporate Finance Department, Fifth Corporate Finance Department, Sixth Corporate Finance Department, Inclusive Finance Department, Eighth Corporate Finance Department (International Business Department), Ninth Corporate Finance Department, Tenth Corporate Finance Department, Eleventh Corporate Finance Department, Twelfth Corporate Finance Department, Thirteenth Corporate Finance Department, Bond and Structured Finance Department, Quality Control Headquarters, Financing Management Department, M&A Finance Department and other functional departments.

As of 30 June, 2021, the Company has 85 securities business departments that have been approved to be established and opened, 30 branches that have been approved for establishment. The Company directly owned 5 holding subsidiaries, including Central China Futures Co., Ltd. ("CCF"), Zhongding Kaiyuan Venture Capital Management Co., Ltd. ("ZDKY"), Central China International Financial Holdings Co., Ltd. ("CCIFHC"), Central China Blue Ocean Investment Management Co., Ltd. ("CCBO"), Central China Equity Exchange Co., Ltd. ("CCEEC"). The Company had 9 third level-holding subsidiaries, including Yuxin Investment Management (Shanghai) Co., Ltd. ("Yuxin Investment"), Henan Zhongzheng Kaiyuan Private Equity Fund Management Co., Ltd. ("ZZKY", formerly name: Zhongding Kaiyuan Venture Capital Fund Management Co., Ltd.), Henan Central China Micro-lending Company Limited ("Central China Micro-lending Henan"), Central China International Holdings Co., Ltd. ("Central China International Holdings"), Central China International Securities Co., Ltd. ("Central China International Securities"), Central China International Futures Co., Ltd. ("Central China International Futures"), Central China International Investment Co., Ltd. ("Central China International Investment") Central China International Financing Co., Ltd. ("Central China International Financing"), Wending Zhongyuan Company Limited. Central China International Financial Group Limited ("Central China International Financial Group") is a forth level-holding subsidiary of CCSC.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

I. BASIC INFORMATION (continued)

2. Business nature and main business activities of the Company

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

3. Approval and issuance of financial statements

The financial statement was approved by the Company's board of directors on 27 August, 2021.

II. THE RANGE OF CONSOLIDATED FINANCIAL STATEMENTS

There are 15 subsidiaries included in the scope of consolidated financial statements in this period, including:

Name of subsidiary	Type of subsidiary	Level	Shareholding ratio (%)	Proportion of voting rights (%)
Central China Futures Co., Ltd.	Holding subsidiary	2	51.36	51.36
Yuxin Investment Management (Shanghai) CO, Ltd	Holding subsidiary	3	51.36	51.36
Zhongding Kaiyuan Venture Capital Management Co., Ltd	Wholly-owned subsidiary	2	100.00	100.00
Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management CO., Ltd.	Holding subsidiary	3	60.00	60.00
Central China Blue Ocean Investment Management Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Henan Central China Micro-Lending Co., Ltd.	Holding subsidiary	3	65.00	65.00
Central China Equity Exchange Co., Ltd.	Holding subsidiary	2	35.00	51.00
Central China International Financial Holdings Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Central China International Holdings Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Financial Group Ltd.	Wholly-owned subsidiary	4	100.00	100.00
Central China International Financing Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Securities Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Investment Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Central China International Futures Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00
Wending Zhongyuan Co., Ltd.	Wholly-owned subsidiary	3	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

II. THE RANGE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

The reasons why the shareholding ratio of subsidiaries is different from the voting ratio and the basis for holding half or less of the voting rights but still controlling the investee are detailed in “Note VII. Equity in other entities 1. Equity in subsidiaries.” For the structured entities included in the consolidation scope, see “Note VII. Equity in other entities (I) Equity in subsidiaries” for details. The entities included in the consolidated financial statements for the current period have not changed from the previous period.

III. THE BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

1. The basis for the preparation of financial statements

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

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

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

3. Accounting basis and pricing principles

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

1. Notice on the specific accounting policies and estimates

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

2. Statement of compliance with Accounting Standards for Business Enterprises

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

3. Accounting period

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

4. Business cycle

The business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as a business cycle and takes it as the liquidity division standard of assets and liabilities.

5. Functional currency

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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

(2) Business combination under the same control

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

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

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

(3) Business combination not under the same control

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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

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

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

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

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

(4) Relevant expenses incurred for combination

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

7. Preparation method of consolidated financial statements

(1) Consolidation scope

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

7. Preparation method of consolidated financial statements (continued)

(2) Consolidation procedures

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

7. Preparation method of consolidated financial statements (continued)

(2) Consolidation procedures (continued)

a) Add subsidiaries or business

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

7. Preparation method of consolidated financial statements (continued)

(2) Consolidation procedures (continued)

b) Disposal of subsidiaries or businesses

i General treatment method

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

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

ii Step by step disposal of subsidiaries

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

7. Preparation method of consolidated financial statements (continued)

(2) Consolidation procedures (continued)

c) *Purchase of minority interests in subsidiaries*

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

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

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

8. Criteria for determining cash and cash equivalents

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

9. Foreign currency transactions and translation of foreign currency statements

(1) Foreign currency business

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Foreign currency transactions and translation of foreign currency statements (continued)

(2) Translation of foreign currency financial statements

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

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

10. Financial instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(1) Classification and measurement of financial assets

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

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

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

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets, cash flows arising from the sale of assets, or both. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

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

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

i Debt Instruments

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

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

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

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

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

ii Equity instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(2) Classification and measurement of financial liabilities

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

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

(3) Subsequent measurement of financial instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(3) Subsequent measurement of financial instruments (continued)

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

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

Equity instruments: The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI, the changes in the fair value of the financial assets are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in retained earnings. Dividend income as return on investment is recognized when the Group determines that the right to receive is established and included in the current profit and loss. Only when the following conditions are met can the enterprise recognize the dividend income and record it into the current profit and loss: ① the right of the enterprise to receive dividends has been established; ② the economic benefits related to dividends are likely to flow into the enterprise; ③ the amount of dividends can be measured reliably.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(4) Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(4) Impairment of financial assets (continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

(4) Impairment of financial assets (continued)

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

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

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

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

(5) Derecognition of Financial Instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Financial instruments (continued)

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

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

11. Margin trading & short selling business

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

As for the funds lent, the receivable claim and the corresponding interest income should be confirmed.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

12. Client transaction settlement funds

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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

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

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

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

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

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

14. Financial assets at fair value through other comprehensive income

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

15. Long-term equity investments

(1) Determination of initial investment cost

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

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

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

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

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

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

(2) Subsequent measurement and profit or loss recognition

a) *Cost method*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

15. Long-term equity investments (continued)

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

b) Equity method

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

15. Long-term equity investments (continued)

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

15. Long-term equity investments (continued)

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

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

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

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

d) *Transfer of cost method to equity method*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

15. Long-term equity investments (continued)

(4) Disposal of long-term equity investments

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

15. Long-term equity investments (continued)

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

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

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

(5) Judgment criteria for joint control and significant impact

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

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

Significant influence means that the investor has the right to participate in the decision-making of the financial and operating policies of the invested entity, but cannot control or jointly control the formulation of these policies with other parties. The company judges that it has a significant impact on the investee through one or more of the following circumstances and comprehensively considering all facts and circumstances: (1) send representatives to the board of directors or similar authorities of the invested entity; (2) participate in the formulation of financial and operating policies of the invested entity; (3) Important transactions with the investee; (4) dispatch management personnel to the invested equity; (5) provide key technical data to the invested equity.

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For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

16. Investment properties

Investment properties includes buildings that have been leased out.

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

Subsequent to initial recognition, the Group adopts the cost model to account for its investment properties. According to its expected service life and net salvage to use the average life method of depreciation or amortization.

The estimated useful lives, depreciation rate and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives (Years)	Estimated residual values (%)	Yearly depreciation (Amortization) (%)
Building	40.00	5.00	2.38

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

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

17. Fixed assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

17. Fixed assets (continued)

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

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

The estimated useful lives, residual value proportions and the annual depreciation rates of fixed assets by categories are as follows:

Categories	Depreciation method	Estimated useful lives (years)	Estimated residual values (%)	Yearly depreciation (%)
Business buildings	life average method	40.00	5.00	2.38
Non-business buildings	life average method	35.00	5.00	2.71
Makeshift house	life average method	5.00	5.00	19.00
Structures	life average method	20.00	5.00	4.75
Machinery equipment	life average method	10.00	5.00	9.50
Power equipment	life average method	15.00	5.00	6.33
Communication equipment	life average method	5.00	5.00	19.00
Electronic equipment	life average method	5.00	5.00	19.00
Electrical equipment	life average method	5.00	5.00	19.00
Security equipment	life average method	5.00	5.00	19.00
Office facilities	life average method	5.00	5.00	19.00
Other transport facilities	life average method	8.00	5.00	11.88

At the end of each year, the Group shall review the expected service life, expected net residual value and depreciation method of the fixed assets. If there is any change, it will be treated as accounting estimate change.

Property and equipment are derecognized on disposal or when no future economic benefits are expected from their use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property and equipment net of their carrying amounts and related taxes and expenses is recognized in the current profits or losses.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

18. Construction in progress

(1) Initial measurement of construction in progress

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

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

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

19. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

19. Borrowing costs (continued)

(2) Capitalization period of borrowing costs

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

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

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

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

(3) Period of suspension of capitalization

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

(4) Calculation method of capitalization amount of borrowing costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

20. Right-of-use assets

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

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

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

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

21. Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

22. Impairment of long-term non-financial assets

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

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

The signs of impairment are as follows:

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

23. Goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

24. Long-term deferred expenses

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

25. Employee benefits

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

(1) Short-term benefits

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

(2) Post-employment benefits

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

(3) Termination benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

25. Employee benefits (continued)

(4) Other long-term employee benefits

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

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

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

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

26. Estimated liabilities

(1) Recognition standard of estimated liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

26. Estimated liabilities (continued)

(2) Measurement method of estimated liabilities

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

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

The best estimate shall be handled as follows:

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

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

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

27. Lease liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

28. General risk reserve and transaction risk reserve

According to “Financial Rules for Financial Enterprises” and “Notice on the 2007 Annual Report of Securities company” (SFC [2007] No. 320), the Company and its subsidiaries calculate the general risk reserve according to 10% of after-tax profit (reducing make up losses) for the year. At the same time, the Group follows the “Operational Guidelines for the Application of the “Opinions on Regulating Asset Management Business of Financial Institutions” to the Large Collection Asset Management Business of Securities Companies” (China Securities Regulatory Commission Announcement [2018] No. 39) and the “Public Offer Open-end Securities Investment Fund Liquidity Risk Management Requirements” provision for asset management business risk reserve.

In accordance with the Provisions of the Securities Law and the CSRC [2007] No 320, the transaction risk reserve shall be withdrawn according to 10% of the current net profit after making up the loss.

In order to reduce the repayment risk of bonds, the proportion of discretionary surplus reserve and the proportion of general risk reserve are increased during the duration of bonds, which is withdrawn according to 5% of the current net profit after making up the loss, as deliberated and approved by the 14th meeting of the 4th board of directors and the 6th extraordinary general meeting of shareholders in 2013. The general risk reserve shall be withdrawn according to 11% of the current net profit after making up the loss. In case of failure to pay the principal and interest of the bond on schedule or failure to pay the principal and interest of the bond on schedule at maturity, the company will withdraw the discretionary surplus reserve according to 10% of the current net profit after making up the loss during the remaining duration of the bond, and the general risk reserve according to 12% of the current net profit after making up the loss.

29. Revenue

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

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

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

- (1) The customer concurrently receives and consumes the benefits provided by the entity’s performance as the entity performs.
- (2) The customer can control the goods that are under construction during the Group’s contract execution.
- (3) The entity’s performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

29. Revenue (continued)

For the performance obligations performed within a certain period of time, the Group recognizes the revenue according to the performance progress within that period of time. When the performance schedule cannot be reasonably determined, if the costs incurred by the group are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance schedule can be reasonably determined. For the performance obligation performed at a certain time point, the Group recognizes the revenue when the customer obtains the control over the relevant goods.

The Group has transferred the goods or services to customers and has the right to receive consideration (and the right depends on factors other than the passage of time). As a contract asset, the impairment based on ECL. The right of the Group to charge the customer unconditionally (only depends on the passage of time) is listed as a receivable. The Group's obligation to transfer the goods or services, because the Group received or get receivable from the customer's consideration, which should be listed as contract liabilities.

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

a) Handling fee and commission income

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

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

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

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

b) Interest income

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

29. Revenue (continued)

c) Investment income

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

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

30. Accounting method for the client asset management business

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

31. Government grants

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

31. Government grants (continued)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

32. Deferred income tax assets and deferred income tax liabilities

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

(1) Basis for recognition of deferred income tax assets

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

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

(2) Basis for recognition of deferred income tax liabilities

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

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

33. Leases

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

(1) The group as the lessee

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

NOTES TO THE FINANCIAL STATEMENTS

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

33. Leases (continued)

(1) The group as the lessee (continued)

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

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

(2) The group as the lessor

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

34. Income tax

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

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

35. Segment information

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

36. Held for sale and terminate operations

(1) Held-for sale assets

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

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

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

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

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

(2) Terminate operations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

37. Significant accounting judgments and estimates

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

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

(1) Provision for impairment of financial assets

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

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

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

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

(2) Impairment provision of goodwill

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

37. Significant accounting judgments and estimates (continued)

(3) Deferred income tax assets

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

(4) Useful life of fixed assets and intangible assets

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

(5) Consolidation of structured entities

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

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

38. Changes in important accounting policies and accounting estimates

(1) Changes in accounting policies

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

(2) Changes in accounting estimates

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

V. TAXATION

1. Main taxes and tax rates of the company

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

Description of income tax rates of different taxpayers:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

(1) Details

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Cash on hand			111,475.46			185,324.40
RMB	85,976.61	1.0000	85,976.61	111,968.17	1.0000	111,968.17
HKD	25,889.97	0.8321	21,542.53	82,535.06	0.8416	69,464.81
CAD	760.00	5.2097	3,956.32	760.00	5.1203	3,891.42
Deposits in bank			12,207,959,587.89			10,941,803,014.08
Deposit account			3,141,881,036.85			2,748,120,459.32
RMB	2,349,637,839.02	1.0000	2,349,637,839.02	2,494,458,896.71	1.0000	2,494,458,896.71
USD	30,160,509.47	6.4601	194,869,032.33	20,547,255.32	6.5249	134,066,949.25
HKD	717,273,016.13	0.8321	596,828,531.26	141,461,731.71	0.8416	119,059,851.88
AUD	47,229.09	4.8528	228,285.87	47,229.09	5.0290	237,513.15
EUR	41,442.07	7.6862	317,348.13	29,609.31	8.0033	236,973.12
CAD	0.04	5.2097	0.21	0.04	5.1203	0.20
THB	0.15	0.2219	0.03	228,937.98	0.2174	49,779.75
JPY	—			165,957.00	0.0632	10,495.26
Client fund deposit			9,066,078,551.04			8,193,682,554.76
RMB	8,855,132,030.58	1.0000	8,855,132,030.58	8,104,738,687.41	1.0000	8,104,738,687.41
USD	22,586,018.21	6.4601	145,929,993.74	4,610,580.22	6.5249	30,083,211.61
HKD	74,870,357.28	0.8321	62,298,126.91	67,293,174.96	0.8416	56,636,640.55
EUR	353,988.26	7.6862	2,710,711.92	276,838.87	8.0033	2,215,633.25
JPY	132,540.00	0.0580	7,687.89	132,540.00	0.0632	8,381.94
Other cash and bank balances			13,925,639.44			9,142,683.42
RMB	13,925,639.44	1.0000	13,925,639.44	9,142,683.42	1.0000	9,142,683.42
Total			12,221,996,702.79			10,951,131,021.90

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

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate credit capital			299,108,769.77			70,219,206.05
RMB	114,164,451.84	1.0000	114,164,451.84	2,379,906.55	1.0000	2,379,906.55
HKD	222,267,471.79	0.8321	184,944,317.93	80,603,701.70	0.8416	67,839,299.50
Client credit capital			702,296,621.79			582,961,261.74
RMB	527,224,815.04	1.0000	527,224,815.04	528,880,625.85	1.0000	528,880,625.85
USD	19,624,752.31	6.4601	126,777,862.40	1,333,044.66	6.5249	8,697,857.34
HKD	58,040,025.42	0.8321	48,293,944.35	53,921,841.34	0.8416	45,382,778.55
Total			1,001,405,391.56			653,180,467.79

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

1. Cash and bank balances (continued)

- (2) As of 30 June, 2021, the Company's cash which deposited overseas were RMB1,001,477,591.39, and mainly due to deposits made by Hong Kong subsidiaries.
- (3) As of 30 June, 2021, the Group has a restricted bank deposits totaling RMB14,078,924.70, mainly due to the Company to carry out asset management business and risk reserves deposited in banks.

Deposit bank	Bank account	Ending balance	Reason for restriction
Bank of China Limited Henan Branch Business Department	262469587289	14,078,924.70	Risk reserve account for asset management business
Bank of China Limited Henan Branch Business Department	262469586944		Risk reserve account for asset management business

2. Clearing settlement funds

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate reserve funds			507,321,396.71			91,228,910.05
RMB	498,359,194.32	1.0000	498,359,194.32	82,146,097.14	1.0000	82,146,097.14
HKD	10,222,807.57	0.8321	8,506,193.74	10,234,072.57	0.8416	8,613,404.83
USD	46,445.58	6.4601	300,089.59	46,444.53	6.5249	303,041.53
EUR	19,482.26	7.6862	149,187.98	20,000.00	8.0033	160,066.63
JPY	94,868.00	0.0580	5,502.75	94,922.00	0.0632	6,002.95
MYR	508.20	1.5533	789.37	98.31	1.6185	159.11
GBP	49.27	8.9410	438.96	15.48	8.9057	137.86
Client's ordinary reserve funds			1,637,022,435.39			1,975,873,287.75
RMB	1,629,952,480.48	1.0000	1,629,952,480.48	1,972,225,042.98	1.0000	1,972,225,042.98
USD	940,806.41	6.4601	6,077,703.49	514,990.08	6.5249	3,360,258.77
HKD	1,192,495.22	0.8321	992,251.42	342,172.42	0.8416	287,986.00
Client's credit reserve funds			372,611,019.92			311,997,890.20
RMB	372,611,019.92	1.0000	372,611,019.92	311,997,890.20	1.0000	311,997,890.20
Total			2,516,954,852.02			2,379,100,088.00

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

3. Margin accounts receivable

(1) By categories

Item	30 June 2021	31 December 2020
Within borders		
Individual client	7,409,670,867.36	7,161,431,516.25
Institutional client	70,122,206.57	109,194,134.07
Less: provision for impairment	22,240,420.43	21,728,570.93
Subtotal	7,457,552,653.50	7,248,897,079.39
Overseas		
Individual client	97,127,607.80	157,193,911.35
Institutional client	81,486,824.00	48,511,514.39
Less: provision for impairment	49,983,843.07	53,845,391.75
Subtotal	128,630,588.73	151,860,033.99
Total	7,586,183,242.23	7,400,757,113.38

(2) Details of collateral

Collateral type	30 June 2021	31 December 2020
Cash	814,673,245.68	732,150,639.06
Bonds	33,138,059.26	34,564,682.12
Stocks	21,896,364,782.32	22,251,473,685.92
Funds	701,181,081.61	94,132,329.50
Total	23,445,357,168.87	23,112,321,336.60

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

4. Derivative financial instruments

(1) 30 June, 2021

Item	Hedging instruments			Non-hedging instruments		
	Contractual value	Fair value Asset	Liability	Contractual value	Fair value Asset	Liability
Commodity futures	100,430,720.00		9,535,238.00	181,863,310.00		9,186,472.17
Less: Offsetting with temporary receipts and payments			9,535,238.00			9,090,427.00
Interest rate swaps				70,850,000,000.00		26,617,792.13
Less: Offsetting with temporary receipts and payments						26,617,792.13
National debt futures				7,306,359,700.00	6,869,949.38	
Less: Offsetting with temporary receipts and payments					6,869,949.38	
Stock options				11,415,000.00		250,110.00
Total	100,430,720.00			78,349,638,010.00		346,155.17

(2) 31 December, 2020

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

Under the non-debt settlement system on the current day, clearing settlement funds include the commodity futures, interest rate swaps and national debt futures held by the company on 30 June, 2021 and 31 December, 2020. Derivative instruments such as commodity futures, interest rate swap, national debt futures under derivative financial assets/liability are listed as the net amount of RMB after offsetting with temporary receipts and payments (position profit and loss from settlement).

