



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

2020 年報
ANNUAL REPORT

IMPORTANT NOTICE

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

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

The annual financial statements for 2020 prepared by the Company in accordance with the China Accounting Standard for Business Enterprises have been audited by ShineWing Certified Public Accountants (Special General Partnership), with standard unqualified audit report issued to the Company.

Mr. Jian Mingjun, head of the Company, Mr. Chang Junsheng, the person in charge of accounting affairs, Mr. Li Zhaoxin, the Chief Accountant and Mr. Guo Liangyong, head of the accounting department (head of financial division) warrant that the financial statements set out in this report are true, accurate and complete.

The Company's 2020 profit distribution plan as considered and approved at the 28th meeting of the Sixth Session of the Board is to distribute a cash dividend of RMB0.17 (including tax) for every 10 shares, which is subject to the approval of the shareholders' general meeting of the Company.

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

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

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

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



MATERIAL RISK ALERT

The Company's business 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.

As China gradually widens the restrictions to foreign-owned securities companies, foreign investment will keep an ongoing development both in scope and in depth. In the face of intense competition in China's securities industry, the Company's business may be materially and adversely affected if it fails to compete effectively. The challenges from internet finance in recent years have already led to a declining commission rate of the Company's brokerage business. The commission rates of securities brokerage business may continue to go downward, the trading volume in and the activity of the market can hardly remain at a high level continuously, and the spreads of capital-based intermediary business may further narrow down, all of which may adversely affect the Company's profit growth. As the capital market reform continues to develop, the Company's investment banking business will be challenged 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 change of the 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 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. For example, where there are inadequate countermeasures taken by the Company in connection with the policies issued by the State with a view to preventing and defusing financial risks and stabilising capital market and untimely adjustment to business structure after material credit risk arise in the market, the investment and financing businesses of the Company may take greater risks. 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 outbreak of the COVID-19, 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 IV. (IV) "Potential risks" under Section 4 of this report.

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SECTION 1 DEFINITIONS

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

DEFINITIONS OF COMMON TERMS

Company, Parent Company or Central China Securities	Central China Securities Co., Ltd.
Group	the Company and its subsidiaries
Board	the board of the Directors of the Company
Director(s)	Director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	Supervisor(s) of the Company
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
This report	this annual report
SSE	the Shanghai Stock Exchange
SSE Composite Index	composite stock price index of the SSE
SZSE Component Index	component stock price index of the Shenzhen Stock Exchange
Wind Info	Wind Info Co., Ltd. (上海萬得資訊技術股份有限公司)
IPO	the initial public offering
A shares	domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the SSE
H shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Hong Kong Stock Exchange
Reporting Period/the Period	the period from 1 January 2020 to 31 December 2020

SECTION 1 DEFINITIONS

end of the Reporting Period/end of the Period	31 December 2020
PRC or China	the People's Republic of China
State Council	the State Council of the PRC (中華人民共和國國務院)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Ministry of Finance	the Ministry of Finance of the PRC (中華人民共和國財政部)
NDRC	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
CPCHPC	Henan Provincial Committee of the Communist Party of China (中國共產黨河南省委員會)
Henan Provincial Government	Henan Provincial People's Government (河南省人民政府)
Henan Branch of the CSRC	Henan Branch of the China Securities Regulatory Commission (中國證券監督管理委員會河南監管局)
Henan SASAC	State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government (河南省人民政府國有資產監督管理委員會)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
New Third Board	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
Henan Investment Group	Henan Investment Group Co., Ltd. (河南投資集團有限公司)
Anyang Iron & Steel Group	Anyang Iron & Steel Group Co., Ltd. (安陽鋼鐵集團有限責任公司)
Pingmei Shenma	China Pingmei Shenma Energy & Chemical Group Co., Ltd. (中國平煤神馬能源化工集團有限責任公司)
Anyang Economic Development	Anyang Economic Development Group Co., Ltd. (安陽經濟開發集團有限公司)
Jiangsu SOHO Holdings	Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)
Shenhua Group	Henan Shenhua Group Co., Ltd. (河南神火集團有限公司)
Jiaozuo Economic and Technology Development	Jiaozuo Economic and Technology Development Co., Ltd. (焦作市經濟技術開發有限公司)
Shenzhen Rising	Shenzhen Rising Investment Development Co., Ltd. (深圳市廣晟投資發展有限公司)

SECTION 1 DEFINITIONS

Hebi Construction and Investment	Hebi Investment Group Co., Ltd. (鶴壁投資集團有限公司)
Henan Securities	Henan Securities Co., Ltd. (河南證券有限責任公司)
Central China Futures	Central China Futures Co., Ltd. (中原期貨股份有限公司)
ZDKY Venture Capital	Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司)
ZZKY	Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd. (河南中證開元私募基金管理有限公司)
Central China Blue Ocean or CCBO	Central China Blue Ocean Investment Management Company Limited (中州藍海投資管理有限公司)
Central China International	Central China International Financial Holdings Company Limited (中州國際金融控股有限公司)
Central China International Holdings	Central China International Holdings Co., Ltd. (中州國際控股有限公司)
Equity Exchange Co.	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司)
Central China Micro-lending	Henan Central China Micro-lending Company Limited (河南省中原小額貸款有限公司)
Yuxin Investment	Yuxin Investment Management (Shanghai) Co., Ltd. (豫新投資管理(上海)有限公司)
Zhongyuan Trust	Zhongyuan Trust Co., Ltd. (中原信託有限公司)
Articles of Association	the prevailing valid Articles of Association of the Company
Company Law	the Company Law of the PRC (中華人民共和國公司法)
Securities Law	the Securities Law of the PRC (中華人民共和國證券法)
RMB	the lawful currency of China Renminbi, with the basic unit of “yuan”
HK\$	Hong Kong dollars and cents, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
STAR Market	the science and technology innovation board of SSE
%	per cent

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. INFORMATION ABOUT THE COMPANY

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

Registered Capital and Net Capital of the Company

Unit: Yuan Currency: RMB

	At the End of the Reporting Period	At the End of Last Year
Registered capital	4,642,884,700.00	3,869,070,700.00
Net capital	10,141,843,317.23	6,368,379,438.84 ^{Note}

Note: According to Regulations on the Calculation Standards for Risk Control Indexes of Securities Companies (CSRC Announcement [2020] No. 10) (中國證監會公告[2020] 10號《證券公司風險控制指標計算標準規定》), the data at the end of last year were adjusted retroactively.