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

5. Refundable deposits

Item	30 June 2021			31 December 2020		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Trading margin			709,590,629.31			539,543,098.45
RMB	708,722,382.31	1.0000	708,722,382.31	538,665,535.45	1.0000	538,665,535.45
HKD	500,000.00	0.8321	416,040.00	500,000.00	0.8416	420,820.00
USD	70,000.00	6.4601	452,207.00	70,000.00	6.5249	456,743.00
Credit margin			9,624,700.37			10,618,496.40
RMB	9,624,700.37	1.0000	9,624,700.37	10,618,496.40	1.0000	10,618,496.40
Performance bonds			156,816,736.05			194,717,152.84
RMB	156,816,736.05	1.0000	156,816,736.05	194,717,152.84	1.0000	194,717,152.84
Total			876,032,065.73			744,878,747.69

6. Accounts receivable

(1) By categories

Item	30 June 2021	31 December 2020
Stock-pledged repurchase receivable	309,607,600.00	309,607,600.00
Bond interest receivable	250,000.00	54,079,800.00
Settlement receivable	35,721,545.45	43,148,113.18
Asset management fee receivable	38,966,569.50	33,462,467.93
Fees and commission receivable	23,711,487.39	45,840,692.93
Margin financing clients receivable	8,337,212.18	7,963,368.74
Others	684,260.97	1,004,903.94
Less: Provision for bad debts (According to the simplified model)	326,968,040.01	325,783,423.38
Book value of accounts receivable	90,310,635.48	169,323,523.34

Note: Based on the result of court enforcement after the stock-pledged mortgage financing breached the contract, the Company transferred the unpaid repayment part to the accounts receivable. As of 30 June, 2021, the balance of the stock-pledged repurchase receivable is RMB309,607,600.00, and the bad debt provision has been fully accrued.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

6. Accounts receivable (continued)

(2) By evaluation methods

Item	30 June 2021			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	354,804,635.21	85.03	321,682,511.26	90.66
Subtotal	354,804,635.21		321,682,511.26	
Combination provision for bad debts				
within 1 year	27,994,180.50	6.71	139,970.90	0.50
1–2 years	9,528,747.69	2.28	476,437.38	5.00
2–3 years	11,917,164.28	2.86	1,191,716.42	10.00
3–4 years	7,100,951.28	1.70	1,420,190.26	20.00
4–5 years	4,546,422.42	1.09	1,363,926.73	30.00
more than 5 years	1,386,574.11	0.33	693,287.06	50.00
Subtotal	62,474,040.28	14.97	5,285,528.75	
Total	417,278,675.49	100.00	326,968,040.01	

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

- (3) Among the balance of accounts receivable at the end of period, the amount receivable from shareholder units holding more than 5% (including 5%) of the voting shares of the Company was RMB1,603,217.46.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

7. Financial assets held under resale agreements

(1) By business

Item	30 June 2021	31 December 2020
Agreed repurchase securities	15,871,831.90	9,847,902.11
Stock-pledged repurchase	1,579,564,225.50	1,707,498,529.86
Bonds outright repurchase	99,243,144.00	40,292,940.00
Bond-pledged repurchase	255,053,657.51	565,267,829.32
Less: provision for asset impairment	319,250,193.37	266,942,311.46
Total	1,630,482,665.54	2,055,964,889.83

(2) By subjects

Item	30 June 2021	31 December 2020
Stocks	1,595,436,057.40	1,717,346,431.97
Bonds	354,296,801.51	605,560,769.32
Less: provision for asset impairment	319,250,193.37	266,942,311.46
Book Value	1,630,482,665.54	2,055,964,889.83

(3) Details of collateral

Collateral type	Fair value on 30 June 2021	Fair value on 31 December 2020
Stocks	2,923,412,727.32	2,792,479,921.43
Bonds	192,462,709.00	736,501,927.71
Total	3,115,875,436.32	3,528,981,849.14
Including: collateral that can be sold or re-collateralized	105,451,424.00	40,542,360.00
Collateral that has been sold or has been pledged again	105,451,424.00	40,542,360.00

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

Remaining period	30 June 2021	31 December 2020
Within 1 month	14,002,646.60	10,002,274.03
1–3 months	407,079,523.47	
3 months–1 year	368,357,786.24	735,430,249.94
More than 1 year	57,510,280.84	50,267,123.29
Over due	732,613,988.35	911,798,882.60
Total	1,579,564,225.50	1,707,498,529.86

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

7. Financial assets held under resale agreements (continued)

(5) Stock-pledged repurchase by stage of impairment

Item	30 June 2021			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Book balance	846,950,237.15		732,613,988.35	1,579,564,225.50
Impairment allowance	760,641.35		318,481,947.72	319,242,589.07
Book value	846,189,595.80		414,132,040.63	1,260,321,636.43
The value of Collateral	2,380,400,146.92		501,711,238.40	2,882,111,385.32

Item	31 December 2020			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Book balance	795,699,647.26		911,798,882.60	1,707,498,529.86
Impairment allowance	1,363,745.09		265,570,503.11	266,934,248.20
Book value	794,335,902.17		646,228,379.49	1,440,564,281.66
The value of Collateral	2,099,499,467.60		668,709,113.83	2,768,208,581.43

8. Financial assets at fair value through profit or loss

(1) By categories

Item	30 June 2021				Total
	Classified into FVTPL	Fair value Designated as FVTPL	Total	Classified into FVTPL	Initial cost Designated as FVTPL
Bonds	16,466,078,044.59	16,466,078,044.59	16,386,790,062.88		16,386,790,062.88
Public Offering of Fund	2,599,782,782.08	2,599,782,782.08	2,594,233,120.97		2,594,233,120.97
Stocks	1,249,522,963.81	1,249,522,963.81	1,300,801,053.73		1,300,801,053.73
Bank financing products	103,166,301.09	103,166,301.09	103,000,000.00		103,000,000.00
Brokerage asset management products	10,157,258.52	10,157,258.52	10,832,648.05		10,832,648.05
Private funds and partnerships	1,322,369,126.43	1,322,369,126.43	1,270,023,951.62		1,270,023,951.62
Bill	1,216,682,447.94	1,216,682,447.94	1,216,022,030.92		1,216,022,030.92
Others	549,628,394.15	549,628,394.15	524,525,705.10		524,525,705.10
Total	23,517,387,318.61	23,517,387,318.61	23,406,228,573.27		23,406,228,573.27

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

8. Financial assets at fair value through profit or loss (continued)

(1) By categories (continued)

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

(2) Securities lending in financial assets at fair value through profit or loss

As of 30 June, 2021 and 31 December, 2020, the balance of the Group's financial assets at fair value through profit or loss included RMB6,619,102.88 and RMB6,015,764.80 in securities financing, respectively.

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

Item	Reasons for restriction	Book value on 30 June 2021	Book value on 31 December 2020
Bonds	Pledged for repurchase financing, pledged for bond lending	10,661,078,073.51	13,222,864,812.00
Bonds	Exercise registration	54,194,278.77	193,466,175.35
Public offered funds	Securities lending	6,619,102.88	6,015,764.80
Stocks	Restricted by share reduction		220,030,319.58
Stocks	Restrictions on bulk trading	18,849,600.00	18,849,600.00
Bills	Pledged for repurchase financing	1,100,020,825.62	

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

9. Financial assets measured at amortized costs

(1) Details

Item	30 June 2021			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	204,899,639.87	5,174,871.99	2,423,116.12	207,651,395.74
Private placement bonds	146,202,602.49		105,546,121.49	40,656,481.00
Assets management plans	244,388,050.00		142,059,010.00	102,329,040.00
Other	15,044,784.16			15,044,784.16
Total	610,535,076.52	5,174,871.99	250,028,247.61	365,681,700.90

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

(2) Financial assets measured at amortized costs-ECL

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
1 January 2021	23,041.81		157,701,588.86	157,724,630.67
Book value	—	—	—	—
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Increase	1,662.28		93,181,400.00	93,183,062.28
Transfer back	11,474.81			11,474.81
Write off				
Difference from foreign currency translation			-867,970.53	-867,970.53
30 June 2021	13,229.28	—	250,015,018.33	250,028,247.61

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

10. Financial assets at fair value through other comprehensive income

(1) By categories

Item	30 June 2021				Accumulative impairment of allowance
	Initial cost	Interest	Changes in fair value	Book value	
National debt	260,274,480.05	5,529,764.39	1,038,239.95	266,842,484.39	
Local government debt	102,857,202.18	3,583,561.64	87,097.82	106,527,861.64	34,843.38
Corporate debt	810,267,442.67	17,232,978.10	-70,240,737.67	757,259,683.10	69,969,097.32
Others	680,937,260.04	15,273,221.91	1,725,661.45	697,936,143.40	362,217.58
Total	1,854,336,384.94	41,619,526.04	-67,389,738.45	1,828,566,172.53	70,366,158.28

Item	31 December 2020				Accumulated impairment of allowance
	Initial cost	Interest	Changes in fair value	Book value	
National debt	340,391,503.36	5,862,227.41	91,496.64	346,345,227.41	
Local government debt	506,205,995.05	7,092,082.20	2,894,304.95	516,192,382.20	294,239.63
Corporate debt	690,041,226.48	17,829,856.74	-73,300,586.48	634,570,496.74	70,379,414.90
Others	581,303,404.07	12,904,493.15	-2,510,854.50	591,697,042.72	301,305.30
Total	2,117,942,128.96	43,688,659.50	-72,825,639.39	2,088,805,149.07	70,974,959.83

(2) Financial instruments at fair value through other comprehensive income-ECL

Item	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses in lifetime (No credit impairment)	Stage 3 Expected credit losses in lifetime (Credit impairment)	Total
1 January 2021	1,266,559.83		69,708,400.00	70,974,959.83
Book value	—	—	—	—
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Current period				
Transfer back	608,801.55			608,801.55
Write off				—
30 June 2021	657,758.28	—	69,708,400.00	70,366,158.28

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

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

(3) financial assets at fair value through other comprehensive income with restricted realization

Item	Reasons for restriction	Book value on 30 June 2021	Book value on 31 December 2020
Corporate debt	Pledged for bond lending	89,268,478.17	30,822,180.41
Others	Pledged for bond lending	73,947,138.47	
Corporate debt	pledged for repurchase financing	355,763,646.43	132,078,473.98
Local government debt	pledged for repurchase financing	106,527,861.64	516,192,382.20
National debt	Pledged for refinancing operations	194,157,654.80	295,212,638.37
Others	pledged for repurchase financing	248,903,092.46	

11. Long-term equity investments

(1) By categories

Item	30 June 2021	31 December 2020
Long-term equity investment based on equity method	1,146,555,621.37	1,097,430,290.95
Total	1,146,555,621.37	1,097,430,290.95
Less: Impairment loss	26,321,580.95	30,154,117.51
Net long-term equity investment	1,120,234,040.42	1,067,276,173.44

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

11. Long-term equity investments (continued)

(2) Investment in associates

Investee	Opening balance	Additional Investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others	Closing balance	Impairment provision period-end balance
Henan Huatai Grain and Oil Machinery Co., Ltd.	5,941,268.76	—	—	-164,153.29	—	—	—	—	—	5,777,115.47	—
Henan Zhongping Financing Guarantee Co., Ltd.	53,585,720.49	—	—	163,004.58	—	—	—	—	—	53,748,725.07	—
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	20,580,791.00	5,503,437.50	—	125,914.24	—	—	—	—	—	26,210,142.74	—
Zhengzhou Nongtao E-commerce Co., Ltd.	1,274,705.60	—	—	—	—	—	—	—	—	1,274,705.60	12,204,617.53
CSI Jiaotong Fund Management Co., Ltd.	20,259,530.65	—	—	-71,451.81	—	—	—	—	—	20,188,078.84	—
Henan Investment Realistic Communication Co., Ltd.	942,625.91	—	—	-37,120.46	—	—	—	—	—	905,505.45	—
Henan Shengtong Juyuan Venture Capital Fund (Limited Partnership)	77,237,635.85	—	—	1,239,022.83	—	—	—	—	—	78,476,658.68	—
Puyang Chuangying Industrial Investment Fund Co., Ltd.	1,809,940.63	—	—	-6,400.88	—	—	—	—	—	1,803,539.75	—
Shangcai Zhongding Industrial Development Investment Fund (Limited Partnership)	2,425,115.24	—	—	3,680.16	—	—	—	—	—	2,428,795.40	—
Xinxiang Zhongding Technology Achievement Transformation Fund (Limited Partnership)	20,111,020.69	—	—	147,315.27	—	—	—	—	—	20,258,335.96	—
Luoyang Guohong CSI Industry Development Investment Fund (Limited Partnership)	11,928,916.25	—	—	-204,613.91	—	—	—	—	—	11,724,302.34	—
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)	53,969,593.37	—	—	414,485.04	—	—	—	—	—	54,384,078.41	—
Luoyang CSI Technology Innovation Venture Capital Fund (Limited Partnership)	11,013,547.47	—	—	-6,457.63	—	—	—	—	—	11,007,089.84	—
Luohu Huairui Permanent Magnetic Material Co., Ltd.	1,500,000.00	—	—	—	—	—	—	—	—	1,500,000.00	3,389,755.50
Henan Zhonglian Equipment Manufacturing Technology Research Center Co., Ltd.	18,897,017.93	—	—	-0.52	—	—	—	—	—	18,897,017.41	—
Zhongyuan Environmental Capital Technology Co., Ltd.	16,398,673.20	—	—	-120,442.83	—	—	—	—	—	16,278,230.37	—
Henan Jiaoguang Rongmedia Cultural Communication Co., Ltd.	3,893,344.24	—	—	22,947.20	—	—	—	—	—	3,916,291.44	—
Henan Ruida Pharmaceutical Technology Co., Ltd.	—	—	—	—	—	—	—	—	—	—	5,059,488.46
Zhengzhou IKEA Anhao Software Technology Co., Ltd.	—	—	3,476,571.60	—	—	—	—	—	3,476,571.60	—	—

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

11. Long-term equity investments (continued)

(2) Investment in associates (continued)

Investee	Opening balance	Additional investment	Reducing investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Increase/decrease	Declare cash dividends or profits	Provision for impairment	others	Closing balance	Impairment provision period-end balance
Zhengzhou Dahe Zhixin Technology Co., Ltd.	11,573,088.51	—	—	-19,870.95	—	—	—	—	—	11,553,217.56	—
Henan Rui Feng Diamond Products Co., Ltd.	7,269,355.41	—	—	—	—	—	—	—	—	7,269,355.41	—
Zhengzhou Majia Agricultural Technology Co., Ltd.	1,403,826.09	—	—	-31,770.68	—	—	—	—	—	1,372,055.41	—
Henan Liying Environmental Protection Technology Co., Ltd.	24,575,575.97	—	—	502,968.52	—	—	—	—	—	25,078,544.49	—
Henan Dudu Computer Technology Co., Ltd.	240,000.00	—	—	—	—	—	—	—	—	240,000.00	492,987.23
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	1,200,147.22	—	—	8,358.81	—	—	—	—	—	1,208,506.03	—
Minquan County Innovation Industry Investment Fund (Limited Partnership)	40,063,815.85	—	—	15,850,384.45	—	—	-480,000.00	—	—	55,434,200.30	—
Qingdao Zhongzhou Lanhai Beisheng Investment Management Center (Limited Partnership)	8,035,554.65	—	5,198,444.37	-301,897.85	—	—	—	—	—	2,535,212.43	—
Henan Zhongyuan Big Data Trading Center	2,032,507.32	—	—	5,601.76	—	—	—	—	—	2,038,109.08	—
Henan Asset Management Co., Ltd.	590,529,079.58	—	—	36,707,294.50	-1,259,678.70	—	—	—	—	625,976,695.38	—
Henan Dahecai Cube Media Holdings Co., Ltd.	31,989,736.84	—	—	195,399.27	—	—	—	—	—	32,185,136.11	—
Hebi Magnesium Trading Center Co., Ltd.	9,741,230.62	—	—	-65,362.40	—	—	—	—	—	9,675,868.22	—
Shangcai Fengtuo Agriculture and Forestry Technology Co., Ltd.	4,976,131.23	—	—	-6,934.89	—	—	—	—	—	4,969,196.34	—
2242257 Ontario Inc.	446,665.68	—	—	—	—	—	—	—	-5,073.58	441,592.10	5,174,732.23
Luoyang Desheng Biotechnology Co., Ltd.	11,430,011.19	—	—	47,727.60	—	—	—	—	—	11,477,738.79	—
Total	1,067,276,173.44	5,503,437.50	8,675,015.97	54,397,626.13	-1,259,678.70	—	-480,000.00	—	3,471,498.02	1,120,234,040.42	26,321,580.95

The group inspected the book long-term equity investment on 30 June, 2021, assessed the signs of impairment in combination with the operation, financial status and other factors of the invested entity, and conducted impairment test on this basis.

Other transfers out in the current period are the disposal of the associated enterprise Zhengzhou IKEA Anhao Software Technology Co., Ltd. in the current period, and RMB3,476,571.60 of impairment provision has been transferred out; others are translation differences of foreign currency statements.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

12. Investment properties

Item	Buildings and structures	Total
Original book value		
1. Opening balance	33,882,398.45	33,882,398.45
2. Increase		
3. Decrease		
4. Closing balance	33,882,398.45	33,882,398.45
Accumulated depreciation and accumulated amortization		
1. Opening balance	17,408,309.44	17,408,309.44
2. Increase	404,747.08	404,747.08
(1) Accrual or amortization	404,747.08	404,747.08
3. Decrease		
4. Closing balance	17,813,056.52	17,813,056.52
Provision for impairment		
1. Opening balance		
2. Increase		
3. Decrease		
4. Closing balance		
Book value		
1. Closing book value	16,069,341.93	16,069,341.93
2. Opening book value	16,474,089.01	16,474,089.01

On 30 June, 2021 and 31 December, 2020, the company determined that investment properties did not require provision for impairment.

On 30 June, 2021 and 31 December, 2020, the company's investment properties did not have a property right certificate yet to be completed.

13. Fixed assets

(1) Book Value

Item	30 June 2021	31 December 2020
Original value of fixed assets	524,540,070.82	518,939,792.67
Less: Accumulative depreciation	347,003,816.86	339,935,752.90
Less: Provision for asset impairments		
Total	177,536,253.96	179,004,039.77

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

13. Fixed assets (continued)

(2) Changes in the increase or decrease of fixed assets

Item	Buildings and structures	Electronic equipments	Transport facilities	Others	Total
Original book value					
1. Opening balance	158,278,328.85	316,266,557.75	23,955,154.00	20,439,752.07	518,939,792.67
2. Increase		12,574,754.66		642,437.65	13,217,192.31
(1) Acquisition		12,574,754.66		642,437.65	13,217,192.31
(2) Transferred in from investment properties					
3. decrease		5,191,659.12	2,120,155.50	271,069.44	7,582,884.06
(1) Disposal or scrap		5,191,659.12	2,120,155.50	271,069.44	7,582,884.06
4. Difference by foreign currency		-17,896.21	-15,042.73	-1,091.16	-34,030.10
5. Closing balance	158,278,328.85	323,631,757.08	21,819,955.77	20,810,029.12	524,540,070.82
Accumulative depreciation					
1. Opening balance	57,680,241.87	246,559,345.70	19,653,921.67	16,042,243.66	339,935,752.90
2. Increase	2,082,714.91	11,172,444.40	579,338.40	415,323.37	14,249,821.08
(1) Accrual	2,082,714.91	11,172,444.40	579,338.40	415,323.37	14,249,821.08
(2) Transferred in from investment properties					
3. Decrease		4,884,986.80	2,026,090.39	246,413.16	7,157,490.35
(1) Disposal or scrap		4,884,986.80	2,026,090.39	246,413.16	7,157,490.35
4. Difference from foreign currency translation		-13,352.70	-10,015.43	-898.64	-24,266.77
5. Closing balance	59,762,956.78	252,833,450.60	18,197,154.25	16,210,255.23	347,003,816.86
Provision for impairment					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing book value	98,515,372.07	70,798,306.48	3,622,801.52	4,599,773.89	177,536,253.96
2. Opening book value	100,598,086.98	69,707,212.05	4,301,232.33	4,397,508.41	179,004,039.77

(3) The depreciation of the fixed asset recognised in the period is RMB14,249,821.08.

(4) On 30 June, 2021, the Group has no fixed assets temporarily idle.

(5) On 30 June, 2021, the Group has no fixed assets that have not completed the title certificate.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

14. Construction in progress

Item	30 June 2021			31 December 2020		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Office building construction	53,332,189.77		53,332,189.77	52,427,024.00		52,427,024.00
Total	53,332,189.77		53,332,189.77	52,427,024.00		52,427,024.00

15. Right-of-use assets

Item	Buildings and structures	Total
Original book value		
1. Opening balance	275,884,275.21	275,884,275.21
2. Increase	15,399,576.23	15,399,576.23
(1) Rent in	15,399,576.23	15,399,576.23
3. Decrease	1,320,621.27	1,320,621.27
(1) Lease expired	1,320,621.27	1,320,621.27
4. Difference by foreign currency	-422,674.88	-422,674.88
5. Closing balance	289,540,555.29	289,540,555.29
Accumulative depreciation		
1. Opening balance	112,851,111.95	112,851,111.95
2. Increase	35,794,654.37	35,794,654.37
(1) Accrual	35,794,654.37	35,794,654.37
3. Decrease	1,320,621.27	1,320,621.27
(1) Lease expired	1,320,621.27	1,320,621.27
4. Difference by foreign currency	-194,198.16	-194,198.16
5. Closing balance	147,130,946.89	147,130,946.89
Book value		
1. Closing balance	142,409,608.40	142,409,608.40
2. Opening balance	163,033,163.26	163,033,163.26

On 30 June, 2021 and 31 December, 2020, the Group determined that the right-of-use asset does not require provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

16. Intangible assets

(1) Details

Item	Computer software	Seat fee	Land-use right	Others	Total
Original book value					
1. Opening balance	285,079,501.52	32,616,590.00	105,480,246.53	2,444,000.00	425,620,338.05
2. Increase	11,185,585.74	—	—	—	11,185,585.74
(1) Purchase	11,185,585.74	—	—	—	11,185,585.74
3. Decrease	170,048.00	—	—	—	170,048.00
(1) Disposal or scrap	170,048.00	—	—	—	170,048.00
4. Difference by foreign currency	2,650.98	-9,560.00	—	—	-6,909.02
5. Closing balance	296,097,690.24	32,607,030.00	105,480,246.53	2,444,000.00	436,628,966.77
Accumulative depreciation					
1. Opening balance	185,750,073.97	31,608,283.48	17,799,791.34	2,444,000.00	237,602,148.79
2. Increase	16,403,711.38	24,999.96	1,318,503.06	—	17,747,214.40
(1) Accrual	16,403,711.38	24,999.96	1,318,503.06	—	17,747,214.40
3. Decrease	170,048.00	—	—	—	170,048.00
(1) Disposal or scrap	170,048.00	—	—	—	170,048.00
4. Difference by foreign currency	2,650.98	—	—	—	2,650.98
5. Closing balance	201,986,388.33	31,633,283.44	19,118,294.40	2,444,000.00	255,181,966.17
Impairment allowance					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing balance	94,111,301.91	973,746.56	86,361,952.13	—	181,447,000.60
2. Opening balance	99,329,427.55	1,008,306.52	87,680,455.19	—	188,018,189.26

(2) The amortization amount of intangible assets was RMB17,747,214.40 in the current period.

(3) On 30 June, 2020 and 31 December, 2020, the Group has no significant intangible assets used as collateral or guarantee.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

16. Intangible assets (continued)

(4) Details of transaction seat fees

Item	Original balance	31 Dec, 2020	Amortized or transferred	Accumulated amortization or roll-out	Difference by foreign currency	30 June 2021
Shanghai Stock Exchange A-shares	19,462,500.00			19,462,500.00		
Shenzhen Stock Exchange A-shares	11,812,450.00			11,812,450.00		
National SME Stock Transfer System Co., Ltd.	500,000.00	166,666.52	24,999.96	358,333.44		141,666.56
Hong Kong Stock Exchange	876,200.00	841,640.00			-9,560.00	832,080.00
Total	32,651,150.00	1,008,306.52	24,999.96	31,633,283.44	-9,560.00	973,746.56

17. Deferred income tax assets and deferred income tax liabilities

(1) Confirmed deferred income tax assets and deferred income tax liabilities

Item	30 June 2021	31 December 2020
Deferred income tax assets		
Provision for impairment of assets	278,234,477.66	243,561,201.63
Employee benefits payable	126,730,170.97	76,885,445.52
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	108,079,893.52	100,789,341.05
To be carried forward underwriting income and expenditure	3,554,789.47	3,045,778.89
Accrued expenses	2,542,129.74	2,507,002.68
Change in fair value of financial assets at fair value through other comprehensive income	16,847,434.61	18,206,409.85
Changes in fair value of financial liabilities at fair value through profit or loss	536,471.50	1,524,273.16
Futures risk reserve	105,574.86	105,574.86
Others	23,418,860.53	18,109,620.45
Total	560,049,802.86	464,734,648.09
Deferred income tax liabilities		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	11,175,329.64	7,102,318.65
Others	11,104,369.26	7,139,218.34
Total	22,279,698.90	14,241,536.99

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

17. Deferred income tax assets and deferred income tax liabilities (continued)

(2) Temporary difference items

Item	30 June 2021	31 December 2020
Deductible temporary differences		
Provision for impairment of assets	1,148,904,330.19	1,019,083,812.61
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	485,392,428.59	456,839,987.56
Employee benefits payable	506,920,683.88	307,541,782.10
To be carried forward underwriting income and expenditure	14,219,157.88	12,183,115.56
Accrued expenses	10,168,518.96	10,028,010.72
Change in fair value of financial assets at fair value through other comprehensive income	67,389,738.44	72,825,639.39
Changes in fair value of financial liabilities at fair value through profit or loss	2,145,886.00	6,097,092.66
Futures risk reserve	422,299.44	422,299.44
Others	119,180,199.40	89,776,909.66
Total	2,354,743,242.78	1,974,798,649.70
Taxable temporary difference		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	44,701,318.56	28,409,274.59
Others	44,417,477.04	28,556,873.36
Total	89,118,795.60	56,966,147.95

- (3) It is possible for the Group to acquire taxable income offsetting deductible temporary differences. Thus, the Group recognized the deferred income tax assets.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

18. Goodwill

Investee	31 December 2020	Generated from business combination in the current period	Difference from foreign currency translation	30 June 2021	30 June 2021 Impairment loss
Central China Futures Co., Ltd.	7,268,756.37			7,268,756.37	
Central China Financing International Co., Ltd.	12,614,035.24		-143,280.00	12,470,755.24	1,558,306.11
Total	19,882,791.61		-143,280.00	19,739,511.61	1,558,306.11

- (1) In 2007, the Company acquired 55.68% of Central China Futures Co., Ltd. (Original name: Yuliang Futures Brokerage Co., Ltd.). The difference between the fair value of the identifiable assets and liabilities of Central China Futures Co., Ltd. obtained by the merger cost exceeding the proportion is recognized as goodwill related to Central China Futures Co., Ltd.
- (2) Goodwill of the Group arose from its acquisition of 100% of Central China International Financial Holdings Co., Ltd. (Original name: Pan Asia Corporate Finance Limited) in 2016 with a merger consideration HKD24,416,272.00. The recognition of fair value is HKD7,556,040.59 and the difference is HKD16,860,231.41, which is converted into goodwill at the exchange rate on 30 June, 2021.
- (3) The main cash flow generated by the above invested unit is independent of the other subsidiaries, and the Company separately manages the above subsidiaries. Therefore, each subsidiary is an asset group and the goodwill formed by the business combination with separately impairment test. The recoverable amount of the Company's goodwill is determined by the method of estimating the present value of future cash flows. The discount of cash flow is calculated using an appropriate discount rate and reflects the specific risks of the relevant asset group. As of 30 June 2021, according to impairment test of the goodwill, an impairment test, an impairment provision of RMB1,558,306.11 was made based on the estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

19. Other assets

(1) Details

Item	30 June 2021	31 December 2020
Other receivables	213,265,997.03	208,187,453.87
repaid expenses	8,848,316.41	8,724,860.09
Long-term deferred expenses	26,769,798.36	29,304,787.78
Pending underwriting expenses	634,218.43	758,196.90
Entrusted Loan	4,000,000.00	4,000,000.00
Loan	925,839,324.59	875,830,915.70
Commodity inventory	129,152,139.00	197,278,287.50
Temporary payment	23,505,418.38	40,088,770.06
Clearing margin receivable	10,050,136.79	10,053,020.30
Pending deduct VAT on purchase	822,547.63	3,763,992.39
Futures membership	1,400,000.00	1,400,000.00
Interest receivable	1,593,942.40	1,262,539.54
Others	22,273,768.73	6,670,650.56
Total	1,368,155,607.75	1,387,323,474.69

(2) Other receivables

1) Details

Item	30 June 2021	31 December 2020
Prepayments	50,838,018.98	37,802,104.67
Cash pledge	19,937,210.25	18,457,262.12
Equity transfer fund	28,000,000.00	28,000,000.00
Debt receivable	9,700,377.58	14,584,450.53
Margins	85,679,977.92	107,692,585.42
Withholding payment	212,962.06	193,064.03
Others	39,118,507.62	19,267,087.49
Less: Provision for bad debt	20,221,057.38	17,809,100.39
Book value	213,265,997.03	208,187,453.87

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

19. Other assets (continued)

(2) Other receivables (continued)

2) By evaluation methods

Item	30 June 2021			31 December 2020		
	Book balance	Provision for bad debts	Proportion (%)	Book balance	Provision for bad debts	Proportion (%)
Separate provision for bad debts	109,582,530.21	12,775,257.77	11.66	133,831,876.43	12,785,582.57	9.55
Subtotal	109,582,530.21	12,775,257.77		133,831,876.43	12,785,582.57	
Combination provision for bad debts						
Within 1 year	55,718,483.91	278,592.42	0.50	56,469,157.79	282,345.90	0.50
1–2 years	42,335,617.55	2,116,780.88	5.00	18,713,083.99	935,654.20	5.00
2–3 years	15,505,684.70	1,550,568.47	10.00	9,355,826.17	935,582.62	10.00
3–4 years	4,617,685.10	923,537.02	20.00	2,391,853.82	478,370.76	20.00
4–5 years	1,436,028.32	430,808.50	30.00	1,129,068.48	338,720.54	30.00
More than 5 years	4,291,024.62	2,145,512.32	50.00	4,105,687.58	2,052,843.80	50.00
Subtotal	123,904,524.20	7,445,799.61		92,164,677.83	5,023,517.82	
Total	233,487,054.41	20,221,057.38		225,996,554.26	17,809,100.39	

3) At the end of the period, there are no accounts receivable from related parties.

(3) Long-term deferred expenses

Item	31 December 2020	Increase	Deferred	Decrease	30 June 2021
Decoration expense, etc.	29,304,787.78	3,590,654.85	6,121,251.05	4,393.22	26,769,798.36
Total	29,304,787.78	3,590,654.85	6,121,251.05	4,393.22	26,769,798.36

(4) Entrusted loans

Item	30 June 2021	31 December 2020
Entrusted loans	34,416,951.35	34,416,951.35
Less: Provision for impairment of assets	30,416,951.35	30,416,951.35
Book value	4,000,000.00	4,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

19. Other assets (continued)

(5) Loans

1) By categories

Item	30 June 2021	31 December 2020
Individual	34,830,641.95	40,841,156.74
Agency	1,034,500,124.29	977,539,981.74
Less: Provision for asset impairments	143,491,441.65	142,550,222.78
Book value	925,839,324.59	875,830,915.70

Henan Central China Micro-Lending Co., Ltd., a subsidiary of the Company, has started its loan business in 2017, and mainly lends money to third parties at an annual interest rate ranging from 7.125% to 17.28%.

2) By the approach of credit enhancement

Item	30 June 2021	31 December 2020
Mortgage loan	78,158,829.52	165,098,079.70
Pledge loan	15,707,916.67	69,537,966.67
Guaranteed loan	966,151,681.75	771,612,802.11
Credit loan	9,312,338.30	12,132,290.00
Less: Provision for asset impairments	143,491,441.65	142,550,222.78
Book value	925,839,324.59	875,830,915.70

3) Changes in loan impairment provision

Item	31 December 2020	Accrual	30 June 2021
Loan impairment provision	142,550,222.78	941,218.87	143,491,441.65
Total	142,550,222.78	941,218.87	143,491,441.65

20. Securities lending

Item	30 June 2021	31 December 2020
Securities lending	6,619,102.88	6,015,764.80
— Financial assets at fair value through profit or loss	6,619,102.88	6,015,764.80

As of 30 June, 2021 and 31 December, 2020, the Company has no significant margin trading business contracts overdue.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

21. Detailed statement of provision for impairment of assets

(1) By changing details

Item	31 December 2020	Increase	Decrease Turn back	Transfer out	Others	Difference from foreign currency translation	30 June 2021
Provision for impairment of margin accounts receivable	75,573,962.68	-3,302,634.51				-47,064.67	72,224,263.50
Provision for bad debts	343,592,523.77	4,061,393.05	379,513.88	66,904.95		-18,400.60	347,189,097.39
Provision for impairment of financial assets held under resale agreements	266,942,311.46	55,752,383.89	3,444,501.98				319,250,193.37
Provision for impairment of financial assets at amortized costs	157,724,630.67	93,183,062.28	11,474.81			-867,970.53	250,028,247.61
Provision for impairment of financial assets at fair value through other comprehensive income	70,974,959.83		608,801.55				70,366,158.28
Provision for impairment of other assets	9,967,776.77						9,967,776.77
Provision for impairment of loan	142,550,222.78	941,218.87					143,491,441.65
Provision for impairment of entrusted loan	30,416,951.35						30,416,951.35
Subtotal of provision for impairment of financial instruments and other items	1,097,743,339.31	150,635,423.58	4,444,292.22	66,904.95		-933,435.80	1,242,934,129.92
Provision for impairment of long-term equity investments	30,154,117.51			3,476,571.60		-355,964.96	26,321,580.95
Provision for impairment of inventory		1,272,342.22		1,272,342.22			
Provision for impairment of goodwill	1,576,209.93					-17,903.82	1,558,306.11
Subtotal of provision for impairment of other assets	31,730,327.44	1,272,342.22		4,748,913.82		-373,868.78	27,879,887.06
Total	1,129,473,666.75	151,907,765.80	4,444,292.22	4,815,818.77		-1,307,304.58	1,270,814,016.98

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

21. Detailed statement of provision for impairment of assets (continued)

(2) Expected credit loss provisions for financial instruments and other items

Item	30 June 2021			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Provision for impairment of margin accounts receivable	22,261,356.05	360,705.23	49,602,202.22	72,224,263.50
Provision for bad debts		12,731,328.36	334,457,769.03	347,189,097.39
Provision for impairment of financial assets held under resale agreements	768,245.65		318,481,947.72	319,250,193.37
Provision for impairment of financial assets at amortized costs	13,229.28		250,015,018.33	250,028,247.61
Provision for impairment of financial assets at fair value through other comprehensive income	657,758.28		69,708,400.00	70,366,158.28
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of loan	5,209,681.52	1,071,742.81	137,210,017.32	143,491,441.65
Provision for impairment of entrusted loan			30,416,951.35	30,416,951.35
Total	28,910,270.78	14,163,776.40	1,199,860,082.74	1,242,934,129.92

Item	31 December 2020			Total
	Expected credit losses in the next 12 months	Expected credit losses in lifetime (No credit impairment)	Expected credit losses in lifetime (Credit impairment)	
Provision for impairment of margin accounts receivable	21,729,825.88	1,614,024.67	52,230,112.13	75,573,962.68
Provision for bad debts		9,550,197.58	334,042,326.19	343,592,523.77
Provision for impairment of financial assets held under resale agreements	1,371,808.35		265,570,503.11	266,942,311.46
Provision for impairment of financial assets at amortized costs	23,041.81		157,701,588.86	157,724,630.67
Provision for impairment of financial assets at fair value through other comprehensive income	1,266,559.83		69,708,400.00	70,974,959.83
Provision for impairment of other assets			9,967,776.77	9,967,776.77
Provision for impairment of loan	4,922,882.76	641,944.33	136,985,395.69	142,550,222.78
Provision for impairment of entrusted loan			30,416,951.35	30,416,951.35
Total	29,314,118.63	11,806,166.58	1,056,623,054.10	1,097,743,339.31

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

22. Short-term loans

Item	30 June 2021	31 December 2020
Credit loans (note 1)	41,604,000.00	42,082,000.00
Guaranteed loans (note 2, 3)	281,446,740.81	273,895,554.88
Total	323,050,740.81	315,977,554.88

Note 1: As of 30 June, 2021, credit loans are loans borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. The term of loan does not exceed one year, and the annual interest rate of the loan is approximately Hibor+2.4%.

Note 2: As of 30 June, 2021, guaranteed loans are loans of HK\$324,950,000 borrowed by subsidiary Central China International Financial Holdings Co., Ltd. from China Merchants Yong Long Bank Co., Ltd. in the form of overseas loan under domestic guarantee. The loan period does not exceed one year, and the annual interest rate of the loan is approximately Hibor+1.5%.

Note 3: As of 30 June, 2021, guaranteed loans are loans of RMB10,000,000.00 borrowed by subsidiary Yu Xing Investment Co., Ltd. from Zhengzhou High-tech Zone Branch of China Everbright Bank Co., LTD. The loan period does not exceed one year, and the annual interest rate of the loan is 5.20%.

23. Short-term financing instruments payable

Item	Par value	Start Date	Maturity	Issuing amount	Coupon rate	Book balance of 31 Dec. 2020	Increase	Decrease	Book balance of 30 Jun. 2021
18Central China 01 (note 1)	1,500,000,000.00	27 April 2018	3 years	1,500,000,000.00	5.58%	1,557,328,766.98	26,371,233.02	1,583,700,000.00	—
19Central China 01 (note 2)	2,000,000,000.00	26 March 2019	3 years	2,000,000,000.00	3.90%		2,020,247,061.16		2,020,247,061.16
21Central China S1 (note 3)	1,000,000,000.00	20 May 2021	1 year	1,000,000,000.00	3.21%		1,003,693,698.63		1,003,693,698.63
21Central China S2 (note 4)	1,200,000,000.00	18 June 2021	1 year	1,200,000,000.00	3.35%		1,201,431,780.82		1,201,431,780.82
Income certificates (note 5)	2,889,224,000.00	From 31 December 2020 to 30 June 2021	14~272 days	2,889,224,000.00	3.00%~6.00%	1,868,611,194.94	4,083,198,337.01	3,036,760,309.42	2,915,049,222.53
Guaranteed Bonds due 2021 (note 6)	110,000,000.00 (USD)	15 September 2020	363 days	110,000,000.00 (USD)	5.20%	728,717,847.98	20,942,732.82	28,057,518.40	721,603,062.40
Total						4,154,657,809.90	8,355,884,843.46	4,648,517,827.82	7,862,024,825.54

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

23. Short-term financing instruments payable (continued)

- Note 1: According to the resolution of the Central China Securities Co., Ltd. on the Company's issuance of domestic and foreign debt financing instruments and related authorizations adopted by the Company's third extraordinary shareholders' meeting in 2015, and the Shanghai Stock Exchange "Letter on No Objection to the Non-Public Issuance of Subordinated Bonds of Central China Securities Co., Ltd.," (Shangzheng Han [2017] No. 586), the Company can non-public issue subordinated bonds with a total amount of less than RMB10 billion to qualified investors. On 25 July, 2017, the Company issued the first subordinated bonds of 2017 with a face value of RMB1.5 billion and debt maturity of 3 years, the coupon rate was 5.15%; on 16 November, 2017, the Company issued the second subordinated bonds of 2017 with a face value of RMB1 billion, maturity of 3 years, and a coupon rate of 5.49%; On 26 April, 2018, the Company issued the first subordinated debt of 2018 with a face value of RMB1.5 billion and debt maturity of 3 years, the coupon rate was 5.58%.
- Note 2: According to the resolution of the Company's 2015 third interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors" (ZJXK [2019] No. 326), the Company is allowed to publicly issue corporate bonds with a total face value of no more than RMB3 billion to qualified investors. On 25 March, 2019, the Company issued RMB2 billion of bonds with a maturity of 3 years and a coupon rate of 3.90%.
- Note 3: According to the resolution of the Company's 2019 first interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Short-term Corporate Debt Certificates to Professional Investors" (ZJXK [2021] No. 377), the company was allowed to publicly issue short-term corporate bonds with a total face value of no more than RMB5 billion. On 20 May, 2021, the company issued RMB1 billion of bonds with a maturity of 1 year and a coupon rate of 3.21%.
- Note 4: According to the resolution of the Company's 2019 first interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China Securities Co., Ltd.'s Public Issuance of Short-term Corporate Debt Certificates to Professional Investors" (ZJXK [2021] No. 377), the company was allowed to publicly issue short-term corporate bonds with a total face value of no more than RMB5 billion. On 18 June, 2021, the Company issued RMB1.2 billion of bonds with a maturity of 1 year and a coupon rate of 3.35%.
- Note 5: As of 30 June 2021, the Company's existing proofs of income include Xinyi series proof of income of RMB31,730,000.00, Jinyi series proof of income of RMB454,629,000.00, Zunyi series proof of income of RMB302,865,000.00 and Rongyi series proof of income of RMB2,100,000,000.00, with a period of 14~272 days, the interest rate range is 3.00%~6.00%.
- Note 6: Deliberated by the Company's 2020 third board resolution and the Hong Kong Stock Exchange "Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong" approved by, Wending Zhongyuan Company Limited, a subsidiary of the Company, issued 363 days of USD110 million senior unsecured bonds on the Hong Kong Stock Exchange on 15 September, 2020, with a coupon rate of 5.20%. The above bonds are provided by the Company's subsidiary CCIFHC as an unconditional and irrevocable guarantee, and the company provides a maintenance agreement and a liquidity support agreement.
- Note 7: On 30 June, 2021, short-term financing instruments payable include subordinated debt, proofs of income with period less than 1 year (include 1 year).

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

24. Due to banks and other financial institutions

(1) Categories

Item	30 June 2021	31 December 2020
Due to banks	1,400,417,083.34	1,990,620,444.45
Capital from refinancing	1,104,013,055.59	1,703,797,777.78
Total	2,504,430,138.93	3,694,418,222.23

(2) Residual maturity of capital from refinancing

Item	30 June 2021		31 December 2020	
	Balance	Rate	Balance	Rate
Within 1 month	502,916,388.92	2.80%	503,004,444.45	2.80%
1–3 months	301,096,666.67	2.80%	1,200,793,333.33	2.80%
3 months–1 year	300,000,000.00	2.50%		
Total	1,104,013,055.59	—	1,703,797,777.78	—

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

25. Financial liabilities at fair value through profit or loss

Item	Classified into FVTPL	30 June 2021 Fair value Designated as FVTPL	Total
Bonds (note 1)	324,150,598.08		324,150,598.08
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (note 2)	737,567,707.81		737,567,707.81
Total	1,061,718,305.89		1,061,718,305.89

Item	Classified into FVTPL	31 December 2020 Fair value Designated as FVTPL	Total
Bonds (note 1)	778,986,314.11		778,986,314.11
Included in structured entities consolidated and classified as financial liabilities at fair value through profit or loss (note 2)	577,240,268.93		577,240,268.93
Total	1,356,226,583.04		1,356,226,583.04

Note 1: As of 30 June, 2021 and 31 December, 2020, the Group sold outright bonds to other financial institutions for financing business.

Note 2: In the consolidated financial statements, since the Group is obliged to pay other investors on the maturity date of the structured entity in accordance with the net book value and the relevant terms of the structured entity, the Group classifies the financial liabilities arising from the consolidated structured entity as financial liabilities at fair value through profit or loss.