Qualifications for Each Individual Business of the Company

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

23. Intermediary introduction business for futures companies
24. Agency system host securities dealer business
25. Sponsoring broker of New Third Board
26. Passed the globally recognised standard ISO/IEC20000 for IT service management field
27. Direct investment business
28. Margin financing and securities lending business
29. Agency sale of financial products
30. Underwriting of private placement bonds for small and medium-sized enterprises
31. Exchange-quoted bond pledged repo business
32. Agreed repurchase type securities trading business
33. Fund business
34. Capital refinancing business
35. Agency service for registration of pledge of securities
36. Stock-pledged repo
37. Securities refinancing and lending business
38. Shanghai-Hong Kong Stock Connect business
39. Market-making business on the National Equities Exchange and Quotations
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 SSE
44. Market-making business on quotation system of inter-institutional private products
45. Shenzhen-Hong Kong Stock Connect business on the Shenzhen Stock Exchange

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

III. BASIC PROFILE

Registered address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China
Postcode of the registered address of the Company	450018
Office address of the Company	10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China
Postcode of the office address of the Company	450018
Website of the Company	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

Designated media for disclosure of the Company's information	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for publishing this report	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 the Company's annual report	19F, 20 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China

V. SHARES OF THE COMPANY

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI. OTHER INFORMATION OF THE COMPANY

(I) History of the Company

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

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

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

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

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

On 18 November 2016, the Company was approved to issue no more than 700,000,000 RMB denominated ordinary shares, with a par value of RMB1 each. According to the Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund (Cai Qi [2009] No.94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and the Reply Concerning Proposal for Management of State-owned Equities and Transfer of State-owned Shares in Relation to the Issuance of A Shares by Central China Securities Co., Ltd. (Yu Guo Zi Chan Quan [2015] No.26) (《關於中原證券股份有限公司發行A股國有股權管理方案及國有股轉持的批覆》(豫國資產權[2015]26號)) by the SASAC of Henan Province, based on the 700,000,000 shares to be issued under this issuance, state-owned shareholders Henan Investment Group, Anyang Iron & Steel Group, Pingmei Shenma, Anyang Economic Development, Jiangsu SOHO Holdings, Shenhua Group, Jiaozuo Economic and Technology Development, Shenzhen Rising and Hebi Construction and Investment transferred their respective 47,979,175 shares, 10,348,840 shares, 4,375,124 shares, 2,846,433 shares, 1,578,336 shares, 1,034,804 shares, 793,645 shares, 526,112 shares and 517,531 shares (70,000,000 shares in total) to National Council for Social Security Fund.

On 3 January 2017, A shares of the Company were listed on SSE.

From 12 February 2018, the Company repurchased certain H shares by means of on-market share buyback, which was completed on 18 May 2018. The Company has repurchased 54,664,000 H shares on a cumulative basis. On 11 July 2018, the Company completed the registration of changes with the administrative department for industry and commerce and obtained the business licence reissued by the Henan Administration for Industry and Commerce, with the Company's registered capital changed to RMB3,869,070,700.

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

(II) Status of the Company's organizational structure

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

1. Organizational structure diagram of the Company

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graph TD
    GM[General Meeting] --> SC[Supervisory Committee]
    GM --> B[The Board]
    GM --> P[President]
    SC --> OSC[Office of the Supervisory Committee]
    B --> OB[Office of the Board]
    B --> AC[Audit Committee]
    B --> RNC[Risk Control Committee]
    B --> DSC[Development and Strategy Committee]
    B --> RNC[Remuneration and Nomination Committee]
    P --> VP[Vice President]
    P --> S[Subsidiaries]
    P --> FD[Functional Department]
    P --> BR[Branches]
    BR --> VO[Vice President]
    BR --> BO[Branch Offices]
    BO --> SB[Securities Branches]
    S --> CCF[Central China Futures Co., Ltd.]
    S --> ZKVC[Zhongding Kaiyuan Venture Capital Management Co., Ltd.]
    S --> CCE[Central China Equity Exchange Co., Ltd.]
    S --> CCI[Central China International Financial Holdings Company Limited]
    S --> CCB[Central China Blue Ocean Investment Management Company Limited]
    FD --> FI[Fixed Income Investment Department]
    FD --> SI[Securities Investment Department]
    FD --> BC[Beijing Comprehensive Management Department]
    FD --> AD[Administrative Department]
    FD --> MB[Marketing Business Department]
    FD --> AM[Asset Management Department]
    FD --> FM[Financial Market Department]
    FD --> SRI[Securities Research Institute]
    FD --> PFD[Pledged Financing Department]
    FD --> SC[Strategic Customer Department]
    FD --> IFD[Internet Finance Department]
    FD --> SM[Securities Margin Trading and Derivatives Business Department]
    FD --> FP[Financial Products Department]
    FD --> RO[Retail Business Department]
    FD --> BO[Brokerage Operations Management Department]
    FD --> LA[Legal Affairs Department]
    FD --> CM[Compliance Management Department]
    FD --> RMD[Risk Management Department]
    FD --> COC[Centralized Operation Center]
    FD --> SC[Settlement and Custody Department]
    FD --> ITD[IT Department]
    FD --> AC[Accounting Center]
    FD --> TD[Treasury Department]
    FD --> PF[Planning and Finance Headquarter]
    FD --> HRM[Human Resources Management Department]
    FD --> OI[Office of Inspection]
    FD --> DS[Disciplinary Supervision Department]
    FD --> CC[Community Communication Department]
    FD --> POD[Party Operation Department]
    FD --> SD[Strategic Development Department]
    FD --> OC[Office of the Company]
    FD --> IB[Investment Banking Business]
    IB --> T13[The Thirteenth Division of Corporation Financing]
    IB --> T14[The Fourteenth Division of Corporation Financing]
    IB --> T15[The Fifteenth Division of Corporation Financing]
    IB --> T16[The Sixteenth Division of Corporation Financing]
    IB --> T17[The Seventeenth Division of Corporation Financing]
    IB --> T18[The Eighteenth Division of Corporation Financing]
    IB --> T19[The Nineteenth Division of Corporation Financing]
    IB --> T20[The Twentieth Division of Corporation Financing]
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    IB --> T28[The Twenty-eighth Division of Corporation Financing]
    IB --> T29[The Twenty-ninth Division of Corporation Financing]
    IB --> T30[The Thirtieth Division of Corporation Financing]
    IB --> T31[The Thirty-first Division of Corporation Financing]
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    IB --> T40[The Fortieth Division of Corporation Financing]
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    IB --> T46[The Forty-sixth Division of Corporation Financing]
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    IB --> T48[The Forty-eighth Division of Corporation Financing]
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    IB --> T50[The Fiftieth Division of Corporation Financing]
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    IB --> T57[The Fifty-seventh Division of Corporation Financing]
    IB --> T58[The Fifty-eighth Division of Corporation Financing]
    IB --> T59[The Fifty-ninth Division of Corporation Financing]
    IB --> T60[The Sixtieth Division of Corporation Financing]
    IB --> T61[The Sixty-first Division of Corporation Financing]
    IB --> T62[The Sixty-second Division of Corporation Financing]
    IB --> T63[The Sixty-third Division of Corporation Financing]
    IB --> T64[The Sixty-fourth Division of Corporation Financing]
    IB --> T65[The Sixty-fifth Division of Corporation Financing]
    IB --> T66[The Sixty-sixth Division of Corporation Financing]
    IB --> T67[The Sixty-seventh Division of Corporation Financing]
    IB --> T68[The Sixty-eighth Division of Corporation Financing]
    IB --> T69[The Sixty-ninth Division of Corporation Financing]
    IB --> T70[The Seventieth Division of Corporation Financing]
    IB --> T71[The Seventy-first Division of Corporation Financing]
    IB --> T72[The Seventy-second Division of Corporation Financing]
    IB --> T73[The Seventy-third Division of Corporation Financing]
    IB --> T74[The Seventy-fourth Division of Corporation Financing]
    IB --> T75[The Seventy-fifth Division of Corporation Financing]
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    IB --> T79[The Seventy-ninth Division of Corporation Financing]
    IB --> T80[The Eightieth Division of Corporation Financing]
    IB --> T81[The Eighty-first Division of Corporation Financing]
    IB --> T82[The Eighty-second Division of Corporation Financing]
    IB --> T83[The Eighty-third Division of Corporation Financing]
    IB --> T84[The Eighty-fourth Division of Corporation Financing]
    IB --> T85[The Eighty-fifth Division of Corporation Financing]
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    IB --> T88[The Eighty-eighth Division of Corporation Financing]
    IB --> T89[The Eighty-ninth Division of Corporation Financing]
    IB --> T90[The Ninetieth Division of Corporation Financing]
    IB --> T91[The Ninety-first Division of Corporation Financing]
    IB --> T92[The Ninety-second Division of Corporation Financing]
    IB --> T93[The Ninety-third Division of Corporation Financing]
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    IB --> T97[The Ninety-seventh Division of Corporation Financing]
    IB --> T98[The Ninety-eighth Division of Corporation Financing]
    IB --> T99[The Ninety-ninth Division of Corporation Financing]
    IB --> T100[The One Hundredth Division of Corporation Financing]
    IB --> T101[The One Hundred and First Division of Corporation Financing]
    IB --> T102[The One Hundred and Second Division of Corporation Financing]
    IB --> T103[The One Hundred and Third Division of Corporation Financing]
    IB --> T104[The One Hundred and Fourth Division of Corporation Financing]
    IB --> T105[The One Hundred and Fifth Division of Corporation Financing]
    IB --> T106[The One Hundred and Sixth Division of Corporation Financing]
    IB --> T107[The One Hundred and Seventh Division of Corporation Financing]
    IB --> T108[The One Hundred and Eighth Division of Corporation Financing]
    IB --> T109[The One Hundred and Ninth Division of Corporation Financing]
    IB --> T110[The One Hundred and Tenth Division of Corporation Financing]
    IB --> T111[The One Hundred and Eleventh Division of Corporation Financing]
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    IB --> T114[The One Hundred and Fourteenth Division of Corporation Financing]
    IB --> T115[The One Hundred and Fifteenth Division of Corporation Financing]
    IB --> T116[The One Hundred and Sixteenth Division of Corporation Financing]
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    IB --> T118[The One Hundred and Eighteenth Division of Corporation Financing]
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    IB --> T140[The One Hundred and Fortieth Division of Corporation Financing]
    IB --> T141[The One Hundred and Forty-first Division of Corporation Financing]
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    IB --> T151[The One Hundred and Fifty-first Division of Corporation Financing]
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    IB --> T154[The One Hundred and Fifty-fourth Division of Corporation Financing]
    IB --> T155[The One Hundred and Fifty-fifth Division of Corporation Financing]
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    IB --> T158[The One Hundred and Fifty-eighth Division of Corporation Financing]
    IB --> T159[The One Hundred and Fifty-ninth Division of Corporation Financing]
    IB --> T160[The One Hundred and Sixtieth Division of Corporation Financing]
    IB --> T161[The One Hundred and Sixty-first Division of Corporation Financing]
    IB --> T162[The One Hundred and Sixty-second Division of Corporation Financing]
    IB --> T163[The One Hundred and Sixty-third Division of Corporation Financing]
    IB --> T164[The One Hundred and Sixty-fourth Division of Corporation Financing]
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SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

2. Major subsidiaries of the Company

As of the end of the Reporting Period, the Company directly owned 4 domestic subsidiaries and 1 overseas subsidiary. For details, please refer to III. (VII) "Analysis of major subsidiaries and companies in which the Company has invested" under Section 4 of this report.

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

As of the end of the Reporting Period, the Company had 86 securities branches in 12 provinces, autonomous regions and municipalities directly under the central government, including 2 in Beijing, 2 in Shanghai, 2 in Zhejiang Province, 2 in Guangdong Province, 1 in Hubei Province, 1 in Hunan Province, 2 in Jiangsu Province, 1 in Shandong Province, 1 in Hebei Province, 1 in Tianjin, 1 in Shanxi Province and 70 in Henan Province. See the following table for details:

No.	Securities branch	Address	Person in charge
1	Central China Securities Co., Ltd. Zhengzhou Wei Wu Road Securities Branch	2-3F, Wing Building, West of Main Tower of Integrated Office Building, No.37 Wei Wu Road, Jinshui District, Zhengzhou City, Henan Province	Chen Mingwei
2	Central China Securities Co., Ltd. Zhengzhou Tongbai Road Securities Branch	No.43 Tongbai Road, Zhongyuan District, Zhengzhou City, Henan Province	Xin Zhihong
3	Central China Securities Co., Ltd. Zhengzhou Free Trade Zone Securities Branch	Room 202, Floor 5A, 138 Jingbei First Road, Zhengzhou Area (Jiangkai), Pilot Free Trade Zone, Henan Province	Zhang Yingju
4	Central China Securities Co., Ltd. Zhengzhou Zijingshan Road Securities Branch	20F, Post Office Tower, No.61 Zijingshan Road, Guancheng Hui District, Zhengzhou City, Henan Province	Jia Yingkui
5	Central China Securities Co., Ltd. Zhengzhou Jingsan Road Securities Branch	No.25 Jingsan Road, Jinshui District, Zhengzhou City, Henan Province	Li Kaihui
6	Central China Securities Co., Ltd. Zhengzhou Weier Road Securities Branch	3F, Business Building, Jingwei Apartment, No.30 Weier Road, Jinshui District, Zhengzhou City, Henan Province	Song Yitao
7	Central China Securities Co., Ltd. Zhengzhou Business Inner Ring Road Securities Branch	2F, No.11 Business Inner Ring Road, Zhengzhou Section (Zhengdong), Henan Pilot Free Trade Zone	Guo Zhijun
8	Central China Securities Co., Ltd. Xinzhen Xinhua Road Securities Branch	No.4-5, 1F, Building 1, Xinhua Community, Xinhua Road, Xinzhen City, Henan Province	Feng Yongjun