26. Financial assets sold under repurchase agreements

(1) By categories

Item	30 June 2021	31 December 2020
Outright repurchase	1,698,305,426.23	170,134,478.47
Pledge-style repurchase	9,957,776,372.59	12,030,173,716.26
Total	11,656,081,798.82	12,200,308,194.73

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

26. Financial assets sold under repurchase agreements (continued)

(2) By subject categories

Item	30 June 2021	31 December 2020
Bonds	10,557,166,826.02	12,200,308,194.73
Bills	1,098,914,972.80	
Total	11,656,081,798.82	12,200,308,194.73

(3) Collateral information of financial assets sold under repurchase agreements

Item	Fair value on 30 June 2021	Fair value on 31 December 2020
Bonds	11,724,106,031.94	13,375,777,049.15
Bills	1,100,020,825.62	
Total	12,824,126,857.56	13,375,777,049.15

27. Accounts payable to brokerage clients

(1) Details

Item	30 June 2021	31 December 2020
General brokerage business		
Individual	9,650,247,969.73	9,183,094,149.35
Institution	835,826,615.78	594,826,211.62
Subtotal	10,486,074,585.51	9,777,920,360.97
Credit business		
Individual	828,298,179.46	758,296,288.57
Institution	25,429,880.81	19,013,901.71
Subtotal	853,728,060.27	777,310,190.28
Total	11,339,802,645.78	10,555,230,551.25

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

28. Employee benefits payable

(1) Categories

Item	31 December 2020	Increase	Decrease	30 June 2021
Short-term benefits	558,361,317.06	601,470,690.19	618,533,088.85	541,298,918.40
Post-employment benefit — defined contribution plans	3,012,356.72	56,843,408.57	32,991,141.99	26,864,623.30
Dismissal benefit	558,864.39	161,814.00	523,350.96	197,327.43
Total	561,932,538.17	658,475,912.76	652,047,581.80	568,360,869.13

(2) Short-term benefits

Item	31 December 2020	Increase	Decrease	30 June 2021
Wages, bonuses, allowances and subsidies	456,297,497.60	522,281,612.93	554,662,399.29	423,916,711.24
Welfare	34,212.67	10,246,260.29	10,261,577.61	18,895.35
Social insurance contribution	1,295.00	23,732,350.87	23,732,605.87	1,040.00
Including: Medical insurance	510.35	15,650,603.60	15,650,603.60	510.35
Work-related injury insurance	334.55	275,047.09	275,047.09	334.55
Maternity insurance	195.10	321,761.74	321,761.74	195.10
Supplementary medical insurance	255.00	7,478,045.50	7,478,300.50	—
Others	—	6,892.94	6,892.94	—
Housing funds	—	22,334,462.21	22,334,462.21	—
Labor union and employee education costs	102,028,311.79	22,876,003.89	7,542,043.87	117,362,271.81
Total	558,361,317.06	601,470,690.19	618,533,088.85	541,298,918.40

(3) Post-employment benefit - defined contribution plans

Item	31 December 2020	Increase	Decrease	30 June 2021
Basic pension	83,998.29	27,784,548.32	27,817,365.49	51,181.12
Unemployment insurance	4,609.78	1,303,960.39	1,305,636.89	2,933.28
Enterprise annuity insurance	2,923,748.65	27,754,899.86	3,868,139.61	26,810,508.90
Total	3,012,356.72	56,843,408.57	32,991,141.99	26,864,623.30

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

29. Taxes payable

Item	30 June 2021	31 December 2020
Enterprise income tax	142,169,362.76	114,101,377.09
Individual income tax	10,689,484.41	9,375,343.19
Value added tax	15,796,880.77	5,327,159.86
Urban maintenance and construction tax	1,236,700.52	1,262,668.74
Educational surcharge	1,038,633.52	899,695.79
Property tax	361,819.17	396,512.17
Land holding tax	57,930.50	59,419.92
Others	9,381.42	181,907.79
Total	171,360,193.07	131,604,084.55

30. Accounts payable

Item	30 June 2021	31 December 2020
Securities liquidation	141,943,615.61	1,584,687.23
Bank custody fee	4,360,586.50	4,289,034.57
Open-end fund liquidation		52,036,482.97
Others	24,100,819.89	7,964,367.83
Total	170,405,022.00	65,874,572.60

31. Contract liabilities

Item	30 June 2021	31 December 2020
Expense and commission advance receipt	15,207,225.44	13,434,590.75
Trade advance receipt	28,297,689.00	13,061,090.66
Total	43,504,914.44	26,495,681.41

Contract liabilities mainly relate to the Group's advance receipts of management fees and advance receipts from sales of goods. The advance receipts are collected when a contract is signed, and the related income of the contract is recognized after the Group has fulfilled its performance obligations.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

32. Long-term borrowings

Categories	30 June 2021	31 December 2020
Credit borrowings	1,001,583.33	1,001,741.67
Total	1,001,583.33	1,001,741.67

Note: As of 30 June, 2021, credit loans are borrowings borrowed by subsidiary Henan Central China Micro-Lending Co., Ltd from Jiaozuo China Travel Bank Co., Ltd. The term of loan is 3 years, and the annual interest rate of the borrowings is 20% higher than the pricing base interest rate on the actual withdrawal date of the borrowings.

33. Bonds payable

Item	Face value	Start Date	Maturity	Issuing amount	Coupon rate	31 December 2020 book balance	Increase	Decrease	30 June 2021 book balance
19 Central China C1 (note 1)	1,000,000,000.00	30 October 2019	3 years	1,000,000,000.00	4.90%	1,008,591,780.85	24,701,369.88		1,033,293,150.73
19 Central China 01 (note 2)	2,000,000,000.00	26 March 2019	3 years	2,000,000,000.00	3.90%	2,059,237,739.24	39,009,321.92	2,098,247,061.16	—
20 Central China C1 (note 3)	1,500,000,000.00	23 April 2020	3 years	1,500,000,000.00	4.08%	1,542,420,821.93	30,348,493.16	61,200,000.00	1,511,569,315.09
21 Central China 01 (note 4)	1,000,000,000.00	5 March 2021	3 years	1,000,000,000.00	4.03%	—	1,012,131,731.84	—	1,012,131,731.84
Total	5,500,000,000.00			5,500,000,000.00		4,610,250,342.02	1,106,190,916.80	2,159,447,061.16	3,556,994,197.66

Note 1: According to the resolution of the Central China securities Co., Ltd., on the issuance of domestic and foreign debt financing instruments and related authorizations of the Company approved by the third interim shareholders' meeting of the Company in 2015, on 29 October, 2019, the Company issued the first subordinated debt of 2019 with a face value of RMB1 billion and a bond maturity of 3 years, the coupon rate was 4.90%.

Note 2: According to the resolution of the Company's the third interim shareholders' meeting in 2015, the Company was approved by the China Securities Regulatory Commission's "the Approval of Central China securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors" (ZJXK [2019] No. 326), the Company issue corporate bonds with a total face value not exceeding RMB3 billion to qualified investors. On 25 March, 2019, the Company issued RMB2 billion of bonds with a maturity of 3 years and a coupon rate of 3.90%.

Note 3: According to the resolution of the Company's the first extraordinary Shareholders' meeting in 2019, the Company was approved by the Shanghai Stock Exchange issued the "Letter of Objection to The Listing and Transfer of Bonds issued by Non-Public Subordinated Companies of Central China securities Co., Ltd. (SSE Letter [2020] No. 544), the Company can non-public issue subordinated bonds with a total amount of not more than RMB3 billion to qualified investors. On 22 April, 2020, the Company issued RMB1.5 billion of bonds with a maturity of 3 years and a coupon rate of 4.08%.

Note 4: According to the resolution of the Company's 2015 third interim shareholders' meeting and the China Securities Regulatory Commission "Reply on The Approval of Central China securities Co., Ltd.'s Public Issuance of Corporate Bonds to Qualified Investors" (ZJXK [2019] No. 326), The Company is allowed to publicly issue corporate bonds with a total face value of no more than RMB3 billion to qualified investors. On 5 March, 2021, the Company issued RMB1 billion of bonds with a maturity of 3 years and a coupon rate of 4.03%.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

34. Lease liabilities

Item	30 June 2021	31 December 2020
Lease liabilities	143,540,895.48	157,698,672.45
Including: less than 1 year	56,658,170.81	63,101,382.10
Total	143,540,895.48	157,698,672.45

Note: The items leased by the Company are mainly houses and buildings. The Group rents houses and buildings as office space, and office space leasing usually lasts for a period of 1 to 5 years.

35. Other liabilities

(1) Details

Item	30 June 2021	31 December 2020
Dividends payable	98,426,718.06	155,116.92
Others payable	261,488,608.03	249,046,172.59
Receipts in advance	140,636,332.23	60,275,715.32
Futures risk reserve	26,591,309.23	25,085,590.18
Investor protection fund	5,799,798.39	4,346,572.63
Others	1,491,558.03	5,514,232.05
Total	534,434,323.97	344,423,399.69

(2) Other payables

Item	30 June 2021	31 December 2020
Equity transfer payable	104,010,000.00	105,205,000.00
Warranty Deposit (note 1)	6,737,600.00	92,651,296.00
Withholding supervision fees, rent, utilities, etc.	19,122,279.52	14,063,675.84
Temporary receipts	73,246,258.36	2,960,451.19
Others	58,372,470.15	34,165,749.56
Total	261,488,608.03	249,046,172.59

Note 1: The book value of the pledged bulk commodity inventory set by the company's subsidiaries for warehouse receipt pledge financing business is RMB6,137,708.20, and the book value of the pledged bulk commodity inventory set for after-sales repurchase financing business is RMB102,628,893.72.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

35. Other liabilities (continued)

(3) Futures risk reserve

The Company's subsidiary, Central China Futures Co., Ltd. according to the "Provisional Regulations on the Financial Management of Commodity Futures Trading", calculates the futures risk reserve based on 5% of the net income of the futures brokerage business fee income minus the futures exchange fee and pays it to the current profit and loss. When the risk reserve is used to make up for losses due to its own reasons or when the risk loss that is difficult to recover risk losses, the balance of the futures risk reserve is offset.

36. Share capital

Item	31 December 2020	Issued	Bonus shares	Increase/decrease Shares transferred from reserves	Other	Subtotal	30 June 2021
Total share capital	4,642,884,700.00						4,642,884,700.00

37. Capital reserve

Item	31 December 2020	Increase	Decrease	30 June 2021
Premium on share capital	6,575,163,079.07			6,575,163,079.07
Others	-244,540,261.39		7,803,622.33	-252,343,883.72
Total	6,330,622,817.68		7,803,622.33	6,322,819,195.35

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

38. Other comprehensive income

Item	31 December 2020	Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Current Amount		Attributable to the parent company after tax	Attributable to minority shareholder after tax	30 June 2021
				Less: Income tax	Total			
OCI to be reclassified subsequently to profit or loss	12,549,125.88	10,958,810.45	7,870,953.93	1,206,774.85	1,881,081.67	1,881,081.67		14,430,207.55
Including: the change of the fair value of FVTOCI	-54,619,229.53	12,877,496.70	7,441,595.76	1,358,975.24	4,076,925.70	4,076,925.70		-50,542,303.83
Credit impairment allowance of FVTOCI	53,231,219.86	-179,443.38	429,358.17	-152,200.39	-456,601.16	-456,601.16		52,774,618.70
Other comprehensive income convertible to profit or loss under the equity method	2,433,175.41	-1,259,678.70			-1,259,678.70	-1,259,678.70		1,173,496.71
Difference by foreign currency	11,503,960.14	-479,564.17			-479,564.17	-479,564.17		11,024,395.97
Total	12,549,125.88	10,958,810.45	7,870,953.93	1,206,774.85	1,881,081.67	1,881,081.67	—	14,430,207.55

39. Surplus reserve

Item	31 December 2020	Increase	Decrease	30 June 2021
Statutory reserve	663,853,582.46			663,853,582.46
Discretionary reserve	174,504,665.33			174,504,665.33
Total	838,358,247.79			838,358,247.79

40. General risk reserve

Item	31 December 2020	Increase	Decrease	30 June 2021
The funds for general risk provision	782,419,033.04	935,771.83		783,354,804.87
The funds for transactional risk provision	659,099,780.36			659,099,780.36
Total	1,441,518,813.40	935,771.83		1,442,454,585.23

General risk reserves include the general risk reserves and transaction risk reserves provide by the Company and its subsidiaries. For details, please refer to Note IV. 28.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

41. Retained earnings

Item	Jan-June 2021	Jan-June 2020
Retained earnings at the closing of prior year	102,780,913.15	88,232,726.32
Adjusted		
Retained earnings at the beginning of the period	102,780,913.15	88,232,726.32
Add: Net profit attributable to owners of the parent company	228,961,700.48	30,850,805.92
Less: Statutory reserve		
Discretionary reserve		
General risk reserve	935,771.83	
Transaction risk reserve		
Distribution of common stock dividends	78,929,039.90	
Balance at the end of current period	251,877,801.90	119,083,532.24

42. Net interest income

Item	Jan-June 2021	Jan-June 2020
Interest income	518,460,146.02	439,282,092.15
Including: Interest income from bank balances and clearing settlement funds	124,287,581.03	127,584,619.62
Interest income on margin accounts receivable	258,509,214.98	206,515,794.29
Interest income from financial assets held under resale agreements	48,620,451.36	41,478,616.55
Including: interest income from agreed repurchase	534,054.56	460,170.80
Interest income from stock-pledged repurchase	40,650,743.65	25,329,237.85
Interest income from financial assets measured at amortized cost	3,838,782.36	5,529,076.20
Interest income from financial assets at fair value through other comprehensive income	42,737,174.45	14,633,435.33
Interest income from loan	40,305,190.76	40,671,052.65
Interest income from entrusted loans		192,614.14
Others	161,751.08	2,676,883.37
Interest expense	437,802,570.60	420,907,369.39
Including: Interest expense of loans	8,040,962.75	29,940,049.94
Interest expense of short-term financing instruments payable	74,429,430.55	7,159,720.65
Interest expense of due to banks and other financial institutions	39,313,222.45	32,301,755.54
Including: interest expense of refinancing interest	24,279,722.23	8,073,611.12
Interest expense of financial assets sold under repurchase agreements	148,210,522.45	121,830,581.11
Interest expense of accounts payable to brokerage clients	18,470,946.38	17,495,512.27
Interest expense of bonds payable	138,754,633.04	199,728,325.67
Including: interest expense of subordinated bonds	81,414,124.35	143,890,408.83
Interest expense of bond lending	6,398,188.52	5,526,740.64
Others	4,184,664.46	6,924,683.57
Net interest income	80,657,575.42	18,374,722.76

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

43. Net fee and commission income

(1) Details

Item	Jan-June 2021	Jan-June 2020
Securities brokerage services net income	330,602,298.17	314,133,681.27
—Securities brokerage services income	424,051,354.67	404,116,884.37
—Funds received as agent of stock exchange	386,196,763.52	385,150,501.89
Leasing of trading unit seats	98,726.15	430,607.33
Sales agent of financial products	37,800,922.11	18,074,613.26
—Securities brokerage services expense	93,449,056.50	89,983,203.10
—Funds received as agent of stock exchange	93,423,130.33	89,897,778.44
Sales agent of financial products	19,520.57	3,778.46
Futures brokerage business net income	54,538,373.49	29,931,456.32
—Futures brokerage business income	88,946,507.44	46,339,649.07
—Futures brokerage business expense	34,408,133.95	16,408,192.75
Investment bank business net income	266,920,574.17	98,977,331.26
—Investment bank business income	269,723,044.55	108,254,938.25
—Securities underwriting business	256,088,834.87	80,381,886.80
Sponsor business of securities	4,541,953.09	8,961,044.64
Financial advisory business	9,092,256.59	18,912,006.81
—Investment bank business expenses	2,802,470.38	9,277,606.99
—Securities underwriting business	1,049,132.07	7,873,584.91
Sponsor business of securities	138,443.66	427,180.90
Financial advisory business	1,614,894.66	976,841.18
Asset management business net income	17,288,555.89	20,062,491.49
—Asset management business income	17,475,885.27	20,288,883.78
—Asset management business expense	187,329.38	226,392.29
Fund management business net income	5,823,511.81	6,296,374.97
—Fund management business income	5,999,676.86	8,426,175.89
—Fund management business expense	176,165.05	2,129,800.92
Investment consulting business net income	29,480,779.46	38,925,687.55
—Investment consulting business income	29,480,779.46	38,925,687.55
—Investment consulting business expense		
Other fee and commission net income	16,794,485.21	5,623,302.14
—Other fee and commission income	16,794,485.21	5,623,302.14
—Other fee and commission expense		
Total	721,448,578.20	513,950,325.00
Including: total fee and commission income	852,471,733.46	631,975,521.05
total fee and commission expense	131,023,155.26	118,025,196.05

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For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

43. Net fee and commission income (continued)

(2) Net income from financial advisory business

Item	Jan-June 2021	Jan-June 2020
Net income from mergers and acquisitions financial advisory business — domestic listed company	943,396.23	1,886,792.45
Net income from mergers and acquisitions financial advisory business — others	771,698.11	613,207.54
others	5,762,267.59	15,435,165.64
Total	7,477,361.93	17,935,165.63

(3) Income from agency sales of financial assets

Item	Jan-June 2021		Jan-June 2020	
	Total sales	Income from handling charges and commissions	Total sales	Income from handling charges and commissions
Funds	4,696,399,261.62	37,800,922.11	2,732,422,397.27	18,074,613.26
Total	4,696,399,261.62	37,800,922.11	2,732,422,397.27	18,074,613.26

44. Investment income

(1) By categories

Item	Jan-June 2021	Jan-June 2020
Long-term equity investments income calculated by equity method	54,397,626.13	34,784,430.24
Disposal income of long-term equity investment	5,847,546.40	133,495,365.87
Financial instruments investment income	251,270,667.50	194,775,358.38
Including: Income generated during holding period	225,488,773.84	223,767,683.24
Including: Financial assets at fair value through profit or loss	391,547,444.88	376,358,058.58
Financial liabilities at fair value through profit or loss	-166,058,671.04	-152,590,375.34
Disposal income of financial instruments	25,781,893.66	-28,992,324.86
Including: Financial assets at fair value through profit or loss	69,100,988.17	63,973,115.54
Financial assets at fair value through other comprehensive income	3,949,840.43	12,268,792.46
Derivative financial instruments	-38,326,051.27	-105,687,506.21
Financial liabilities at fair value through profit or loss	-8,942,883.67	453,273.35
Total	311,515,840.03	363,055,154.49

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

44. Investment income (continued)

(2) Detailed statement of transactional financial instruments

Financial instruments measured at fair value through profit or loss		Jan-June 2021
Classified into financial assets measured at fair value through profit or loss	Holding period income	391,547,444.88
	Deposal income	69,100,988.17
Designated as financial assets measured at fair value through profit or loss	Holding period income	
	Deposal income	
Classified into financial liabilities measured at fair value through profit or loss	Holding period income	-166,058,671.04
	Deposal income	-8,942,883.67
Designated as financial liabilities measured at fair value through profit or loss	Holding period income	
	Deposal income	

45. Gains on changes in fair value

Item	Jan-June 2021	Jan-June 2020
Financial assets at fair value through profit or loss	141,831,784.09	-65,341,315.73
Including: designated as financial assets measured at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	3,951,206.65	-4,319,699.71
Including: designated as financial liabilities measured at fair value through profit or loss		
Derivative financial instruments	18,046,677.79	4,074,810.69
Total	163,829,668.53	-65,586,204.75

46. Other operating income

Item	Jan-June 2021	Jan-June 2020
Commodity sales income	1,044,534,320.76	396,150,323.43
Penalty interest income from stock pledge business	2,150,168.00	10,893,990.35
Rental income	1,494,193.80	1,520,413.62
Others	1,917,943.67	5,866,163.22
Total	1,050,096,626.23	414,430,890.62

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

47. Gains from assets disposal

Item	Jan-June 2021	Jan-June 2020
Non-current asset disposal income	7,895.89	564.81
Including: fixed asset disposal income	7,895.89	564.81
Total	7,895.89	564.81

48. Other income

(1) Detail of other income

Item	Jan-June 2021	Jan-June 2020
Government grants	8,766,067.75	8,509,397.02
Total	8,766,067.75	8,509,397.02

(2) Description of major government grants included in other income

- ① According to the Financial Support Qualification Notice of Pudong New Area (Pufu Finance [2017] No. 0082), the Company complies with the relevant provisions of "The Financial Support Measures for promoting the Development of financial Industry in Pudong New Area during the 13th Five-Year Plan period" and is qualified to enjoy the financial support of Pudong New Area. The financial support fund of RMB6,089,000.00 allocated by The Financial Services Bureau of Pudong New Area of Shanghai in 2021 shall be included in other income according to the relevant provisions of accounting standards.
- ② According to the notice released by Ministry of Human Resources and Social Security, Ministry of Finance, National Development and Reform Commission, Ministry of Industry and Information Technology, "The notice of Unemployment Insurance Supporting Enterprises to Stabilize Employment" (Ren She Bu Fa, [2019] No. 23), in 2021, the Company and its subsidiaries received a government grants of RMB1,107,233.29 for job stabilization, which was included in other income according to the relevant provisions of accounting standards.
- ③ In accordance with the relevant provisions of Notice released by the Ministry of Finance, The State Administration of Taxation and The People's Bank of China, "The Notice On Further Strengthening the Management of Tax Withholding and Collection" (Cai Hang, [2019] No.11), the Company and its subsidiaries received RMB1,548,734.46 of individual income tax commission refund from the government in 2021 and it was included in other income according to the relevant provisions of accounting standards.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

49. Taxes and surcharges

Item	Jan-June 2021	Jan-June 2020
City maintenance and construction tax	4,855,924.54	4,422,243.19
Educational surcharges	3,733,500.45	3,168,532.13
Others	2,160,806.67	1,849,672.07
Total	10,750,231.66	9,440,447.39

50. Business and administrative expenses

Item	Jan-June 2021	Jan-June 2020
Employee benefits	658,475,912.76	455,522,444.43
Depreciation of right-of-use assets	35,794,654.37	38,604,231.02
Electronic equipment operating fees	19,466,496.94	12,505,576.70
Amortization of intangible assets	17,747,214.40	14,119,968.95
Depreciation of fixed assets	14,249,821.08	17,361,042.07
Communication fees	10,627,663.96	10,647,147.06
Consulting fees	9,128,704.24	9,611,442.71
Intermediary service fee	8,939,976.17	6,732,283.73
Member fees	7,659,220.39	7,316,349.90
Amortization of long-term deferred expenses	6,121,251.05	6,878,881.79
Business entertainment expenses	6,092,455.69	2,684,386.55
Traveling expenses	5,900,314.18	3,026,442.23
Securities investors protection funds	5,584,563.23	4,860,936.31
Property management fee	4,859,238.56	4,948,711.80
Others	34,688,717.99	25,241,662.80
Total	845,336,205.01	620,061,508.05

51. Expected credit losses

Item	Jan-June 2021	Jan-June 2020
Provision for bad debts	3,681,879.17	1,317,948.48
Provision for impairment of financial assets at amortized costs	93,171,587.47	6,673,141.36
Provision for impairment of financial assets at fair value through other comprehensive income	-608,801.55	8,018,376.66
Loan loss provision	941,218.87	5,039,333.78
Entrusted loan loss provision	—	2,078,600.00
Provision for impairment of margin accounts receivable	-3,302,634.51	3,534,539.32
Provision for impairment of financial assets held under resale agreements	52,307,881.91	112,840,185.71
Others	—	899,999.99
Total	146,191,131.36	140,402,125.30

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

52. Other assets impairment losses

Item	Jan-June 2021	Jan-June 2020
Provision for impairment of inventory	1,272,342.22	22,934,995.27
Total	1,272,342.22	22,934,995.27

53. Other operating costs

Item	Jan-June 2021	Jan-June 2020
Cost of commodity sold	1,026,714,214.32	392,307,248.07
Investment property depreciation	404,747.08	407,372.97
Others	123,556.55	35,688.59
Total	1,027,242,517.95	392,750,309.63

54. Non-operating income

(1) Details

Item	Jan-June 2021	Jan-June 2020	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	31,665.38		31,665.38
Government grants	1,957,037.12	393,328.61	1,957,037.12
Others	215,965.03	742,691.90	215,965.03
Total	2,204,667.53	1,136,020.51	2,204,667.53

(2) Details of government grants

- ① In accordance with the relevant provisions of "The Notice on Further Promoting the Development Policies and Measures of the Qingdao Wealth Management and Financial Comprehensive Reform Pilot Zone" (QZBF [2018] No.18) issued by the General Office of the Qingdao Municipal People's Government, the Company received the local financial subsidy fund of RMB1,850,393.36 from the Qingdao Municipal People's Government in 2021. According to the relevant provisions of accounting standards, it was included in non-operating income.
- ② In accordance with the relevant provisions of "The Notice on the Implementation Rules (Trial) of Several Supporting Policies for Accelerating the Development of Modern Financial Industry in Jinan City" (Jijinjian [2019] No. 97), issued by Jinan Finance Bureau, the Company has received local government subsidy funds of RMB83,100.00 from Jinan Finance Bureau in 2021. According to the relevant provisions of accounting standards, it was included in non-operating income.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

55. Non-operating expenses

Item	Jan-June 2021	Jan-June 2020	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	294,954.40	19,608.60	294,954.40
Donations and sponsorship expenditures		4,000,000.00	
Others	106,399.64	3,082,902.31	106,399.64
Total	401,354.04	7,102,510.91	401,354.04

56. Income tax expenses

(1) Income tax expenses

Item	Jan-June 2021	Jan-June 2020
Current income tax expenses	163,736,447.39	116,364,736.14
Deferred income tax expenses	-89,122,427.41	-91,628,876.98
Total	74,614,019.98	24,735,859.16

(2) Reconciliation of accounting profit to income tax expenses

Item	Jan-June 2021
Profit before tax	307,052,034.04
Tax at the applicable tax rate	76,763,008.51
Effect of different tax rates applicable to subsidiaries	4,035,299.38
Effect of prior income tax reconciliation	343,861.86
Effect of non-taxable incomes	-35,822,052.82
Effect of non-deductible costs, expenses and losses	6,789,996.28
Effect of utilization of deductible losses not previously recognized	
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	7,833,228.20
Others	14,670,678.57
Income tax expenses	74,614,019.98

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

57. Earnings per share

Item	Jan-June 2021	Jan-June 2020
Net profit attributable to owners of the parent company	228,961,700.48	30,850,805.92
Non-recurring net profit and loss attributable to owners of the parent company	7,829,984.83	2,659,174.25
Net profit attributable to owners of the parent company after deducting non-recurring gains and losses	221,131,715.65	28,191,631.67
Weighted average number of ordinary shares outstanding	4,642,884,700.00	3,869,070,700.00
Basic earnings per share	0.05	0.01
Basic earnings per share after deducting non-recurring gains and losses	0.05	0.01

As of 30 June, 2021 and 31 December, 2020, the Company has no potential dilutive ordinary shares, thus diluted earnings per share are the same as basic earnings per share.

58. Items of the cash flow statement

(1) Other cash received/paid related to operating/financing activities

1) Other cash received related to operating activities

Item	Jan-June 2021	Jan-June 2020
Government grants	10,723,104.87	8,902,725.63
Other operating income	1,050,096,626.23	414,430,890.62
Loans		114,829,723.81
Others	17,954,011.24	935,306.04
Total	1,078,773,742.34	539,098,646.10

2) Other cash paid related to operating activities

Item	Jan-June 2021	Jan-June 2020
Inventory		69,023,189.78
Increase in refundable deposits	131,158,890.45	369,090,047.71
Payment of business and administrative expenses	112,947,351.35	87,167,566.82
Other operating costs	764,222,325.19	392,342,936.66
Others		145,990,663.98
Total	1,008,328,566.99	1,063,614,404.95

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

58. Items of the cash flow statement (continued)

(1) Other cash received/paid related to operating/financing activities (continued)

3) Other cash paid related to financing activities

Item	Jan-June 2021	Jan-June 2020
Cash paid for acquiring minority shareholders' equity		28,000,000.00
Cash paid to repay lease liabilities	33,912,632.75	31,932,968.39
Others	7,803,622.33	
Total	41,716,255.08	59,932,968.39

(2) Supplementary information on consolidated cash flow statement

Item	Jan-June 2021	Jan-June 2020
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	232,438,014.06	33,683,588.05
Add : Expected credit loss	146,191,131.36	140,402,125.30
Provision for impairment of assets	1,272,342.22	22,934,995.27
Depreciation of investment properties and fixed assets	14,654,568.16	17,768,415.04
Right-of-use asset depreciation	35,794,654.37	38,604,231.02
Amortization amount of intangible assets	17,747,214.40	14,119,968.95
Amortization of long-term prepaid expenses	6,121,251.05	6,878,881.79
Losses on disposal of fixed assets, intangible assets and other long-term assets (or revenue: "-")	255,393.13	19,043.79
Gains and losses on changes in fair value (or revenue: "-")	-163,829,668.53	65,586,204.75
Interest expenses	225,738,915.21	241,374,983.78
Exchange losses (or revenue: "-")	281,103.30	2,759,526.70
Investment losses (or revenue: "-")	-110,770,969.77	-200,711,100.10
Decrease in deferred income tax assets (or increase: "-")	-97,160,589.32	-94,920,262.29
Increase in deferred income tax liabilities (or decrease: "-")	8,038,161.91	3,291,385.31
Decrease of operating receivable (or increase: "-")	-1,798,478,648.95	3,028,863,875.71
Increase of operating payable (or decrease "-")	198,963,158.81	-254,584,256.19
Net cash flow from operating activities	-1,282,743,968.59	3,066,071,606.88
2. Significant investing and financing business not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets rented in under finance leases		
3. Net increase/(decrease) in cash and cash equivalents		
Closing balance of cash	14,720,814,704.35	14,392,034,871.21
Less : Opening balance of cash	13,312,322,291.24	11,805,475,726.56
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash equivalent and cash	1,408,492,413.11	2,586,559,144.65

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

58. Items of the cash flow statement (continued)

(3) Cash and cash equivalents

Item	30 June 2021	31 December 2020
Cash	14,720,814,704.35	13,312,322,291.24
Including: Cash on hand	111,475.46	185,324.40
Bank deposits available for payment	12,190,465,092.03	10,924,832,764.95
Other cash	13,925,639.44	9,142,683.42
Clearing settlement funds	2,516,312,497.42	2,378,161,518.47
Cash equivalents		
Including: bond investment maturing within three months		
Cash and cash equivalents at the end of the period	14,720,814,704.35	13,312,322,291.24

59. Assets with restricted ownership or use rights

Item	Book value as of 30 June 2021	Reasons
Cash and bank balances	14,078,924.70	Risk reserve account for asset management business
	11,761,098,899.13	Pledged for repurchase financing, pledged for bond lending
Financial assets at fair value through profit or loss	54,194,278.77	Exercise registration
	18,849,600.00	Restricted by bulk trading
	6,619,102.88	Securities lending
Financial assets at fair value through other comprehensive income	194,157,654.80	Pledge for refinancing
	163,215,616.64	Pledge for bond lending
	711,194,600.53	Pledge for repurchase financing
	6,137,708.20	Pledge for warehouse financing
Inventory	102,628,893.72	Pledge for repurchase financing

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

60. Entrusted asset management business

Item	Collective asset management business	Single asset management business	Special asset management business
Product quantity at the end of the period	9	3	2
Number of customers at the end of the period	25,413	3	5
Including: individual customers	25,378		
Institutional clients	35	3	5
Entrusted funds at the beginning of the period	4,590,344,584.76	1,043,551,028.78	591,854,372.22
Including: Own capital investment	3,400,068.05		304,476,073.61
Individual clients	1,880,448,337.19		
Institutional clients	2,706,496,179.52	1,043,551,028.78	287,378,298.61
Entrusted funds at the end of the period	4,526,221,837.30	693,551,028.78	466,561,577.04
Including: Own capital investment	3,400,068.05		298,036,073.61
Individual clients	1,849,269,068.24		
Institutional clients	2,673,552,701.01	693,551,028.78	168,525,503.43
Initial cost of main entrusted assets at the end of the period	3,468,137,000.71	692,855,916.94	449,160,144.33
Including: Stocks	10,293,688.76	15,855,916.94	
National debt			
Other bonds	653,221,263.54		
Funds	153,171,302.00		70,144.33
Trust plans	2,638,990,000.00		
Others	12,460,746.41	677,000,000.00	449,090,000.00
Net income of asset management business in the current period	11,006,443.25	2,253,131.52	73,887.29

Note: From the statement of the parent

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

61. Foreign currency

Item	Amount of original currency as of 30 June 2021	Exchange rate	RMB amount as of 30 June 2021
Cash and bank balances			
Including: USD	52,746,527.68	6.4601	340,799,026.07
EUR	395,430.33	7.6862	3,028,060.05
HKD	792,169,263.38	0.8321	659,148,200.70
CAD	760.04	5.2097	3,956.53
AUD	47,229.09	4.8528	228,285.87
THB	0.15	0.2219	0.03
JPY	132,540.00	0.058	7,687.89
Clearing settlement funds			
Including: USD	987,251.99	6.4601	6,377,793.08
HKD	11,415,302.79	0.8321	9,498,445.16
JPY	94,868.00	0.058	5,502.75
GBP	49.27	8.941	438.96
EUR	19,482.26	7.6862	149,187.98
MYR	508.20	1.5533	789.37
Refundable deposits			
Including: USD	70,000.00	6.4601	452,207.00
HKD	500,000.00	0.8321	416,040.00
Accounts receivable			
Including: HKD	15,875,629.27	0.8321	13,209,793.60
USD	3,098,585.78	6.4601	20,020,276.29
JPY	177,500.00	0.058	10,295.77
MYR	20,636.64	1.5533	32,054.24
GBP	1,688.33	8.941	15,041.89
Other receivables			
Including: HKD	6,692,224.68	0.8321	5,568,466.31
USD	438,516.59	6.4601	2,833,099.81
Accounts payable to brokerage clients			
Including: USD	18,586,599.92	6.4601	120,088,400.04
HKD	82,550,289.30	0.8321	68,688,444.71
GBP	153,764.51	7.6862	1,177,472.07
JPY	310,040.00	0.058	17,983.65
MYR	20,633.00	1.5533	32,048.59
GBP	1,688.33	8.941	15,041.89
Short-term loans			
Including: HKD	376,224,998.04	0.8321	313,049,296.37
Accounts payable			
Including: HKD	1,469,170.41	0.8321	1,222,467.32
Other payables			
Including: USD	24.46	6.4601	158.03
HKD	129,010,375.60	0.8321	107,346,953.33
Short-term financing instruments payable			
Including: USD	111,684,222.25	6.4601	721,603,062.40

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

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

62. Overseas business entities

The consolidated statements of the Company between January 2021 and June 2021 include overseas subsidiaries such as CCIFHC, Central China International Securities Co., Ltd., Central China International Futures Co., Ltd., Central China International Investment Co., Ltd., Central China International Financing Co., Ltd., Central China International Holdings Co., Ltd., Central China International Financial Group Ltd., Wending Zhongyuan Co., Ltd., etc. The assets and liabilities in the foreign currency balance sheet are exchanged at the spot exchange rate on the balance sheet date (1 HK\$: 0.8321 RMB); the owner's equity items, except for the "undistributed profits", are exchanged at the spot exchange rate when the business occurs; the income and expense items in the income statement are exchanged at the approximate exchange rate of the spot exchange rate on the transaction date (the average exchange rate of the current period is 1 HK\$: 0.8338 RMB). The differences arising from the above exchanging of foreign currency statements shall be separately presented under the item of owners' equity. Foreign currency cash flows are exchanged using the approximate exchange rate of the spot exchange rate on the date of cash flow. The impact of exchange rate changes on cash shall be separately presented in the cash flow statement.

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Composition of enterprise groups

Name of subsidiary	Main places of business	Places of registration	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Central China Futures Co., Ltd.	Zhengzhou	Zhengzhou	Futures brokerage	51.36		Acquisition
Yuxin Investment Management (Shanghai) Co. Ltd	Zhengzhou	Shanghai	Investment management		51.36	Investment establishment
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	Zhengzhou	Beijing	Private equity investment fund management	100.00		Investment establishment
Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.	Zhengzhou	Luoyang	Equity investment management		60.00	Investment establishment
Central China Blue Ocean Investment Management Co., Ltd.	Zhengzhou	Xuchang	Alternative investment	100.00		Investment establishment
Henan Central China Micro-Lending Co., Ltd.	Zhengzhou	Kaifeng	Microfinance		65.00	Investment establishment
Central China Equity Exchange Co., Ltd.	Zhengzhou	Zhengzhou	Regional equity market	35.00		Investment establishment
Central China International Financial Holdings Co., Ltd.	Hong Kong	Hong Kong	Investment holding	100.00		Investment establishment
Central China International Holdings Co., Ltd.	Hong Kong	British Virgin Islands	Holding company		100.00	Investment establishment

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Composition of enterprise groups (continued)

Name of subsidiary	Main places of business	Places of registration	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Central China International Financial Group Ltd.	Hong Kong	Cayman Islands	Holding company		100.00	Investment establishment
Central China Financing International Co., Ltd.	Hong Kong	Hong Kong	Investment bank		100.00	Acquisition
Central China International Securities Co., Ltd.	Hong Kong	Hong Kong	Securities brokerage		100.00	Investment establishment
Central China International Investment Co., Ltd.	Hong Kong	Hong Kong	Portfolio investment		100.00	Investment establishment
Central China International Futures Co., Ltd.	Hong Kong	Hong Kong	Futures brokerage		100.00	Investment establishment
Wending Zhongyuan Co., Ltd.	Hong Kong	British Virgin Islands	Other		100.00	Investment establishment

a) Reasons why the shareholding ratio of subsidiaries is different from the voting ratio

Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a concerted action agreement with three other investors. Through this agreement, the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd.

b) Basis for controlling important structured entities included in the consolidation scope

As of 30 June, 2021, as the general partner of the partnership, the Company and its subsidiaries owned Henan Zhongyuan Science and Innovation Venture Capital Fund (Limited Partnership), Henan Zhongzheng Kaiyuan Venture Capital Fund (Limited Partnership), Henan Zhongzheng Kaiyuan Yucai Agricultural Venture Capital Fund (Limited Partnership) and Anyang Purun High-tech Industry Investment Fund (Limited Partnership). The company can control them. Therefore, the above four partnerships are included in the scope of consolidation.

According to the provisions of Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements, the company regards the Company as the manager, participates with its own funds, bears significant variable returns related to product income, and meets the definition of “control” in the newly revised accounting standards for business enterprises in 2014, a total of 4 collective asset management plan products are included in the scope of consolidated statements.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Composition of enterprise groups (continued)

b) Basis for controlling important structured entities included in the consolidation scope (continued)

As of 30 June, 2021, the details of important structured entities included in the consolidation scope are as follows:

Structured entities name	Total share/ registered capital	Proportion of shares held by the Company on 30 June, 2021	Direct/indirect investment
HUIMIN 1 COLLECTIVE ASSET MANAGEMENT PLAN	43,618,155.80	48.47%	Indirect
LIANMENG 17 COLLECTIVE ASSET MANAGEMENT PLAN	59,840,000.00	100.00%	Indirect
ZHONGJING 1 COLLECTIVE ASSET MANAGEMENT PLAN	181,650,000.00	100.00%	Indirect
TIANYUAN 1 COLLECTIVE ASSET MANAGEMENT PLAN	11,153,323.62	44.83%	Indirect
HENAN ZHONGYUAN SCIENCE AND INNOVATION VENTURE CAPITAL FUND (LIMITED PARTNERSHIP)	500,000,000.00	50.00%	Indirect
HENAN ZHONGZHENG KAIYUAN VENTURE CAPITAL FUND (LIMITED PARTNERSHIP)	81,000,000.00	15.00%	Indirect
HENAN ZHONGZHENG KAIYUAN YUCAI AGRICULTURAL VENTURE CAPITAL FUND (LIMITED PARTNERSHIP)	100,000,000.00	20.00%	Indirect
ANYANG PURUN HIGH-TECH INDUSTRY INVESTMENT FUND (LIMITED PARTNERSHIP)	45,000,000.00	13.00%	Indirect

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For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(2) Important non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Profit and loss attributable to minority shareholders in the current period	Dividends declared to be distributed to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period	Remarks
Central China Futures Co., Ltd.	48.64	257,450.30	6,741,919.80	207,320,695.99	
Central China Equity Exchange Co., Ltd.	65.00	23,780,976.32	14,088,200.00	237,533,669.96	

- a) Explanation that the shareholding ratio of minority shareholders of subsidiaries is different from the voting right ratio:

Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a concerted action agreement with three other investors. Through this agreement, the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(3) Main financial information of important non-wholly owned subsidiaries

The main financial information of these subsidiaries is the amount before mutual offset between enterprises in the Company, but after adjustment of fair value and unified accounting policies on the merger date:

Item	Ending balance/Current amount	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	2,070,804,950.39	427,971,411.83
Total liabilities	1,654,734,134.31	60,204,396.84
Operating income	1,074,348,131.23	63,975,536.99
Net profit	529,264.84	36,586,117.42
Total comprehensive income	529,264.84	36,586,117.42
Cash flow from operating activities	197,970,055.70	-13,729,012.48

Item	Opening balance/Previous period	
	Central China Futures Co., Ltd.	Central China Equity Exchange Co., Ltd.
Total assets	1,909,882,870.38	383,792,372.43
Total liabilities	1,480,481,319.14	29,948,274.86
Operating income	454,163,518.32	53,592,796.92
Net profit	4,723,869.30	29,738,186.67
Total comprehensive income	4,723,869.30	29,738,186.67
Cash flow from operating activities	-203,001,422.64	-20,622,736.66

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

2. Rights and interests in joint ventures and associates

(1) Summary financial information of unimportant joint ventures and associates

Item	Ending balance/ Current period	Opening balance/ Previous period
Total book value of investment in associates	1,120,234,040.42	1,067,276,173.44
The total of the following items calculated according to the shareholding ratio	—	—
Net profit	54,397,626.13	34,784,430.24
Other comprehensive income	-1,259,678.70	-1,593,552.08
Total comprehensive income	53,137,947.43	33,190,878.16

(2) Unconfirmed commitments related to joint venture investment

The Company has no commitments that need to be disclosed.

(3) Contingent liabilities related to investment in joint ventures or associates

The Company has no contingencies that need to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VII. EQUITY IN OTHER ENTITIES (continued)

3. Equity in structured entities not included in the scope of consolidated financial statements

The structured entities initiated and established by the Company that are not included in the scope of consolidated financial statements mainly include collective asset management plans, single asset management plans, special asset management plans, and partnerships. The nature and purpose of these structured entities are mainly to manage investors' assets and charge management fees. Their financing method is to issue investment products to investors. The rights and interests enjoyed by the Company in these structured entities not included in the scope of consolidated financial statements mainly include the income from directly holding investments or collecting management fees through managing these structured entities. The variable return related to product income enjoyed by the Company is not significant, so such structured entities are not consolidated.

As of 30 June, 2021, the total assets of the collective asset management plan managed by the Group that are not included in the scope of the consolidated financial statements are RMB7,871,127,436.59, the total assets of the single asset management plan are RMB1,345,007,551.01, the total assets of the special asset management plan are RMB449,749,966.51, and the total assets of the partnership are RMB1,116,790,029.64.

As of 30 June, 2021, the Group's equity in structured entities not included in the scope of consolidated financial statements is classified as trading financial assets, debt investment, and management fees and commissions receivable included in accounts receivable. The relevant book value and maximum risk exposure are as follows:

Items	30 June, 2021	31 December, 2020
Financial assets at fair value through profit or loss	1,950,249,061.04	1,328,580,602.71
Debt investment and receivables	477,661,812.20	487,750,503.80
Total	2,427,910,873.24	1,816,331,106.51

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS

The Group's risk management objective is to uphold the risk management concept of matching capital, risk and income, so as to bear appropriate risks, achieve the optimal balance of business scale, profitability and risk tolerance, and bring sustained and stable profit returns to shareholders. The Group's risk management strategy aims to identify and evaluate various risks faced by the Group, set an appropriate risk tolerance level, timely and reliably measure and monitor risks, and ensure that risks are controlled within an acceptable range.

The main risks faced by the Group include: credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risk. The Group has adopted risk management policies and procedures to identify and assess these risks, established appropriate risk indicators, risk limit levels, risk policies and internal control procedures, and continuously monitored and managed risks through the information system.

The organizational structure of risk management is divided into four levels, including (i) The board of directors and the board of supervisors; (ii) Risk control committee, audit committee and management; (iii) Compliance management headquarters, legal affairs headquarters, risk management headquarters and audit headquarters; and (iv) departments, branches and subsidiaries.