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
21	Central China Securities Co., Ltd. Baofeng Zhongxing Road Securities Branch	Shop 111, Dongcheng International Residential Community, Zhongxing Road, Chengguan Town, Baofeng County, Pingdingshan City, Henan Province	Jiao Dezhi
22	Central China Securities Co., Ltd. Luohe Changjiang Road Securities Branch	No.29 Changjiang Road, Yuanhui District, Luohe City, Henan Province	Wu Jun
23	Central China Securities Co., Ltd. Linying Yinghe Road Securities Branch	A6-8, Longting Shoufu Community, Middle Yinghe Road, Linying County, Luohe City, Henan Province	Zhao Jun
24	Central China Securities Co., Ltd. Puyang Kaizhou Road Securities Branch	1F, China Unicom Building, Southwest of the intersection of Zhongyuan Road and Kaizhou Road, Puyang City, Henan Province	Wu Zhigao
25	Central China Securities Co., Ltd. Puyang Zhongyuan Road Securities Branch	No.18 Zhongyuan Road, Puyang City, Henan Province	Zhang Yunpeng
26	Central China Securities Co., Ltd. Qingfeng Chaoyang Road Securities Branch	No.240 Chaoyang Road, Qingfeng County, Puyang City, Henan Province	Wang Xiangxin
27	Central China Securities Co., Ltd. Puyang County Yumin Road Securities Branch	East to the Middle Yumin Road, Puyang County, Puyang City, Henan Province	Chang Shaoyong
28	Central China Securities Co., Ltd. Anyang Zhonghua Road Securities Branch	Building 7, Guangsha New Garden, Zhonghua Road, Anyang City, Henan Province	Pei Haixia
29	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	West Wenfeng Avenue, Yindu District, Anyang City, Henan Province	Fu Hongbin
30	Central China Securities Co., Ltd. Linzhou Xinglin Street Securities Branch	Northwest Angle, Intersection of Zhenlin Road and Xinglin Street, Kaiyuan District, Linzhou City, Henan Province	Jiang Hua
31	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	No.2, Building B28, Huatong Century City, Wenming Road, Hua County, Anyang City, Henan Province	Chen Limin
32	Central China Securities Co., Ltd. Tangyin Renmin Road Securities Branch	Area A of Shangri-La, Southwest Angle, Intersection of Renmin Road and Zhonghua Road, Tangyin County, Anyang City, Henan Province	Wu Xinsheng

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
33	Central China Securities Co., Ltd. Xinxiang Xiangyang Road Securities Branch	No.107 Store, No.1 Xinshang International Building, Intersection of Xiangyang Road and Zhenzhong Road, Xinxiang City, Henan Province	Qiu Fei
34	Central China Securities Co., Ltd. Changyuan Renmin Road Securities Branch	No.3 Store, Yilong Ginza Apartment, Renmin Road, Changyuan City, Xinxiang City, Henan Province	Shen Changjun
35	Central China Securities Co., Ltd. Hui County Gongcheng Avenue Securities Branch	North to the East Gongcheng Avenue, Hui County, Xinxiang City, Henan Province	Zhang Xiaodong
36	Central China Securities Co., Ltd. Weihui Bigan Avenue Securities Branch	No.152 Bigan Avenue, Weihui City, Xinxiang City, Henan Province	Wei Dong
37	Central China Securities Co., Ltd. Yuanyang Huanghe Avenue Securities Branch	East to Shengshi Elegant Garden 2-2-1, South to Huanghe Avenue, Yuanyang County, Xinxiang City, Henan Province	Zhang Lefei
38	Central China Securities Co., Ltd. Xun County Huanghe Road Securities Branch	200m East to the North of the Intersection of Huanghe Road and Liyang Road, Xun County, Hebi City, Henan Province	Jie Jiwu
39	Central China Securities Co., Ltd. Qi County Qihe Road Securities Branch	No.306 Qihe Road, Qi County, Hebi City, Henan Province	Jia Yuan
40	Central China Securities Co., Ltd. Xuchang Balong Road Securities Branch	Future East Coast Huacheng, South Balong Road, Xuchang City, Henan Province	Li Jianxin
41	Central China Securities Co., Ltd. Changge Chenshi Road Securities Branch	Intersection of Chenshi Road and Tianping Road, Changge City, Henan Province	Wang Jun
42	Central China Securities Co., Ltd. Yuzhou Fudong Road Securities Branch	Middle Fudong Road, Yuzhou City, Xuchang City, Henan Province	Wang Zhiquan
43	Central China Securities Co., Ltd. Yanling Cuiliu Road Securities Branch	1F, Street-Facing Building, West to 4F County Government, Cuiliu Road, Development Zone, Yanling County, Xuchang City, Henan Province	Zhang Weilin

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
55	Central China Securities Co., Ltd. Shangqiu Nanjing Road Securities Branch	1F, Shop 110, Block C, Yingtian International Plaza, West Gui'de Road, South Nanjing Road, Suiyang District, Shangqiu City, Henan Province	Zhang Zhongmin
56	Central China Securities Co., Ltd. Yongcheng Zhongyuan Road Securities Branch	Intersection of Zhongyuan Road and Guangming Road, Yongcheng City, Shangqiu City, Henan Province	Zhong Yahui
57	Central China Securities Co., Ltd. Minquan Boai Road Securities Branch	Shop 6, Building 11, Middot, at the intersection of Qiushui Road and Boai Road, Minquan County, Shangqiu City, Henan Province	Wang Peng
58	Central China Securities Co., Ltd. Xiayi Kongzu Avenue Securities Branch	Shop of No.595 Kongzu Avenue, Xiayi County, Shangqiu City, Henan Province	Chen Haibin
59	Central China Securities Co., Ltd. Yucheng Songshan Road Securities Branch	1-2F, Shop 109-110, Building 5, Royal Pearl River, North to Songshan Road, Chengguan Town, Yucheng County, Shangqiu City, Henan Province	Ma Zhongliang
60	Central China Securities Co., Ltd. Zhecheng Weilai Avenue Securities Branch	Shop 116, West Garden, Jinsha Mansion, Weilai Avenue, Zhecheng County, Shangqiu City, Henan Province	Shi Di
61	Central China Securities Co., Ltd. Luyi Ziqi Avenue Securities Branch	No.301, East Unit, 3F, Su Shang Xin Commercial Building, Intersection of Xianyuan Road and Ziqi Avenue, Luyi County, Zhoukou City, Henan Province	Li Yong
62	Central China Securities Co., Ltd. Xihua Fengmu Road Securities Branch	Middle Fengmu Road, Xihua County, Zhoukou City, Henan Province	Zhang Yang
63	Central China Securities Co., Ltd. Shenqiu Jixiang Road Securities Branch	South of East Jixiang Road, Huaidian Town, Shenqiu County, Zhoukou City, Henan Province	Ma Guang
64	Central China Securities Co., Ltd. Luoyang Kaiyuan Avenue Securities Branch	Building 1, No.260 Kaiyuan Avenue, Luoyang City, Henan Province	Zhang Ruiping
65	Central China Securities Co., Ltd. Luoyang West Zhongzhou Road Securities Branch	No.26 West Zhongzhou Road, Jianxi District, Luoyang City, Henan Province	Zhu Yu