Level 1: Board of directors and board of supervisors

The Board of Directors is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and specifying the direction and scope of the Company's risk control work, and authorize relevant management departments to exercise the executive power.

The board of supervisors assumes the responsibility of overseeing the overall risk management, with the core of supervising the Company's business and management business in compliance with laws and regulations and overseeing the Company's finances, including monitoring the performance of risk control duties of the Company's directors, senior management and relevant responsible persons, safeguarding the Company's assets, and minimizing financial and legal risks the Company faces in carrying out its business operations, so as to protect legal rights and interests of the Company and its shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

Level 2: Risk Control Committee, Audit Committee and Managers

Risk Control Committee, Audit Committee and Managers are the second level of the Company's risk control framework, and 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 organization structure and roles and responsibilities for risk control, as well as other matters as delegated by the Board of Directors. The managers assume primary responsibility for overall risk management, formulate and adjust the Company's risk management system; establish and improve the Company's comprehensive risk management business management structure, clarify the division of responsibilities of comprehensive risk management functional departments, business departments and other departments in risk management, establish an effective check-and-balance and mutually coordinated operating mechanism between departments; formulate specific implementation plans for risk appetite, risk tolerance, and major risk limits to ensure their effective implementation; the main point of risk oversight and timely analysis of the reasons, and processed under the authority of the board of directors; regularly assess the Company's overall risk management and all kinds of important risk situation, risk management to solve the problems in the report to the Board; establish a performance appraisal system covering the effectiveness of risk management; establish a complete information technology system and data quality control mechanism.

Level 3: Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters

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

The Compliance Management Headquarters 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, branch outlets and subsidiaries, and monitors compliance with laws and regulations in the Company's business and management business. It also drives business departments, branch outlets and subsidiaries 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; perform regular and temporary reporting obligations to regulatory authorities, and be responsible for controlling compliance risks faced by the Company and related businesses.

The main responsibilities of the Legal Affairs Headquarters: under the leadership of the Company's board of directors and the board of supervisors, assist the Company's managers to build a legal management system and legal risk prevention mechanism, participate in the Company's major economic business, provide legal opinions for major business decisions, and be responsible for Company contract management, litigation and arbitration management and asset preservation, responsible for the selection, management, and evaluation of the Company's legal consultants and other intermediaries that provide legal services, and provide legal support and consulting services for the Company's business management and the business development of various departments and branches, and organize the development legal education and training, organize and implement the prevention of illegal fund-raising, guide and coordinate affiliated enterprises to carry out legal risk prevention.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

Level 3: Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters (continued)

Risk Management Headquarters carries out risk control business in accordance with risk control objectives and policies laid down by the Board of Directors; provides recommendations to the Risk Management Committee for improving the Company's risk control environment in terms of risk control policies, objectives, corporate governance structure and internal controls; formulates risk management rules and procedures for the Company, supports the review of risk management rules and procedures, measures, risk management processes and risk control indicators developed by each business and management departments, and continuously supplements, improves and updates risk control policies to help establish sound comprehensive corporate risk control mechanisms across the Company; identifies, assesses, and monitors various risks in business operations and transactions, and on this basis, establish and improve the cycle processing and feedback process of risk policy, risk identification, risk assessment and measurement, risk control, risk monitoring, risk reporting and analysis; regularly inspect, monitor, and evaluate the implementation of risk control systems and procedures by various departments, branches and subsidiaries, and if necessary, conduct regular or irregular inspections on the implementation of risk control, and deal with the risks found in a timely manner and implement relevant reporting procedures; establish communication and cooperation in risk control with various departments, branches and subsidiaries.

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

Level 4: Business and management departments, branch outlets and subsidiaries

The fourth level of risk control is the front-line risk control systems by business departments branch outlets and subsidiaries, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

1. Credit risk

Credit risk refers to the risk of losses due to defaults by financing parties, counterparties or issuers. The Company's credit risks mainly come from financial assets which include bank balances, clearing settlement funds, financial assets at fair value through other comprehensive income, financial assets held under resale agreements, financial assets at amortized costs, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited, with a relatively low level of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

In terms of proprietary trading, if the transaction is through a stock exchange or China Securities Depository and Clearing Corporation Limited the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Company invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. As of 30 June, 2021 and 31 December, 2020, the collateral value of the Group's customers is sufficient to resist the credit risk of financing business.

The Group's credit risk also arises from the securities and futures brokerage business. If a customer fails to deposit sufficient trading funds, the Group may use 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 financial assets measured at amortized cost. 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 authorized 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.

The Group invests in financial products, trust plans, asset management plans with proper approval process.

Control of credit risk from securities financing business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment in accordance with prudential principles by complying with the accounting standards of China Accounting Standards for Business Enterprises 22.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

(1) Expected credit loss measurement

Since the first implementation of the new financial instrument standards on 1 January, 2018, for financial assets measured at amortized cost (including margin accounts receivable, financial assets held under resale agreements, financial instruments measured at amortized cost) and financial assets instruments at fair value through other comprehensive income. The Company use general methods to measure its expected credit losses. models and assumptions are used in the measurement of expected credit losses. These models and assumptions relate to future macroeconomic conditions and customer credit behavior (for example, the likelihood of customer default and associated losses). The Company uses a simple method to measure the expected credit losses of accounts receivable and other receivable. According to the simple method, the Company measures the loss provision based on the expected credit losses of the entire duration.

For financial assets that use general methods to measure expected credit losses, the Company uses an impairment model in which the credit quality of the financial assets has changed in three stages since the initial recognition of the financial assets to measure the expected credit losses respectively, including:

- A financial instrument that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, but it will not be regarded as the instrument for credit impairment, the Company will transfer it to “Stage 2”.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.

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

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

The measurement of ECL adopted by management according to China Accounting Standards for Business Enterprises, involves judgements, assumptions and estimations, including: determination of the criteria for SICR; selection of the appropriate models and assumptions; establishment of the number and relative weightings of forward-looking scenarios for each type of product.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

(2) 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.

The Company takes full account of forward-looking information when measuring ECL. ECL is the result after discounting the product of PD, LGD and EAD that takes into account the forward-looking impact:

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

(3) The criteria of significant increase in credit risk

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

The Company considers margin financing to have experienced SICR if margin calls were triggered by a decrease of the ratio of margin loan to collateral below liquidation line.

A financial instrument is considered to have experienced SICR if the borrower or the debtor is overdue for more than 30 days after the contract payment date.

On 30 June, 2021, the Company has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements and no longer compared whether the credit risk on the balance sheet date increased significantly compared with that at the time of initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

(4) Definition of credit-impaired assets

The Company considers whether a financial instrument is credit-impaired according to 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-pledged 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.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

(5) Forward-looking information

The assessment of SICR and the calculation of ECL incorporate forward-looking information. The Company has analyzed historical data and identified the economic variable impacting credit risk and ECL for each financial instrument portfolio. 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 also identifies other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

As at 1 January, 2021 and 30 June, 2021, for all portfolios the Company concluded that 3 scenarios appropriately captured non-linearities of economic variable. The scenario weightings are determined by a combination of statistical analysis and experts' judgement, taking account of the range of possible outcomes represented by each scenario.

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. The Company measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stage 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

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

(6) Sensitivity analysis

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

(7) Collateral and other credit enhancements

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

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Credit risk (continued)

(8) Maximum credit risk exposure

The Group's financing business customers have considerable asset quality. Exceed 90% of the Margin accounts receivable and bond reverse repurchase business maintain guarantee ratios above the liquidation line, and there is sufficient collateral information to indicate that the assets are not expected to default.

The maximum credit risk exposure of the Group is as follows:

Expressed in RMB'0000

Item	30 June 2021	31 December 2020
Cash and bank balances	1,222,199.67	1,095,113.10
Clearing settlement funds	251,695.49	237,910.01
Margin accounts receivable	758,618.32	740,075.71
Refundable deposits	87,603.21	74,487.87
Accounts receivable	9,031.06	16,932.35
Financial assets held under resale agreements	163,048.27	205,596.49
Financial assets at fair value through profit or loss	1,966,808.16	2,029,715.88
Financial assets measured at amortised cost	36,568.17	45,616.89
Financial assets at fair value through other comprehensive income	182,856.62	208,880.51
Other assets	129,735.68	132,664.80
Total	4,808,164.65	4,786,993.61

(9) Credit quality analysis

The credit quality of each financial asset item is as follows on 30 June, 2021:

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Loans and entrusted loans	75,923.54	4,897.00	29,554.23	110,374.77
Margin accounts receivable	755,267.15	5,615.96	4,957.64	765,840.75
Financial assets at fair value through other comprehensive income	171,360.31		11,496.31	182,856.62
Financial assets measured at amortized costs	2,118.74		59,452.25	61,570.99
Financial assets held under resale agreements	121,711.89		73,261.40	194,973.29
Subtotal	1,126,381.63	10,512.96	178,721.83	1,315,616.42
Less: Provision for impairment	2,891.04	143.24	85,543.45	88,577.73
Total	1,123,490.59	10,369.72	93,178.38	1,227,038.69

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Liquidity risk

Liquidity risk refers to the risk that the company cannot obtain sufficient funds in time at a reasonable cost to pay its due debts, fulfill other payment obligations and meet the capital needs of normal business.

In order to prevent liquidity risk, the following measures are taken: first, strengthen the management of capital position and cash flow, adopt the advance reservation mode of large amount of funds, strengthen the monitoring and management of large amount of funds, scientifically predict the cash flow gap in different time periods in the future, and ensure the consistency of financing arrangement and business capital utilization rhythm; Second, actively expand financing channels, comprehensively use a variety of financing methods, balance the distribution of debt maturity, improve the diversification and stability of financing, and avoid the repayment risk due to too single financing channels or concentrated debt maturity; Third, establish the operation and management mechanism of liquidity reserve funds, reasonably set the minimum holding scale of liquidity reserve funds and the allocation proportion of high-quality liquidity assets, hold sufficient high-quality liquidity assets, and ensure that the company can realize sufficient funds in time to deal with the capital gap under normal and pressure situations; Fourth, adopt the risk monitoring system with net capital and liquidity as the core to monitor the risk control indicators, and use stress test to evaluate the impact of business activities on the company's liquidity; Fifth, establish and continuously improve the liquidity risk emergency mechanism, and regularly conduct emergency drills on liquidity risks to ensure the timeliness and effectiveness of the company's liquidity crisis response.

The financial liabilities held by the group are analyzed as follows according to the maturity of undiscounted remaining contractual obligations:

Expressed in RMB'0000

	30 June, 2021							
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Non-derivative financial liabilities								
Short-term loans				32,305.83				32,305.83
Short-term financing instruments payable	—	78,951.26	171,943.79	551,395.17	—	—	—	802,290.22
Due to banks and other financial institutions	—	190,390.75	30,212.33	30,424.67	—	—	—	251,027.75
Financial liabilities at fair value through profit or loss		32,415.06	—		73,756.77	—		106,171.83
Financial assets sold under repurchase agreements		1,165,608.18						1,165,608.18
Accounts payable to brokerage clients	119,555.83	1,014,424.43						1,133,980.26
Bonds payable					384,583.20			384,583.20
Accounts payable							17,040.50	17,040.50
Long-term borrowings					103.28			103.28
Other liabilities							40,686.48	40,686.48
Total	119,555.83	2,481,789.68	202,156.12	614,125.67	458,443.25		57,726.98	3,933,797.53

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Liquidity risk (continued)

Non-derivative financial liabilities	31 December, 2020							Total
	Current	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	
Short-term loans		31,644.25						31,644.25
Short-term financing instruments payable		8,655.70	79,686.52	334,574.57				422,916.79
Due to banks and other financial institutions		249,466.89	120,847.99					370,314.88
Financial liabilities at fair value through profit or loss		77,898.63			57,724.03			135,622.66
Financial assets sold under repurchase agreements		1,200,820.87	19,829.62					1,220,650.49
Accounts payable to brokerage clients	87,081.66	968,441.40						1,055,523.06
Bonds payable					493,795.39			493,795.39
Accounts payable							6,587.46	6,587.46
Long-term borrowings					106.11			106.11
Other liabilities							25,339.27	25,339.27
Total	87,081.66	2,536,927.74	220,364.13	334,574.57	551,625.53		31,926.73	3,762,500.36

3. Market risk

Market risk refers to the risk of the fair value of financial instruments held due to adverse changes in market prices, including stocks and derivatives, interest rate risk, price risk, exchange rate risk, etc. Since the Company's main positions are self-operated investments, the price risk and interest rate risk of stocks and derivatives have a greater impact on the investment business.

In terms of market risk, the Company follows the principles of soundness and prudence, accurately defines, uniformly measures and prudently evaluates the market risk the Company bears. For the directional investment business, the company adheres to a risk-controllable and moderate-scale risk management strategy, and assumes a moderate-scale risk position.

(1) Exchange rate risk

The fluctuation of exchange rate will bring certain exchange risk to the group. As of 30 June, 2021, the group's foreign currency assets converted into RMB accounted for 4.08% of total assets and foreign currency liabilities converted into RMB accounted for 3.35% of total liabilities. Due to the low proportion of foreign currency in the group's asset liability and income structure, the Group believes that exchange rate risk has little impact on operation.

(2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the financial status and cash flow of the Group due to changes in market interest rates. The interest-earning assets of the Group affected by changes in market interest rates are mainly bank deposits, clearing settlement funds, refundable deposits, and debt investments.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Market risk (continued)

(2) Interest rate risk (continued)

The Group utilizes sensitivity analysis as the main tool for monitoring interest rate risk. Under the assumption that other variables remain unchanged, sensitivity analysis is adopted to measure the possible impact on total profits and shareholder equity when changes in interest rates occur. The Group's bond investment is mainly based on a steady buy-and-hold strategy and a spread arbitrage strategy. The proprietary business magnification, bond rating and duration are controlled to prevent and reduce interest rate risks.

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

Expressed in RMB'0000

Item	30 June, 2021						Total
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Cash and bank balances	1,222,188.52					11.15	1,222,199.67
Clearing settlement funds	251,695.49						251,695.49
Margin accounts receivable	121,275.89	137,052.45	500,289.98				758,618.32
Derivative financial assets							—
Refundable deposits						87,603.21	87,603.21
Accounts receivable						9,031.06	9,031.06
Financial assets held under resale agreements	79,829.14	40,665.05	36,809.08	5,745.00			163,048.27
Financial assets at fair value through profit or loss	32,329.01	29,145.26	1,356,068.92	169,318.40	70,157.59	694,719.55	2,351,738.73
Financial assets at amortized costs	32,945.66		2,108.25	1,514.26			36,568.17
Financial assets at fair value through other comprehensive income		1,032.01	26,463.18	148,173.85	7,187.58		182,856.62
Other assets	17,447.00	12,785.00	48,317.00	752.27	1,194.41	36,324.79	116,820.47
Subtotal of financial assets	1,757,710.71	220,679.77	1,970,056.41	325,503.78	78,539.58	827,689.76	5,180,180.01
Short-term loans			32,305.07				32,305.07
Short-term financing instruments payable	78,809.00	170,455.66	536,937.82				786,202.48
Due to banks and other financial institutions	190,333.34	30,109.67	30,000.00				250,443.01
Financial liabilities at fair value through profit or loss	32,415.06			73,756.77			106,171.83
Financial assets sold under repurchase agreements	1,165,608.18						1,165,608.18
Accounts payable to brokerage clients	1,014,424.43					119,555.83	1,133,980.26
Derivative financial liabilities						34.62	34.62
Bonds payable				355,699.42			355,699.42
Accounts payable						17,040.50	17,040.50
Long-term borrowings				100.16			100.16
Other liabilities						26,728.84	26,728.84
Subtotal of financial liabilities	2,481,590.01	200,565.33	599,242.89	429,556.35		163,359.79	3,874,314.37
Interest rate sensitivity gap	-723,879.30	20,114.44	1,370,813.52	-104,052.57	78,539.58	664,329.97	641,535.67

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Market risk (continued)

(2) Interest rate risk (continued)

Item	31 December, 2020						Total
	Within 1 month	1-3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Cash and bank balances	1,095,094.57					18.53	1,095,113.10
Clearing settlement funds	237,910.01						237,910.01
Margin accounts receivable	60,815.68	211,904.24	467,355.79				740,075.71
Derivative financial assets							
Refundable deposits						74,487.87	74,487.87
Accounts receivable						16,932.35	16,932.35
Financial assets held under resale agreements	126,178.03	441.47	73,955.86	5,021.13			205,596.49
Financial assets at fair value through profit or loss	34,198.68	15,747.64	458,734.50	1,147,611.52	297,037.16	305,927.75	2,259,257.25
Financial assets at amortized costs	43,497.64	1,120.40	599.56	399.29			45,616.89
Financial assets at fair value through other comprehensive income	5,122.99	11,068.17	182,048.99	10,640.36			208,880.51
Other assets	2,911.85	7,546.79	59,521.86	2,602.62	1,365.29	38,988.56	112,936.97
Subtotal of financial assets	1,605,729.45	247,828.71	1,242,216.56	1,166,274.92	298,402.45	436,355.06	4,996,807.15
Short-term loans	31,597.76						31,597.76
Short-term financing instruments payable	8,641.78	79,201.92	327,622.08				415,465.78
Due to banks and other financial institutions	249,362.49	120,079.33					369,441.82
Financial liabilities at fair value through profit or loss	77,898.63			57,724.03			135,622.66
Financial assets sold under repurchase agreements	1,200,220.82	19,810.00					1,220,030.82
Accounts payable to brokerage clients	968,441.40					87,081.66	1,055,523.06
Derivative financial liabilities						5.80	5.80
Bonds payable				461,025.03			461,025.03
Accounts payable						6,587.46	6,587.46
Long-term borrowings				100.17			100.17
Other liabilities						25,339.27	25,339.27
Subtotal of financial liabilities	2,536,162.88	219,091.25	327,622.08	518,849.23		119,014.19	3,720,739.63
Interest rate sensitivity gap	-930,433.43	28,737.46	914,594.48	647,425.69	298,402.45	317,340.87	958,726.65

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Market risk (continued)

(3) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity, securities, investment funds, convertible bonds, derivatives and collective asset management plans whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

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

The analysis below shows the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of stocks, bonds, funds, convertible bonds, derivatives and collective asset management plans by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit before income tax and other comprehensive income before income tax, while a negative result indicates otherwise.

Expressed in RMB'0000

Item	30 June, 2021		31 December, 2020	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
Increase by 10%	36,862.33	18,285.66	23,385.33	20,888.05
Decrease by 10%	-36,862.33	-18,285.66	-23,385.33	-20,888.05

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

4. Operational risk

Operational risk is the risk of loss to the Group due to the imperfection or failure of personnel, internal procedures and systems, as well as the impact of external events.

The Group emphasizes the matching of business scale, profit and risk management ability, and does not sacrifice the control of operational risk for the pursuit of profit. The Group emphasizes to carry out the business of various securities companies under the premise of sound control of operational risks. In the case of cost permitting, the Group will continue to strengthen the operational risk management system and implement the internal control system to achieve the controllability of operational risk under the established business income..

5. Compliance risk

Compliance risk refers to the risk of the Company being legally held accountable, subjected to supervisory measures, given self-discipline penalties or suffering from loss of property or reputation arising from violation of laws, regulations or rules by the operation and management or licensed practices of the Company or its personnel.

The Company's Compliance Management Department keeps track of laws, regulations and guidelines in a timely manner, and continuously improves the Company's compliance management system based on the actual situation of the Company; supervises each Company unit to timely improve the internal management systems and optimize the business processes in accordance with changes in laws, regulations and standards; provides compliance advice and consultation for the Company's management and various units; conducts compliance reviews of the Company's internal management systems, major decisions, new products, new business plans, etc.; strengthens the training of compliance administrators of relevant units, and creates a team of compliance administrators with strong compliance awareness and professional capabilities; timely identifies, evaluates and manages the relevant compliance risks in the Company's operation and management through compliance monitoring, supervision and inspection, compliance management, effectiveness assessment and other measures, and integrates compliance management into decision-making, execution, supervision, feedback and other links, and integrates into the whole process of company operation and management; organizes money laundering risk prevention and control work in accordance with the Company's anti-money laundering system; strictly implements compliance assessment and accountability mechanisms to provide strong guarantees for compliance management; performs regular and ad hoc compliance reporting obligations to regulatory authorities; the Company carried out the construction of compliance culture, strengthened compliance publicity, and improved the self-restraint mechanism to ensure compliance operation and standardized development.

During the Reporting Period, the Compliance Management Headquarters strengthened the Company's compliance inspections for key business and key areas, mainly involving comprehensive inspections on self-inspection and self-correction, special inspections on integrity practices, verification of employee securities account openings, special inspections for compliance assessment in 2020, investor suitability special inspection, brokerage business branch compliance and antimoney laundering inspection, investment bank equity business issuance and underwriting special inspection and other 12 items, supervising all units to effectively identify, prevent and resolve compliance risks. At the same time, the Company optimized the functional modules and parameter settings of the anti-money laundering management system 4.0, added compliance administrator review nodes and high-risk customer due diligence modules, improved the blacklist monitoring and early warning processing process, and further increased the Company's money laundering risk management ability.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

VIII. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS (continued)

6. Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business;
- To comply with the capital requirements under the PRC regulations.

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

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%.

IX. FAIR VALUE

1. Financial instruments measured at fair value

The company presents the book value of financial assets and instruments measured at fair value on 30 June, 2021 according to three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest of the three levels of important input values used in fair value measurement. The three levels are defined as follows:

Level 1: it refers to the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;

Level 2: it refers to the directly or indirectly observable input value of relevant assets or liabilities in addition to the input value of level 1;

The second level input values include: 1) quotation of similar assets or liabilities in the active market; 2) Quotation of the same or similar assets or liabilities in the inactive market; 3) Other observable input values other than quotation, including observable interest rate and yield curve, implied volatility and credit spread during normal quotation interval; 4) Input values for market validation, etc.

Level 3: it is the unobservable input value of related assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IX. FAIR VALUE (continued)

2. Fair value measurement at the end of the period

(1) Continuous fair value measurement

Items	Fair value at the end of the period			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	7,120,670,821.46	14,380,655,460.07	2,016,061,037.08	23,517,387,318.61
(1) Bond investment	6,313,030,628.57	9,817,608,623.03	335,438,792.99	16,466,078,044.59
(2) Equity investment	466,612,594.06	57,081,671.25	725,828,698.50	1,249,522,963.81
(3) Public fund	341,027,598.83	2,258,755,183.25	—	2,599,782,782.08
(4) Others		2,247,209,982.54	954,793,545.59	3,202,003,528.13
Financial assets at fair value through other comprehensive income	547,936,028.90	1,165,667,036.78	114,963,106.85	1,828,566,172.53
Total Assets	7,668,606,850.36	15,546,322,496.85	2,131,024,143.93	25,345,953,491.14
Financial liabilities at fair value through profit or loss	324,150,598.08		737,567,707.81	1,061,718,305.89
Derivative financial liabilities	346,155.17			346,155.17
Total liabilities	324,496,753.25	—	737,567,707.81	1,062,064,461.06

3. Basis for determining the market price of the first level fair value measurement project

The fair value of financial instruments traded in an active market shall be determined according to the market quotation on the date of financial report. If quotations are obtained from exchanges and dealers on a timely and regular basis, and such quotations reflect actual and regular market transactions based on fair negotiation, a market is deemed to be active. The fair value is determined by the closing price on the financial reporting date. Such instruments are included in the first level. The instruments included in the first level mainly include the Trading Securities of Shanghai Stock Exchange and Shenzhen Stock Exchange listed as trading financial assets and other debt investments.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IX. FAIR VALUE (continued)

4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted

The fair value of financial instruments purchased in the inactive market is determined by valuation technology. These valuation techniques make full use of available observable market data and do not rely on entity specific estimates as much as possible. If all the main input parameters required to measure an instrument at fair value can be observed, the instrument is included in the second level.

Bond investment:

Bond investment shall be quoted by the valuation system of bond registration and settlement institutions. For bonds traded in the inter-bank bond market, including government bonds, corporate bonds, commercial bills, special financial bills, central bank bills and other fixed income bonds, the quotation of the valuation system of bond registration and settlement institutions adopts the observable input value reflecting the market conditions as the fair value.

Equity investment:

The fair value of stocks listed on the National SME share transfer system is based on the closing price on the balance sheet date. Due to the low transaction frequency, it is adjusted according to the valuation technology. The adjustment is based on the potential maximum loss, which is the confidence level determined according to the changes of interest rate, stock price and exchange rate in a certain period. The above parameters are observable.

Public fund:

The fair value of public funds shall be determined according to the net asset value of the fund on the balance sheet date. The net asset value of the fund is usually determined based on the fair value and related expenses of the underlying investment (debt instruments in the portfolio or publicly traded equity instruments), or valued by a third party (such as a registrar and clearing institution) according to the discounted cash flow model.

Others:

Other financial assets invested by the company are mainly collective asset management products, fund financial products, private equity funds and bank financial products. The fair value is determined by the net value of the product corresponding to its share or by using valuation techniques. The observable input values required by the valuation technology include the market price and interest rate of the investment target. These are observable inputs.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IX. FAIR VALUE (continued)

4. For the items measured at the second level fair value continuously and non-continuously, the valuation technology and the qualitative and quantitative information of important parameters are adopted (continued)

The following table lists the relevant valuation techniques and input parameters of the main financial instruments at the second level:

Financial instruments	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Impact of unobservable input parameters on fair value
Trading financial assets				
Bonds				
Interbank market bond	Second level	Quotation of valuation system of bond registration and settlement institutions	Not applicable	Not applicable
Stocks				
Shares of the National SME share transfer system	Second level	Based on the closing price on the balance sheet date and adjusted according to the valuation technology	Not applicable	Not applicable
Public fund				
Public fund	Second level	Net asset value of the fund on the balance sheet date	Not applicable	Not applicable
Others				
Collective asset management products, fund financial products, private equity funds and bank financial products	Second level	Net value of products corresponding to their share or using valuation Technology	Not applicable	Not applicable
Other debt investment				
Bond				
Interbank market bond	Second level	Quotation of valuation system of bond registration and settlement institutions	Not applicable	Not applicable

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IX. FAIR VALUE (continued)

5. For the items measured at fair value at the third level of continuous and non-continuous, the valuation techniques and the qualitative and quantitative information of important parameters are adopted

(1) Valuation technology and input value description

If one or more main input parameters are not determined based on observable market data, the tool is included in Level 3. For unlisted equity investment, bond investment, trust products and financial liabilities, the company uses valuation technology to determine their fair value, including discounted cash flow method and market comparison method. Its fair value is measured by important unobservable parameters, such as liquidity discount, volatility and market multiplier. The fair values of unlisted equity investments, bond investments, other investments and financial liabilities are not significantly sensitive to the reasonable changes of these unobservable inputs.

From January to June 2021, the valuation technology used by the group for the above continuous level 3 fair value measurement has not changed.

(2) Unobservable input value information

For the third level financial instruments, the fair value is determined by valuation method (such as discounted cash flow model and other similar technologies). The third level of fair value measurement classification is generally determined by the importance of non-observable input parameters to the measurement of overall fair value. The following table lists the relevant valuation techniques and input parameters of the main financial instruments at the third level:

Financial assets/ financial liabilities	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Relationship between unobservable input parameters and fair value
Trading financial assets				
— Bank financial products	The third level	— Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	— Expected future cash flow; — Expected recovery date;	— The higher the future cash flow, the higher the fair value;
— Asset management products of securities companies			— The discount rate corresponding to the expected risk level;	— The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— Trust plan	The third level	— Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level;	— Expected future cash flow; — Expected recovery date;	— The higher the future cash flow, the higher the fair value;
			— The discount rate corresponding to the expected risk level;	— The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— Private placement bonds, corporate bonds and convertible bonds	The third level	— Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level; — Option pricing model;	— Expected future cash flow; — Expected recovery date; — The discount rate corresponding to the expected risk level; — Stock price volatility	— The higher the future cash flow, the higher the fair value; — The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value; — The greater the fluctuation of stock price, the higher the fair value;

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IX. FAIR VALUE (continued)

5. For the items measured at fair value at the third level of continuous and non-continuous, the valuation techniques and the qualitative and quantitative information of important parameters are adopted (continued)

(2) Unobservable input value information (continued)

Financial assets/ financial liabilities	Fair value level	Valuation technology and main input parameters	Important unobservable input parameters	Relationship between unobservable input parameters and fair value
Trading financial assets				
— Unlisted equity	The third level	— Adopt the comparable company method to select comparable companies in the same industry similar to the important financial indicators of the target company, and calculate the PE, PB and PS of comparable companies; Considering the liquidity discount, estimate the expected exit date of equity, calculate the volatility of comparable companies, and use the option model to calculate the liquidity discount of comparable companies	— Expected recovery date — Stock price volatility	— The earlier the expected recovery date, the higher the fair value; — The greater the fluctuation of stock price, the higher the fair value;
— Trading financial liabilities	The third level	— Discount the future cash flow estimated based on the expected recoverable amount at the discount rate reflecting the management's best estimate of the expected risk level	— Expected future cash flow — Expected payment date — Discount rate corresponding to expected risk level	— The higher the future cash flow, the higher the fair value; — The earlier the payment date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— Derivative financial instruments	The third level	— The option pricing model is used for valuation, and the main input parameter is the volatility of the underlying instrument.	— Volatility of the underlying instrument	— The higher the volatility of the underlying instrument, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

IX. FAIR VALUE (continued)

6. The movement of Level 3 financial instruments

Item	1 January 2021	Increase	Decrease	30 June 2021
Financial assets at fair value through profit or loss	1,286,539,048.95	729,521,988.13		2,016,061,037.08
Financial liabilities as at fair value through profit or loss	577,240,268.93	160,327,438.88		737,567,707.81
Financial assets at fair value through other comprehensive income	115,409,134.24		446,027.39	114,963,106.85

Item	1 January 2020	Increase	Decrease	31 December 2020
Financial assets at fair value through profit or loss	1,209,210,826.77	77,328,222.18		1,286,539,048.95
Financial liabilities as at fair value through profit or loss	399,760,116.86	177,480,152.07		577,240,268.93
Financial assets at fair value through other comprehensive income		115,409,134.24		115,409,134.24
Derivative financial assets	11,265,850.93		11,265,850.93	
Derivative financial liabilities	44,320.00		44,320.00	

7. For the continuous fair value measurement project, if the conversion between various levels occurs in the current period, the reasons for the conversion and the policies for determining the conversion time point

The above continuous fair value measurement items of the company have not been converted between different levels in the current period.

8. Changes in valuation technology in the current period and reasons for changes

The fair value valuation technology of the company's financial instruments has not changed in the current period.

9. Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: margin accounts receivable, financial assets held under resale agreements, accounts receivable, financial assets measured at amortised cost, short-term loans, accounts payable, short-term financing instruments payable, due to banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, bonds payable and long-term loans, equity instrument investment without quotation in the active market and whose fair value cannot be reliably measured.

There is little difference between the book value and fair value of the above financial assets and liabilities not measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

X. RELATED PARTIES AND RELATED TRANSACTIONS

1. Parent company of the company

As of 30 June, 2021, Henan Investment Group Co., Ltd. (hereinafter referred to as Henan Investment Group) directly or indirectly holds the voting shares of the company, accounting for 20.99% of the total shares of the company (Note 1), and is the controlling shareholder of the company. The basic information of Henan investment group is as follows:

Name of parent company	Enterprise type	Place of registration	Nature of business	Legal representative	Uniform social credit code
Henan Investment Group	State-owned enterprise	Zhengzhou City	Investment management	Liu Xinyong	914100001699542485

Note 1: As of the end of the reporting period, Henan Investment Group held 822,983,847 A shares of the company, 46.733 million H shares of the company directly through its wholly-owned subsidiary Dahe Paper (Hong Kong) Co., Ltd. and 104.977 million H shares of the company through Hong Kong Stock Connect, with a total of 974,693,847 shares of the company, accounting for 20.99% of the total share capital of the company.

(1) The actual controller of the company is Henan Provincial Department of finance.

2. See note VII. I Equity in subsidiaries for details of subsidiaries of the company

3. Joint ventures and associates of the company

For important joint ventures or associates of the company, see note VII.2 Rights and interests in joint ventures and associates.

The associated enterprises are as follows:

Name of joint venture or associated enterprise	Relationship with the company
Zhongzheng Jiaotong Fund Management Co., Ltd	Associates of subsidiaries
Minquan County Innovation Industry Investment Fund (Limited Partnership)	Associates of subsidiaries
Henan Dahe Cailifang Media Holding Co., Ltd	Associates of subsidiaries
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd	Associates of subsidiaries
Luoyang Desheng Biotechnology Co., Ltd	Associates of subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

4. Major related parties without control relationship

Name of related party	Relationship with the company	Uniform social credit code/organization code
Zhongyuan Trust Co., Ltd	Ultimately controlled by the same controlling party	91410000169953018F
Henan Asset Management Co., Ltd	Ultimately controlled by the same controlling party	91410000MA448PJU6H
Henan Huirong Human Resources Management Co., Ltd	Ultimately controlled by the same controlling party	91410105MA3X6PQ842
Henan Asset Fund Management Co., Ltd	Ultimately controlled by the same controlling party	91410100MA456R9R3R
Bohai Industrial Investment Fund Management Co., Ltd	Shareholders holding more than 5%	911200007178678241
Angang Group International Trade Co., Ltd	Subsidiaries of non-controlling shareholders	91410500172267086K
Henan Yicheng New Energy Co., Ltd	Joint venture of affiliated enterprise groups	914102002681294387
Zhongyuan Bank Co., Ltd	Joint venture of affiliated enterprise groups	9141000031741675X6
Zhongyuan Environmental Protection Co., Ltd	Joint venture of affiliated enterprise groups	9141000016996944XD
Bank of Zhengzhou Co., Ltd	Joint venture of affiliated enterprise groups	914100001699995779
Henan Huaqi Energy Conservation and Environmental Protection Venture Capital Co., Ltd	Joint venture of affiliated enterprise groups	91410000071384697T
Hongyi Investment Management (Henan) partnership (limited partnership)	Joint venture of affiliated enterprise groups	91410100MA9G4DKW4X

5. Related party transactions

(1) Commission income generated from providing agency securities trading services

Name of related party	Jan-June 2021	Jan-June 2020
Bohai Industrial Investment Fund Management Co., Ltd	736,295.46	
Henan investment group and its subsidiaries and associates	14,710.50	38,305.35
Angang Group International Trade Co., Ltd	2,440.67	
Directors, supervisors and senior managers of the company and Henan investment group and their close family members	18,355.15	45,040.67

(2) Purchase of trust products

Name of related party	Content of related party transactions	Purchase trust balance	
		30 June 2021	31 December 2020
Zhongyuan Trust Co., Ltd	Purchase of trust products	100,594,690.38	103,037,790.26

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related party transactions (continued)

(3) Loans from related parties

Name of related party	30 June 2021/ January to June, 2021		31 Dec 2020/ January to June 2020	
	Loan balance	Interest income	Loan balance	Interest income
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd	45,000,000.00	1,555,306.61	45,000,000.00	2,373,820.76

(4) Related transaction balance

Name of related party	Current account	Transaction content	30 June 2021	31 December 2020
Henan Investment Group	Accounts receivable	Income from asset management business	1,603,217.46	1,309,786.65
Luoyang Desheng Biotechnology Co., Ltd	Accounts receivable	Financial advisory fee	450,000.00	450,000.00

Name of related party	Current account	Transaction content	30 June 2021	31 December 2020
Investment group associates	Financial assets at fair value through profit or loss	Financial product	20,416,783.22	7,000,000.00
Investment group associates	Bank deposit	Bank balance	66,285,638.27	377,648,985.84
Investment group associates	Other assets	Expenses		302,672.95
Investment group associates	Financial assets held under resale agreements	Outright repo		40,292,940.03

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related party transactions (continued)

(5) Other related party transactions

Name of related party	Transaction content	Jan-June 2021	Jan-June 2020
Henan Investment Group Co., Ltd	Income from financial advisory fees and asset management business	276,821.53	610,694.61
Henan Dahe Cailifang Media Holding Co., Ltd	Expenses	632,402.07	259,433.96
Zhongzheng Jiaotong Fund Management Co., Ltd	Expenses		97,000.00
Henan Huirong Human Resources Management Co., Ltd	Expenses		16,311.61
Angang Group International Trade Co., Ltd	Revenue from sales of goods	3,284,070.79	
Henan Asset Management Co., Ltd	Bond investment income		41,793.69

Name of related party	Transaction content	Jan-June 2021	Jan-June 2020
Investment group associates	Income from bank deposits and financial products	2,617,506.21	154,986.71
Investment group associates	Interest expense of pledged repo	402,394.09	71,147.96
Investment group associates	Bond investment income	25,313.15	702,758.77
Investment group associates	Interest income from buyout repurchase	15,899.51	58,527.24
Investment group associates	Income from financial advisory fees	1,037,735.85	1,886,792.45
Investment group associates	Bank loan interest expenses		67,534.46

(6) Counter guarantee for subsidiaries

As of 30 June, 2021, the company provided counter guarantee for Central China International Financial Holdings Co., Ltd. to Zhengzhou branch of China Merchants Bank Co., Ltd., with an accumulated counter guarantee amount of HK\$335,000,000.00 (equivalent to RMB278,746,800.00), and the counter guarantee period shall not exceed 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

X. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related party transactions (continued)

(7) Benefits of directors, supervisors and employees

1) Benefits of key management personnel

Key management personnel include members of the board of directors, the board of supervisors and other senior managers. From January to June 2021, the benefits (before tax) paid and payable by the company to key management personnel is as follows:

Item	Jan-June 2021	Jan-June 2020
Benefits of key management personnel (before tax)	20,190,050.60	11,875,369.86

2) Loans and advances to key management personnel

At the end of the reporting period, the company did not make loans and advances to the members of the board of directors, the board of supervisors and other senior managers.

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

The Company has entered into a contract but has not confirmed the capital commitment in the financial statements as follows:

Item	30 June 2021	31 December 2020
Contracted but not paid	51,249,305.77	32,184,984.30
Total	51,249,305.77	32,184,984.30

In addition to the above undertakings, as of 30 June, 2021, the company has no other major commitments that should be disclosed.

2. Significant contingencies

The Company has no significant contingencies that need to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XII. EVENTS AFTER THE BALANCE SHEET DATE

1. Significant non adjustment events

(1) Implementation of capital increase to Central China International Financial Holdings Co., Ltd.

On 29 April, 2020, the 19th meeting of the sixth board of directors of the Company reviewed and approved the "Proposal on Capital Increase in Hong Kong Subsidiary Central China International Financial Holdings Co., Ltd." and agreed to increase the capital of Central China International Financial Holdings Co., Ltd. By HK\$500 million to HK\$1 billion. In January 2021, the Company received the "Response Letter Regarding the Opinions of Central China Securities Co., Ltd. on the Capital Increase of Central China International Financial Holdings Co., Ltd." (Organization Department Letter [2021] No. 275) issued by the China Securities Regulatory Commission. As of 30 June, 2021, the company has completed a capital increase of HK\$800 million to Central China International. On 3 July, 2021, Central China International completed the registration formalities in the Hong Kong company registry, and the registered capital was changed to HK\$1.8 billion.

(2) Shareholders bid collectively to reduce the shares

The company's shareholder Bohai Industry Investment Fund Management Co., Ltd. (hereinafter referred to as "Bohai Industry Fund") holds 431,738,551 unrestricted shares of the Company as of 31 December, 2020, accounting for approximately 9.30% of the Company's total share capital. The source of the shares is the stock converted from the Company's equity before the listing through the initial public offering, and the restriction on sales was lifted on 3 January, 2018. Bohai Industry Fund intends to reduce the number of shares of the Company that not more than 92,857,694 shares through a centralized bidding method from the date of disclosure of the reduction announcement, that is, within 6 months after 15 trading days from 6 January, 2021. The price of the reduction will be determined based on market prices. The company received the notice from Bohai Industry Fund on 26 July, 2021. Bohai company reduced 92,857,694 shares of the company through centralized bidding from 27 January, 2021 to 26 July, 2021, accounting for about 2% of the total shares of the company. When the time interval of this reduction plan expires, the reduction plan ends. As of 26 July, 2021, Bohai Industry Fund holds 296,530,857 tradable shares with no sale conditions, accounting for about 6.39% of the total shares of the company.

As of 30 July, 2021, Bohai Industrial Fund held 292,430,857 shares of the company's non-tradable shares, accounting for about 6.30% of the company's total share capital. Bohai Industrial Fund plans to reduce the number of shares of the company by centralized bidding within 6 months after 15 trading days from 30 July, 2021, the number of shares of the company reduced through centralized bidding shall not exceed 92,857,694, which is the date of disclosure of the reduction announcement, and the total number of shares reduced shall not exceed 1% of the total number of shares of the company within any continuous 90 days. The reduction price shall be determined according to the market price. As of the reporting date of this financial statement, the above-mentioned shareholding reduction has not yet been completed.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XII. EVENTS AFTER THE BALANCE SHEET DATE (continued)

1. Significant non adjustment events (continued)

(3) Central China Blue Ocean Investment Management Co., Ltd. publicly listed and transferred equities of Henan Central China Micro-Lending Co., Ltd.

On 13 August, 2020, the 21st meeting of the sixth board of directors of the Company deliberated and approved the "Proposal on Transfer of Part of the Equity of Henan Central China Micro-lending Co., Ltd. held by Central China Blue Ocean Investment Management Co., Ltd.", agreed that Central China Blue Ocean Investment Management Co., Ltd. will transfer its 15% equity in Henan Central China Micro-lending Co., Ltd. by way of public listing, and authorized the management of the Company to handle various works in the process of transferring equity. On 22 January, 2021, Central China Blue Ocean Investment Management Co., Ltd. and Luohe Financial Holding Co., Ltd. signed the "State-owned Property Rights Transaction Contract". On 28 July, 2021, Zhongyuan small loan held the second extraordinary shareholders' meeting in 2021 to consider and approve the above equity transfer and amendment of the articles of association. The above matters need to be approved by Henan local financial supervision and Administration Bureau.

2. Profit distribution

The 2020 annual profit distribution plan of the company was reviewed and approved by the 2020 annual general meeting of shareholders held on 30 June, 2021. Based on the total share capital of 4,642,884,700 shares of the company before the implementation of the scheme, the profit distribution distributed a cash dividend of RMB0.017 per share (including tax) to all shareholders (including A-share shareholders and H-share shareholders), with a total cash dividend of RMB78,929,039.90 (including tax). The equity registration date of A-share shareholders is 30 July, 2021, and the ex-right (interest) date is 2 August, 2021; The equity registration date of H-share shareholders is 27 July, 2021. As of the approval date of this report, all cash dividends have been paid.

In the first half of 2021, the company plans to distribute profits based on the total share capital registered on the equity registration date. The company plans to distribute cash dividends of RMB0.17 (including tax) to all shareholders for every 10 shares. Based on the total share capital of the company as of 30 June, 2021, a total of RMB78,929,039.90 (including tax) will be distributed.

3. Other events after the balance sheet date

As at the date of approval of the financial statements, the Company has no other significant events after the balance sheet date that need to be disclosed but have not been disclosed.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS

1. Annuity plan

Central China Securities Co., Ltd. participate in the enterprise annuity plan established by the company according to the relevant policies of the national enterprise annuity system on the basis of participating in the basic social endowment insurance. The expenses required for the company's annuity shall be jointly paid by the enterprise and the employees. The total contribution of the company shall be 8% of the total salary of the employees in the previous year, and the individual contribution of the employees shall be 2% of the total salary of the employees in the previous year.