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
66	Central China Securities Co., Ltd. Yichuan East Renmin Road Securities Branch	3F, Building 1, Shengfu Jiayuan, North of Renmin East Road, Binhe New District, Yichuan County, Luoyang City, Henan Province	Gao Jingxian
67	Central China Securities Co., Ltd. Xin'an Cihe Road Securities Branch	North Jianhe Road, Xincheng West District, Xin'an County, Luoyang City, Henan Province	Wang Haiyun
68	Central China Securities Co., Ltd. Yanshi Yingbin Road Securities Branch	Room 301, Building 1, Yuehai International, No.41 Huaxia Road, Yiluo Subdistrict Office, Yanshi City, Henan Province	Huang Erbin
69	Central China Securities Co., Ltd. Xiping County Xiping Avenue Securities Branch	No.158 Xiping Avenue, Xiping County, Zhumadian City, Henan Province	Li Guangxi
70	Central China Securities Co., Ltd. Shangcai Caidu Avenue Securities Branch	No.21, West Section of Caidu Avenue, Chongyang Office, Shangcai County, Zhumadian City, Henan Province	Li Dawei
71	Central China Securities Co., Ltd. Shanghai Mudanjiang Road Securities Branch	Unit C404, No.318 Mudanjiang Road, Baoshan District, Shanghai	Zhou Dawei
72	Central China Securities Co., Ltd. Shanghai Hunan Road Securities Branch	1-2F, No.2589 Hunan Road, Pudong New Area, Shanghai	Zhang Zhenming
73	Central China Securities Co., Ltd. Shenzhen Longcheng Avenue Securities Branch	Unit 907, Genzon Times Square Tower, 89 Longcheng Avenue, Center City, Longcheng Street, Longgang District, Shenzhen, Guangdong Province	Zeng Hao
74	Central China Securities Co., Ltd. Guangzhou West Tiyu Road Securities Branch	Room 3802, 3803, 3804, 3805 (for office use only), Tower B, No.191 West Tiyu Road, Tianhe District, Guangzhou City, Guangdong Province	Xiong Peili
75	Central China Securities Co., Ltd. Jinan South Gongye Road Securities Branch	Room 103, Building 1, Wealth Center of China Railway, No.59 Gongyenan Road, Hi-tech Zone, Jinan City, Shandong Province	Yang Chen

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
76	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	Room 909, 9F, Building 53, No.14 Jiuxianqiao Road, Chaoyang District, Beijing	Xia Qun
77	Central China Securities Co., Ltd. Beijing North Yuetan Street Securities Branch	Room 1601 and 1602, 16F, Main Building, North Block, Yuetan Building, No.2 North Yuetan Street, Xicheng District, Beijing	Yin Xueqiang
78	Central China Securities Co., Ltd. Hangzhou Xintang Road Securities Branch	Room 301, 3F, Building 2, Xincheng Shidai Plaza, No.111 Xintang Road, Jiangan District, Hangzhou City, Zhejiang Province	Cao Jianbo
79	Central China Securities Co., Ltd. Yiwu North Chouzhou Road Securities Branch	Room 201 and 202, No.955 North Chouzhou Road, Yiwu City, Zhejiang Province	Qiu Xiaoxiao
80	Central China Securities Co., Ltd. Tianjin Zhangzizhong Road Securities Branch	Room 702, No.2 Zhangzizhong Road, Haihe Huading Mansion, Hongqiao District, Tianjin	Lv Yaodong
81	Central China Securities Co., Ltd. Shijiazhuang Zhongshan West Road Securities Branch	Shop 2A003, 2F Zhongdian Information Plaza, No.356 Zhongshan West Road, Qiaoxi District, Shijiazhuang City, Hebei Province	Chang Hongxin
82	Central China Securities Co., Ltd. Jishou Century Avenue Securities Branch	Room 106, Building 62, China Railway Real Estate Shijishanshui Phase II, Ganzhou Century Avenue, Jishou City, Hunan Province	Xiang Qingfeng

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
83	Central China Securities Co., Ltd. Zhangjiagang Jiannong Road Securities Branch	No.7 Jiannong Road, Building 10, Gang Cheng Hua Fu, Yangshe Town, Zhangjiagang City, Jiangsu Province	Zhu Sheng
84	Central China Securities Co., Ltd. Wuhan Luoshi Road Securities Branch	Room 12, 13 and 14, 7F, Starlight, South Lake, Intersection of South Luoshi Road and Wenhui Road, Hongshan District, Wuhan City, Hubei Province	Xu Hongjian
85	Central China Securities Co., Ltd. Yuncheng North Huidong Road Securities Branch	1F, Tianyu Commercial Building, No.9 North Huidong Road, Yuncheng City, Shanxi Province	Tang Feng
86	Central China Securities Co., Ltd. South Taicang Taiping Road Securities Branch	No.19-3 South Taiping Road, Chengxiang Town, Taicang City, Jiangsu Province	Gu Yajun

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(IV) Number and network of other branches

As of the end of the Reporting Period, the Company had 28 branch offices, as detailed below:

No.	Branch office	Address	Date of incorporation	Person in charge	Contact No.
1	Central China Securities Co., Ltd. Zhengzhou Branch Office	11F, Building 1, Guanghui Guomao, No.15 Jingsan Road, Jinshui District, Zhengzhou City, Henan Province	10 March 2011	Shi Hongxing	0371-61916172
2	Central China Securities Co., Ltd. Nanyang Branch Office	No.170 Renmin Road, Nanyang City, Henan Province	20 May 2003	Yang Qing	0377-63595588
3	Central China Securities Co., Ltd. Pingdingshan Branch Office	1F, Chang'an Hotel, West Zhongxing Road Bridge, Zhanhe District, Pingdingshan City, Henan Province	30 June 2015	Wen Yiyao	0375-4808710
4	Central China Securities Co., Ltd. Luohe Branch Office	No.337-8 Huanghe Road, Yancheng District, Luohe City, Henan Province	9 June 2003	Luo Donghai	0395-3152525
5	Central China Securities Co., Ltd. Puyang Branch Office	No.203 Middle Jianshe Road, Puyang City, Henan Province	21 April 2014	Yu Chunyan	0393-8152849
6	Central China Securities Co., Ltd. Anyang Branch Office	Financial Securities Building, North Hongqi Road, Beiguan District, Anyang City, Henan Province	8 May 2003	Tian Liqi	0372-5914195
7	Central China Securities Co., Ltd. Xinxiang Branch Office	No.250 Renmin Road, Xinxiang City, Henan Province	29 April 2003	Wang Tianpeng	0373-2033009
8	Central China Securities Co., Ltd. Hebi Branch Office	Southeast Corner, Intersection of Qibin Avenue and Xinghe Street, Qibin District, Hebi City, Henan Province	26 May 2004	Wang Nan	0392-3321781
9	Central China Securities Co., Ltd. Xuchang Branch Office	No.669 Yingchang Avenue, Weidu District, Xuchang City, Henan Province	12 June 2014	Liu Zhigang	0374-2334988

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch office	Address	Date of incorporation	Person in charge	Contact No.
10	Central China Securities Co., Ltd. Xinyang Branch Office	Hongyunxin Square Office Building, No.136 Zhongshan Road, Shihe District, Xinyang City, Henan Province	26 July 2006	Chen Lei	0376-6210376
11	Central China Securities Co., Ltd. Jiaozuo Branch Office	No.1838 Middle Jiefang Road, Jiaozuo City, Henan Province	2 June 2003	Ding Qingming	0391-3911111
12	Central China Securities Co., Ltd. Kaifeng Branch Office	Yindi Business Plaza, Intersection of Daliang Road and Xihuan Road, Kaifeng City, Henan Province	11 August 2006	Xu Weiwen	0371-23156528
13	Central China Securities Co., Ltd. Yellow River Golden Triangle Demonstration Area Branch Office	2F, Building 4-6, Jinxiuhuating, Daling Road, Sanmenxia City, Henan Province	20 November 2013	Wang Lin	0398-2829463
14	Central China Securities Co., Ltd. Shangqiu Branch Office	Office Building of Labour Union, No.96 Shenhua Avenue, Shangqiu City, Henan Province	24 April 2014	Su Wenfeng	0370-2580009
15	Central China Securities Co., Ltd. Zhoukou Branch Office	3F (facing the street), Office Building of Henan Netcom Zhoukou Branch, No.81 Middle Section of Qiyi Road, Zhoukou City, Henan Province	26 April 2006	Li Hui	0394-8288681
16	Central China Securities Co., Ltd. Luoyang Branch Office	No.30 West Kaixuan Road, Xigong District, Luoyang City, Henan Province	28 November 2013	Song Fei	0379-63902989
17	Central China Securities Co., Ltd. Zhumadian Branch Office	No.196 Jiefang Road, Zhumadian City, Henan Province	23 April 2003	Dong Baojun	0396-2989875/2980777
18	Central China Securities Co., Ltd. Shanghai 1st Branch Office	No.261 West Dalian Road, Shanghai	29 August 2003	Shen Ruowei	021-65088180
19	Central China Securities Co., Ltd. Shenzhen Branch Office	Unit 04 & 05, 31F, China Life Insurance Building, No.123 Fu Hua 1st Road, Fuan Community, Futian Sub-district, Futian District, Shenzhen, Guangdong Province	14 May 2015	Jiang Huijun	0755-83821553

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch office	Address	Date of incorporation	Person in charge	Contact No.
20	Central China Securities Co., Ltd. Beijing Branch Office	Room 1611, 16F, Main Building, North Block, Yuetan Mansion, No.2 North Yuetan Street, Xicheng District, Beijing	16 September 2011	Zhou Weidong	010-83065880
21	Central China Securities Co., Ltd. Sichuan Branch Office	No.4, 2F, Block 13, No.1000 Jincheng Avenue, Gaoxin District, Chengdu City, Sichuan Province	3 February 2017	Li Yang	028-86051588
22	Central China Securities Co., Ltd. Jiangsu Branch Office	Room 1205-1206, No.168 Lushan Road, Jianye District, Nanjing City, Jiangsu Province	5 September 2017	Zhang Hanmin	025-86793336
23	Central China Securities Co., Ltd. Hainan Branch Office	Room 2007, 20F, Hainan Building, No.5 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	12 September 2017	Dong Peng	0898-66515051
24	Central China Securities Co., Ltd. Shandong Branch Office	Room 1001, 10F, First Avenue, No.15982 Jingshi Road, Lixia District, Jinan City, Shandong Province	25 February 2011	Kong Qingli	0531-55513888
25	Central China Securities Co., Ltd. Shandong 1st Branch Office	District B, Jinlingshang Street, No.16 Xianxialing Road, Laoshan District, Qingdao City, Shandong Province	4 February 2004	Zhao Shengchang	0532-83898830
26	Central China Securities Co., Ltd. Hunan Branch Office	Room 2554, 2555, 2556 & 2557, Building 2, Dongying Commercial Plaza, No.730 Yuanda 1st Road, Furong District, Changsha City, Hunan Province	11 January 2011	Zhu Guojun	0731-84598688
27	Central China Securities Co., Ltd. Shaanxi Branch Office	3F, Block A, Fanmei Building, No.1 Nanguanzheng Street, Beilin District, Xi'an, Shaanxi Province	19 April 2011	Ji Lijuan	029-86351806
28	Central China Securities Co., Ltd. Shanghai Branch Office	22-23, Building T1, No.1788 and No. 1800 Century Avenue, China (Shanghai) Pilot Free Trade Zone	2 July 2009	Liu Hao	021-50588666

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VII. OTHER RELEVANT INFORMATION

Accounting firm engaged by the Company	Name	ShineWing Certified Public Accountants (Special General Partnership) ^{Note 1}
	Office address	8F, Fu Hua Mansion, No.8 Chaoyangmen Beidajie, Dongcheng District, Beijing, China
	Names of signing accountants	Yan Fanqing, Cui Weiwei
Sponsor performing the duty of continuous supervision during the Reporting Period	Name	Huatai United Securities Co., Ltd.
	Office address	6F, Block A, Fengming International Building, No.22 Fengsheng Hutong, Xicheng District, Beijing, China
	Names of signing representatives of the sponsor	Sun Zexia, Wu Ling
	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 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	

Notes:

- As considered and approved at the 2019 Annual General Meeting of the Company held on 10 June 2020, the Company has adopted the China Accounting Standards for Business Enterprises to prepare financial statements and disclose relevant financial information both in Hong Kong and Mainland China since the interim financial report and interim results of 2020. The Company also appointed ShineWing Certified Public Accountants (Special General Partnership) as the sole auditing firm of the Company for the year of 2020 to provide both domestic and overseas audit services in accordance with China Accounting Standards for Business Enterprises.
- The Company's legal advisors as to Hong Kong Law have been changed to Jingtian & Gongcheng LLP from 1 January 2021.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VIII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

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

(I) Principal accounting data

Unit: Yuan Currency: RMB

Principal accounting data	2020	2019	Increase/ Decrease as compared with the corresponding period of last year (%)	2018
Operating income	3,103,301,696.87	2,372,526,991.25	30.80	1,649,661,561.68
Net profit attributable to the shareholders of the parent company	104,302,038.78	58,222,745.44	79.14	65,787,558.62
Net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss	95,722,370.32	19,157,977.42	399.65	48,243,794.05
Net cash flows from operating activities	1,370,803,122.31	3,488,339,970.68	-60.70	1,591,520,728.76
Other comprehensive income	-23,994,465.35	12,417,598.13	-293.23	44,198,536.85

Unit: Yuan Currency: RMB

	As at the end of 2020	As at the end of 2019	Increase/ Decrease as compared to the end of the same period of last year (%)	As at the end of 2018
Total assets	52,376,875,557.00	43,569,902,415.77	20.21	42,155,282,945.56
Total liabilities	38,190,399,466.49	33,072,115,962.00	15.48	30,880,243,228.10
Acting trading securities	10,555,230,551.25	8,895,066,941.34	18.66	6,561,059,986.14
Equity attributable to the shareholders of the parent company	13,368,714,617.90	9,671,208,012.75	38.23	9,950,898,718.99
Total owner's equity	14,186,476,090.51	10,497,786,453.77	35.14	11,275,039,717.46
Total share capital as at the end of the Period	4,642,884,700.00	3,869,070,700.00	20.00	3,869,070,700.00
Net assets per share attributable to shareholders of the parent company (RMB/share)	2.88	2.50	15.20	2.57

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Principal financial indicators

Principal financial indicators	2020	2019	Increase/ Decrease as compared to the same period of last year (%)	2018
Basic earnings per share (RMB/share)	0.02	0.02	0	0.02
Diluted earnings per share (RMB/share)	0.02	0.02	0	0.02
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.02	0.005	300.00 Increase by 0.34 percentage point	0.01
Weighted average return on net assets (%)	0.93	0.59	Increase by 0.66 percentage point	0.66
Weighted average return on net assets after deducting non-recurring profit and loss (%)	0.85	0.19	percentage point	0.48

Principal financial indicators	As at the end of 2020	As at the end of 2019	Increase/ Decrease as compared to the same period of last year (%)	2018
Asset-liability ratio (%)	66.08	69.73	Decrease by 3.65 percentage points	68.32

Notes:

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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Unit: Yuan Currency: RMB

Item	As at the end of the Reporting Period	As at the end of last year
Net capital	10,141,843,317.23	6,368,379,438.84
Net assets	13,743,917,923.23	9,931,785,470.13
Sum of various risk capital provisions	3,402,946,504.41	3,285,991,002.36
Total on-and-off balance sheet assets	40,511,316,360.05	31,866,740,820.15
Risk coverage rate (%)	298.03	193.8
Capital leverage ratio (%)	21.39	15.74
Liquidity coverage ratio (%)	169.52	159.94
Net stable funding ratio (%)	169.30	137.08
Net capital/net assets (%)	73.79	64.12
Net capital/liabilities (%)	39.93	29.31
Net assets/liabilities (%)	54.12	45.71
Proprietary equity securities and derivatives/net capital (%)	3.82	10.91
Proprietary non-equity securities and derivatives/net capital (%)	226.07	252.96
Amount of financing (including securities lending)/net capital (%)	85.84	117.99

Note 1: During the Reporting Period, all major risk control indicators such as net capital of the Company met regulatory requirements.

Note 2: According to Regulations on the Calculation Standards for Risk Control Indexes of Securities Companies (CSRC Announcement [2020] No. 10), the data at the end of last year were adjusted retroactively.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

IX. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST FIVE YEARS

Earnings (RMB)

Unit: Yuan Currency: RMB

Item	2020	2019	2018	2017	2016
Operating income	3,103,301,696.87	2,372,526,991.25	1,649,661,561.68	2,147,620,089.37	2,008,852,561.18
Operating expenses	2,954,485,813.12	2,258,791,739.77	1,568,809,460.52	1,474,298,646.72	1,067,838,746.83
Total profit	144,030,392.15	116,117,612.82	101,117,281.08	7,526,502,731.84	10,368,090,355.66
Profit attributable to shareholders of the parent company	104,302,038.78	58,222,745.44	65,787,558.62	441,982,592.67	718,646,243.11

Assets (RMB)

Unit: Yuan Currency: RMB

Item	2020	2019	2018	2017	2016
Total assets	52,376,875,557.00	43,569,902,415.77	42,155,282,945.56	40,661,467,680.37	40,384,572,637.04
Total liabilities	38,190,399,466.49	33,072,115,962.00	30,880,243,228.10	29,209,348,494.91	28,837,803,803.63
Acting trading securities	10,555,230,551.25	8,895,066,941.34	6,561,059,986.14	7,526,502,731.84	10,368,090,355.66
Equity attributable to shareholders of the parent company	13,368,714,617.90	9,671,208,012.75	9,950,898,718.99	10,169,851,687.03	10,582,116,323.66
Total share capital at the end of the Period	4,642,884,700.00	3,869,070,700.00	3,869,070,700.00	3,923,734,700.00	3,923,734,700.00

Key financial indicators

Item	2020	2019	2018	2017	2016
Basic earnings per share (RMB/share)	0.02	0.02	0.02	0.11	0.22
Diluted earnings per share (RMB/share)	0.02	0.02	0.02	0.11	0.22
Weighted average return on net assets (%)	0.93	0.59	0.66	4.24	8.89

Item	2020	2019	2018	2017	2016
Gearing ratio (%)	66.08	69.73	68.32	64.98	61.53
Net asset value per share attributable to the shareholders of the parent company (RMB/share)	2.88	2.50	2.57	2.59	2.70

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

X. KEY FINANCIAL DATA FOR 2020 (BY QUARTER)

Unit: Yuan Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating income	436,670,123.05	813,305,200.20	958,441,694.32	894,884,679.30
Net profit attributable to the shareholders of the listed company	-67,124,797.59	97,975,603.51	55,901,024.32	17,550,208.54
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	-68,955,899.01	97,147,530.68	53,854,388.50	13,676,350.15
Net cash flows from operating activities	1,186,948,897.66	1,879,122,709.22	-1,817,399,827.64	122,131,343.07