2. Segment information

(1) Determination basis and accounting policies of reporting segments

The company determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The operating segment of the company refers to the component that meets the following conditions at the same time:

- a) This component can generate income and expenses in daily activities;
- b) The management can regularly evaluate the operating results of this component to decide to allocate resources to it and evaluate its performance;
- c) Be able to obtain the financial status, operating results, cash flow and other relevant accounting information of the component.

The company determines the reporting segment based on the operating segment, and the operating segment meeting one of the following conditions is determined as the reporting segment:

- a) The segment income of the operating segment accounts for 10% or more of the total segment income;
- b) The absolute amount of segment profit (loss) of the segment accounts for 10% or more of the greater of the total profit of all profitable segments or the absolute amount of the total loss of all deficit segments.

When the total amount of external transaction revenue of the operating segment of the reporting segment determined according to the above accounting policies does not account for 75% of the total consolidated revenue, increase the number of reporting segments, and include other operating segments not as reporting segments into the scope of reporting segments according to the following provisions until the proportion reaches 75%:

- a) Determine the operating segment that the management believes the disclosure of the operating segment information is useful to the users of accounting information as the reporting segment;
- b) The business segment is merged with one or more other business segments with similar economic characteristics and meeting the conditions for business segment merger as a reporting segment.

The transfer price between segments shall be determined with reference to the market price, and the assets and related expenses jointly used with each segment shall be distributed among different segments according to the proportion of income.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

2. Segment information (continued)

(2) The company determines the factors considered by the reporting segment and the types of products and services of the reporting segment

According to the different business types, the Company's reporting segments are mainly divided into: securities brokerage business segment, proprietary business segment, investment banking business segment, credit business segment, investment management business segment, futures business segment, overseas business segment, headquarters and other business segment.

(3) Segment financial information

Expressed in RMB'0000

Item	Securities brokerage business	Proprietary trading business	Investment banking business	Credit business	Closing balance/current amount Investment management business	Futures business	Overseas business	Headquarters and others	Offset	Total
1. Operating income	34,684.27	23,314.18	26,132.03	22,558.18	12,878.22	107,434.82	-2,543.46	12,088.74	-2,942.87	233,604.11
Net fee and commission income	34,681.87	—	26,146.39	1,241.02	1,908.22	5,928.21	596.62	1,761.46	-118.93	72,144.86
Investment income (or less: losses)	—	40,957.88	—	—	-11,001.85	-1,652.23	-282.45	5,920.31	-2,790.08	31,151.58
Gains on changes in fair value (or less: losses)	—	-322.20	—	—	21,401.16	-1,151.99	-756.23	-2,787.77	—	16,382.97
Gains on foreign exchange (or less: losses)	-1.78	—	—	—	—	—	-17.66	-8.67	—	-28.11
Other operating income	162.33	646.02	—	217.09	1.40	104,628.09	8.20	267.20	-43.28	105,887.05
Net interest income	-158.15	-17,967.52	-14.36	21,100.07	569.29	-317.26	-2,091.94	6,936.21	9.42	8,065.76
2. Operating cost	28,893.27	6,161.80	20,742.65	6,513.77	11,428.50	107,367.37	2,203.95	19,792.34	-24.41	203,079.24
3. Operating profit	5,791.00	17,152.38	5,389.38	16,044.41	1,449.72	67.45	-4,747.41	-7,703.60	-2,918.46	30,524.87
4. Total Asset	974,197.15	2,255,404.47	2,545.66	986,330.79	451,272.39	207,080.50	221,448.56	997,174.14	-668,196.79	5,427,256.87
5. Total liabilities	1,066,051.33	1,373,803.76	18,585.52	111,665.49	111,685.97	165,473.41	133,971.83	1,108,484.01	-93,787.69	3,995,933.63
6. Supplementary information	—	—	—	—	—	—	—	—	—	—
(1) Depreciation and amortization	2,574.06	699.67	600.86	9.42	200.87	232.01	28.11	2,537.60	—	6,882.60
(2) Capital expenditure	1,026.84	137.26	61.50	2.01	13.09	239.28	1.03	2,061.82	—	3,542.83

The accounting policies of each operating segment of the company are the same as those described in "Significant accounting policies and estimates".

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions

(1) Public beneficial donations

Item	Jan-June 2021	Jan-June 2020
Charitable donations		4,000,000.00
Total		4,000,000.00

(2) Margin business

The Group's margin business scale is as follows, On 30 June, 2021 and 31 December, 2020:

Item	30 June 2021	31 December 2020
Margin accounts receivable	7,658,407,505.73	7,476,331,076.06
Short selling business	6,619,102.88	6,015,764.80
Total	7,665,026,608.61	7,482,346,840.86

(3) Securities lending

The specific types and fair values of bonds borrowed by the company on the inter-bank and exchange bond market trading platforms are as follows:

Item	Fair value on 30 June 2021	Fair value on 31 December 2020
National debt	181,055,404.50	977,436,370.00
Policy-based financial debt	425,513,780.00	892,869,520.00
Local government debt	660,731,690.00	461,811,840.00
Total	1,267,300,874.50	2,332,117,730.00

As of 30 June, 2021, among the bonds obtained by the Company through inter-bank and exchange market borrowing, the fair value of bonds that were pledged or transferred for the sale of repurchase business was RMB1,005.7374 million.

(4) Security of customer funds

As of 30 June, 2021, the Company has deposited customer transaction settlement funds in commercial banks with depository qualifications, in compliance with the "Customer Transaction Settlement Fund Management Measures" (China Securities Regulatory Commission Order No. 3), and comply with relevant regulations such as the third-party depository of customer transaction settlement funds and the requirements for the security of customer transaction settlement funds. The Company strictly guarantees the safety of customer funds, the problem of misappropriation of client funds does not exist.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(5) Assets and liabilities measured at fair value

Item	31 December 2020	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	30 June 2021
1. Financial assets at fair value through profit or loss (without derivative financial asset)	22,592,572,498.77	141,831,784.09			23,517,387,318.61
2. Derivative financial asset		-6,465,466.94			
3. Financial assets measured at fair value through other comprehensive income	2,088,805,149.07		5,435,900.94	-608,801.55	1,828,566,172.53
4. Investment in other equity instruments					
Subtotal	24,681,377,647.84	135,366,317.15	5,435,900.94	-608,801.55	25,345,953,491.14
Investment properties					
Productive biological assets					
Others					
Total	24,681,377,647.84	135,366,317.15	5,435,900.94	-608,801.55	25,345,953,491.14
financial liabilities at fair value through profit or loss	1,356,226,583.04	3,951,206.65			1,061,718,305.89
Derivative financial liabilities	57,980.91	24,512,144.73			346,155.17
Total financial liabilities	1,356,284,563.95	28,463,351.38	—	—	1,062,064,461.06

Note: There is no inevitable cross-check relationship in this table.

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(6) Basic classification table for the measurement of financial assets

Item	Closing balance				
	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Designated as financial instruments at fair value through other comprehensive income	The change of fair value through profit or loss	
				Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss
Cash and bank balances	12,221,996,702.79				
Clearing settlement funds	2,516,954,852.02				
Margin accounts receivable	7,586,183,242.23				
Derivative financial assets					
Refundable deposits	876,032,065.73				
Accounts receivable	90,310,635.48				
Financial assets held under resale agreements	1,630,482,665.54				
Financial assets at fair value through profit or loss				23,517,387,318.61	
Financial assets measured at amortized cost	365,681,700.90				
Financial assets at fair value through other comprehensive income		1,828,566,172.53			
Other assets	1,168,204,682.40				
Total	26,455,846,547.09	1,828,566,172.53		23,517,387,318.61	

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(6) Basic classification table for the measurement of financial assets (continued)

Item	Opening balance					
	The change of fair value through profit or loss					
					According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
	Financial assets measured at amortized cost	Financial assets at fair value through other comprehensive income	Designated as financial instruments at fair value through other comprehensive income	Classified as financial assets at fair value through profit or loss		
Cash and bank balances	10,951,131,021.90					
Clearing settlement funds	2,379,100,088.00					
Margin accounts receivable	7,400,757,113.38					
Derivative financial assets						
Refundable deposits	744,878,747.69					
Accounts receivable	169,323,523.34					
Financial assets held under resale agreements	2,055,964,889.83					
Financial assets at fair value through profit or loss				22,592,572,498.77		
Financial assets measured at amortized cost	456,168,931.89					
Financial assets at fair value through other comprehensive income		2,088,805,149.07				
Other assets	879,830,915.70					
Total	25,037,155,231.73	2,088,805,149.07		22,592,572,498.77		

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(7) Basic classification table for the measurement of financial liabilities

Item	closing balance			
	The change of fair value through profit or loss			
		Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Short-term loans	323,050,740.81			
Derivative financial liabilities		346,155.17		
Short-term financing instruments payable	7,862,024,825.54			
Due to banks and other financial institutions	2,504,430,138.93			
Financial liabilities at fair value through profit or loss		1,061,718,305.89		
Financial assets sold under repurchase agreements	11,656,081,798.82			
Accounts payable to brokerage clients	11,339,802,645.78			
Accounts payable	170,405,022.00			
Bonds payable	3,556,994,197.66			
Long-term borrowings	1,001,583.33			
Other liabilities	267,288,406.42			
Total	37,681,079,359.29	1,062,064,461.06		

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(7) Basic classification table for the measurement of financial liabilities (continued)

Item	Opening balance			
	The change of fair value through profit or loss			
	Financial assets measured at amortized cost	Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss	According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Short-term loans	315,977,554.88			
Derivative financial liabilities		57,980.91		
Short-term financing instruments payable	4,154,657,809.90			
Due to banks and other financial institutions	3,694,418,222.23			
Financial liabilities at fair value through profit or loss		1,356,226,583.04		
Financial assets sold under repurchase agreements	12,200,308,194.73			
Accounts payable to brokerage clients	10,555,230,551.25			
Accounts payable	65,874,572.60			
Bonds payable	4,610,250,342.02			
Long-term borrowings	1,001,741.67			
Other liabilities	29,432,162.81			
Total	35,627,151,152.09	1,356,284,563.95		

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Other significant transactions and events that have an impact on investors' decisions (continued)

(8) Foreign currency financial assets and financial liabilities

Item	Opening amount	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	Closing amount
Financial assets					
Financial assets at fair value through profit or loss	856,883,301.34	-7,562,323.62			884,792,263.32
Loan and account receivable	43,312,722.10				33,287,461.80
Financial assets measured at amortized cost	41,123,594.69				55,701,265.16
Margin accounts receivable	151,860,033.99			-3,814,484.01	128,630,588.73
Subtotal	1,093,179,652.12	-7,562,323.62	—	-3,814,484.01	1,102,411,579.01
Financial liabilities					
Short-term loans	315,977,554.88				313,049,296.37
Short-term financing instruments payable	728,717,847.98				721,603,062.40
Accounts payable to brokerage clients	121,428,565.93				180,117,367.62
Accounts payable	408,853.42				1,222,467.32
Subtotal	1,045,104,256.28	—	—	—	1,035,874,826.09

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Long-term equity investments

(1) Classification of long-term equity investments

Item	30 June 2021			31 December 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	5,089,728,953.95		5,089,728,953.95	4,126,432,553.95		4,126,432,553.95
Total	5,089,728,953.95		5,089,728,953.95	4,126,432,553.95		4,126,432,553.95

(2) Investment in subsidiaries

Investee	31 December 2020	Increase	Decrease	30 June 2021	Provision for impairment in the current period	Balance of impairment provision
Central China Futures Co., Ltd.	188,061,592.08			188,061,592.08		
Zhongding Kaiyuan Venture Capital Management Co., Ltd.	700,530,961.87			700,530,961.87		
Central China International Financial Holdings Co., Ltd.	859,340,000.00	663,296,400.00		1,522,636,400.00		
Central China Blue Ocean Investment Management Co., Ltd.	2,256,000,000.00	300,000,000.00		2,556,000,000.00		
Central China Equity Exchange Co., Ltd.	122,500,000.00			122,500,000.00		
Total	4,126,432,553.95	963,296,400.00		5,089,728,953.95		

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Net interest income

Item	Jan-June 2021	Jan-June 2020
Interest income	466,354,189.22	377,725,652.14
Including: interest income from cash and bank balances and clearing settlement funds	106,988,607.99	106,694,777.47
Interest income from margin accounts receivable	258,278,421.53	206,411,123.64
Interest income from financial assets held under resale agreements	48,580,032.16	41,391,582.97
Including: interest income from agreed repurchase	534,054.56	460,170.80
Interest income from stock pledge repurchase	40,650,743.65	25,315,107.64
Interest income from financial assets at fair value through other comprehensive income	42,242,124.95	13,883,435.33
Others	10,265,002.59	9,344,732.73
Interest expense	404,261,835.08	388,020,182.06
Including: interest expense of short-term financing instruments payable	52,159,337.01	7,159,720.65
Interest expense of due to banks and other financial institutions	39,313,222.45	32,301,755.54
Including: refinancing interest expense	24,279,722.23	8,073,611.12
Interest expense on financial assets sold under repurchase agreements	146,061,370.66	121,830,581.11
Interest expense of accounts payable to brokerage clients	18,470,764.86	17,495,512.27
Interest expense of bonds payable	138,754,633.04	199,728,325.67
Including: interest expense of subordinated bonds	81,414,124.35	143,890,408.83
Interest expense of bond lending	6,398,188.52	5,526,740.64
Others	3,104,318.54	3,977,546.18
Net interest income	62,092,354.14	-10,294,529.92

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Net fee and commission income

(1) Details

Item	Jan-June 2021	Jan-June 2020
Securities brokerage services net income	327,841,755.59	309,079,196.29
— Securities brokerage services income	421,054,122.37	398,935,534.41
— Funds received as agent of stock exchange	382,702,574.04	379,969,151.93
Leasing of trading unit seats	98,726.15	430,607.33
Sales agent of financial products	37,800,922.11	18,074,613.26
— Securities brokerage services expenses	93,212,366.78	89,856,338.12
— Funds received as agent of stock exchange	93,186,440.61	89,770,913.46
Sales agent of financial products	19,520.57	3,778.46
Investment bank business net income	263,310,408.94	94,884,683.65
— Investment banking business income	265,940,107.01	104,097,891.18
— Securities underwriting business	256,088,834.87	80,381,886.80
Sponsor business of securities	1,415,094.34	5,660,377.35
Financial advisory business	8,436,177.80	18,055,627.03
— Investment banking business expenses	2,629,698.07	9,213,207.53
— Securities underwriting business	1,049,132.07	7,873,584.91
Sponsor business of securities		400,000.00
Financial advisory business	1,580,566.00	939,622.62
Asset management business net income	13,333,462.06	18,229,098.75
— Asset management business income	13,381,679.13	18,233,873.32
— Asset management business expense	48,217.07	4,774.57
Investment consulting business net income	28,224,175.69	38,925,687.55
— Investment consulting business income	28,224,175.69	38,925,687.55
— Investment consulting business expense		
Other fee and commission net income	16,794,485.21	5,623,302.14
— Other fee and commission income	16,794,485.21	5,623,302.14
— Other fee and commission expense		
Total	649,504,287.49	466,741,968.38
Including: total fee and commission income	745,394,569.41	565,816,288.60
total fee and commission expense	95,890,281.92	99,074,320.22

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

4. Investment income

(1) Classification details

Item	Jan-June 2021	Jan-June 2020
Long-term equity investments income calculated by cost method	15,693,080.20	77,307,500.00
Financial instruments investment income	408,789,329.59	300,641,403.51
Including: Income generated during holding period	361,480,743.03	342,573,244.56
Including: Financial assets at fair value through profit or loss	373,466,483.49	353,971,979.55
Financial liabilities at fair value through profit or loss	-11,985,740.46	-11,398,734.99
Disposal income of financial instruments	47,308,586.56	-41,931,841.05
Including: Financial assets at fair value through profit or loss	70,643,592.56	67,786,817.66
Financial assets at fair value through other comprehensive income	3,949,840.43	12,268,792.46
Derivative financial instruments	-18,341,962.76	-122,440,724.52
Financial liabilities at fair value through profit or loss	-8,942,883.67	453,273.35
Total	424,482,409.79	377,948,903.51

(2) Detailed statement of investment income of trading financial instruments

Trading financial instruments		Jan-June 2021
Financial assets classified as financial assets measured at fair value through profit or loss	Income during holding period	373,466,483.49
	Income from disposal	70,643,592.56
Financial assets designated to be measured at fair value through profit or loss	Income during holding period	
	Income from disposal	
Financial liabilities classified as measured at fair value through profit or loss	Income during holding period	-11,985,740.46
	Income from disposal	-8,942,883.67
Financial liabilities designated to be measured at fair value through profit or loss	Income during holding period	

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

5. Business and administrative expenses

Item	Jan-June 2021	Jan-June 2020
Employee benefits	595,772,550.55	411,788,468.73
Depreciation of right-of-use assets	27,148,989.86	28,399,618.73
Amortization of intangible assets	16,852,552.85	13,478,104.23
Electronic equipment operating fees	15,811,257.35	8,738,364.16
Depreciation of fixed assets	13,125,877.67	15,874,498.04
Communication fees	9,387,079.72	9,419,923.18
Member fees	7,497,302.13	7,104,979.82
Consulting fees	6,738,940.68	7,322,439.37
Amortization of long-term deferred expenses	5,787,365.79	6,167,781.43
Securities investors protection funds	5,584,563.23	4,823,658.82
Business entertainment expenses	5,222,955.03	2,122,883.97
Traveling expenses	5,160,149.04	2,597,443.20
Property management fee	4,274,788.53	2,956,783.49
Advertising expenses	3,614,534.95	2,381,334.93
Rental fee	2,825,931.40	2,503,820.06
Water and electricity	2,327,433.30	3,285,375.44
Audit fee	2,152,264.15	3,846,886.79
Legal and professional fees	2,023,565.97	163,676.00
Others	10,396,261.10	9,686,470.41
Total	741,704,363.30	542,662,510.80

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XIV. NOTES TO MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

6. Supplementary information of cash flow statement of parent company

Item	Jan-June 2021	Jan-June 2020
1. Adjusting net profit to cash flow from operating activities:		
Net profit	259,955,011.71	113,668,103.48
Plus: expected credit losses	51,812,132.15	126,375,297.82
Accumulated depreciation of investment properties and fixed assets	13,681,754.03	16,432,973.25
Depreciation of right of use assets	27,148,989.86	28,399,618.73
Amortization of intangible assets	16,852,552.85	13,478,104.23
Amortization of long-term deferred expenses	5,787,365.79	6,167,781.43
Loss on disposal of fixed assets, intangible assets and other long-term assets (income is represented with "-")	291,618.88	12,816.35
Profit or loss from changes in fair value (income expressed with "-")	31,922,415.88	55,982,487.02
Interest expense	194,018,127.60	210,536,393.41
Exchange losses (gains expressed with "-")	104,484.05	-142,304.99
Investment loss (income expressed with "-")	-61,885,045.58	-103,459,727.79
Decrease of deferred income tax assets (increase expressed with "-")	-81,333,160.11	-80,728,531.85
Increase in deferred income tax liabilities (decrease expressed with "-")	6,452,534.05	-1,152,883.19
Decrease in operating receivables (increase expressed with "-")	-1,458,549,106.96	3,002,839,602.96
Increase in operating payables (decrease expressed with "-")	101,831,884.03	-89,673,371.55
Net cash flow from operating activities	-891,908,441.77	3,298,736,359.31
2. Major investment and financing activities not involving cash receipts and payments:		
Debt to capital		
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	12,388,343,813.30	12,999,482,546.55
Less: opening balance of cash	11,500,913,337.34	9,849,533,204.97
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	887,430,475.96	3,149,949,341.58

NOTES TO THE FINANCIAL STATEMENTS

For 1st Jan, 2021 to 30th June, 2021 (The currency is in RMB except otherwise stated)

XV. SUPPLEMENTARY INFORMATION

1. Detailed statement of current non-recurring profit and loss

Item	Amount	Description
Gains and losses on disposal of non-current assets	-255,393.13	
Government subsidies included in current profits and losses (closely related to enterprise business, except government subsidies enjoyed in accordance with national unified standard quota or quantitative)	10,723,104.87	
Other non-operating income and expenses other than the above items	109,565.39	
Other profit and loss items conforming to the definition of non-recurring profit and loss		
Less: income tax impact	2,644,319.28	
Influence amount of minority shareholders' equity (after tax)	102,973.02	
Total	7,829,984.83	

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted Average Return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	1.70	0.05	0.05
Net profit attributable to common shareholders of the company after deducting non-recurring profits or losses	1.64	0.05	0.05

3. Differences in accounting data under domestic and foreign accounting standards

(1) Differences in net profit and net assets in financial reports disclosed in accordance with International Accounting Standards and Chinese Accounting Standards

Expressed in RMB'0000

Region	Net profit		Net assets	
	Current amount	Prior period amount	Closing amount	Opening amount
According to Chinese accounting standards	23,243.80	3,368.36	1,431,323.24	1,418,647.61
According to international accounting standards	23,243.80	3,368.36	1,431,323.24	1,418,647.61
Difference	—	—	—	—

SECTION 9 INFORMATION DISCLOSURE OF SECURITIES COMPANY

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

Administrative licensing of relocation of securities branches during the Reporting Period

No.	Name of securities branch before relocation	Name of securities branch after relocation	New address	Date of license
1	Century Avenue Securities Branch in Xixia of Central China Securities	Renmin Road Securities Branch in Xixia of Central China Securities	The intersection of Baiyu Road and Renmin Road, Xixia County, Nanyang City, Henan Province, China	29 June 2021
2	South Industrial Road Securities Branch in Jinan of Central China Securities	Yuhan Road Securities Branch in Jinan of Central China Securities	2/F, South Building, Building No. 1, 89 Yuhan Road, Shizhong District, Jinan City, Shandong Province, China	11 June 2021

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

The Company was rated “BBB” in the category “B” by the CSRC in the 2021 classification and evaluation of securities companies.



中州证券

Central China Securities Co., Ltd.