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

Unit: Yuan Currency: RMB

Non-recurring profit and loss items	The amount of 2020	Note (if applicable)	The amount of 2019	The amount of 2018
Profits and losses on disposal of non-current assets	-1,434,940.82		23,826,434.25	-734,884.34
Government subsidies that are included in the current profit and loss, except for those which are closely related to the normal business of the Company and are continuously enjoyed in accordance with the provisions of national policies and in accordance with certain standard quota or quantitative amount	15,188,914.70	Mainly government subsidies	17,715,676.78	26,704,367.53
Reversal of provision for impairment of receivables and contract assets that have been separately tested for impairment	5,000,000.00		0.00	0.00
Other non-operating income and expenses other than the above items	-7,817,648.40		-5,966,282.11	-1,870,552.00
Amount of impact of minority shareholders' equity	171,077.53		12,382,896.33	-714,314.86
Amount of impact of income tax	-2,527,734.55		-8,893,957.23	-5,840,851.76
Total	8,579,668.46		39,064,768.02	17,543,764.57

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

XII. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Current changes	Amount of impact on current profit
Trading financial assets	17,227,018,646.76	22,592,572,498.77	5,365,553,852.01	659,629,658.66
Other debt investments	664,695,346.48	2,088,805,149.07	1,424,109,802.59	-6,071,167.39
Derivative financial assets	11,384,115.93		-11,384,115.93	
Derivative financial liabilities	83,740.00	57,980.91	-25,759.09	-127,836,944.87
Trading financial assets	1,114,552,379.16	1,356,226,583.04	241,674,203.88	-173,289,281.51
Total	19,017,734,228.33	26,037,662,211.79	7,019,927,983.46	352,432,264.89

XIII. OTHERS

(I) Accounting data of major items in consolidated financial statements

Unit: Yuan Currency: RMB

Item	31 December 2020	31 December 2019	Increase or decrease (%)
Cash and bank accounts	10,951,131,021.90	9,331,748,561.52	17.35
Margin financing	7,400,757,113.38	6,060,740,196.56	22.11
Derivative financial assets	0.00	11,384,115.93	-100.00
Refundable deposits	744,878,747.69	395,169,735.95	88.50
Financial assets held under resale agreements	2,055,964,889.83	3,023,888,527.71	-32.01
Trading financial assets	22,592,572,498.77	17,227,018,646.76	31.15
Debt investments	456,168,931.89	676,389,859.29	-32.56
Other debt investments	2,088,805,149.07	664,695,346.48	214.25
Construction in progress	52,427,024.00	35,578,119.28	47.36
Deferred income tax assets	464,734,648.09	345,625,693.11	34.46
Short-term borrowing	315,977,554.88	1,568,747,897.84	-79.86
Payable short-term financing	4,154,657,809.90	4,455,447,124.75	-6.75
Due to banks and other financial institutions	3,694,418,222.23	2,361,159,583.32	56.47
Derivative financial liabilities	57,980.91	83,740.00	-30.76
Financial assets sold under repurchase agreements	12,200,308,194.73	8,721,088,626.07	39.89
Acting trading securities	10,555,230,551.25	8,895,066,941.34	18.66
Taxes payable	131,604,084.55	56,986,010.70	130.94
Payables	65,874,572.60	183,081,131.54	-64.02
Long-term loan	1,001,741.67	13,202,955.17	-92.41
Bonds payable	4,610,250,342.02	4,623,940,375.96	-0.30
Deferred income tax liabilities	14,241,536.99	8,258,284.47	72.45
Paid-in capital (or share capital)	4,642,884,700.00	3,869,070,700.00	20.00
Capital reserve	6,330,622,817.68	3,487,237,785.96	81.54
Other comprehensive income	12,549,125.88	36,543,591.23	-65.66

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Unit: Yuan Currency: RMB

Item	2020	2019	Increase or decrease (%)
Net interest income	101,097,703.29	28,497,623.04	254.76
Investment gains (losses are listed with "-")	606,652,804.47	929,911,611.48	-34.76
Gains from changes in fair value (losses are listed with "-")	-48,524,176.45	-165,217,911.98	N/A
Exchange gains (losses are listed with "-")	-3,348,221.20	-2,411,060.48	N/A
Other operating income	1,264,503,482.85	588,755,236.72	114.78
Asset disposal proceeds (losses are listed with "-")	-20,777.16	22,972,242.66	-100.09
Tax and surcharges	19,375,311.17	14,420,697.18	34.36
Other asset impairment losses	31,841,326.55	9,760,642.03	226.22
Other operating costs	1,224,223,343.33	581,172,268.50	110.65
Non-operating income	5,860,453.04	9,408,024.38	-37.71
Non-operating expenditure	10,645,944.64	7,025,663.04	51.53
Other comprehensive income, net after tax	-23,994,465.35	12,417,598.13	-293.23

(II) Accounting data of major items in the financial statements of the parent company

Unit: Yuan Currency: RMB

Item	31 December 2020	31 December 2019	Increase or decrease (%)
Cash and bank accounts	9,353,694,098.48	7,451,403,960.97	25.53
Margin financing	7,248,897,079.39	5,863,995,732.86	23.62
Refundable deposits	368,868,430.71	61,804,121.87	496.83
Financial assets held under resale agreements	2,055,165,080.52	3,016,788,527.71	-31.88
Trading financial assets	19,933,278,797.76	14,901,923,154.00	33.76
Other debt investments	2,088,805,149.07	664,695,346.48	214.25
Long-term equity investment	4,126,432,553.95	4,126,432,553.95	0.00
Construction in progress	52,427,024.00	35,578,119.28	47.36
Deferred income tax assets	301,081,560.09	210,510,337.00	43.02
Payable short-term financing	3,425,939,961.92	4,455,447,124.75	-23.11
Due to banks and other financial institutions	3,694,418,222.23	2,361,159,583.32	56.47
Derivative financial liabilities	57,980.91		N/A
Financial assets sold under repurchase agreements	12,002,208,194.73	8,721,088,626.07	37.62
Acting trading securities	9,666,752,032.28	8,157,600,131.41	18.50
Taxes payable	118,777,886.11	42,920,834.05	176.74
Payables	60,063,783.40	175,101,509.70	-65.70
Contract liabilities	10,997,000.07	7,911,220.55	39.01
Bonds payable	4,610,250,342.02	4,623,940,375.96	-0.30
Deferred income tax liabilities	—	3,207,641.13	-100.00
Share capital	4,642,884,700.00	3,869,070,700.00	20.00
Capital reserve	6,606,160,370.84	3,762,844,544.48	75.56
Other comprehensive income	-1,388,009.67	5,435,762.48	-125.53
Undistributed profit	286,790,057.51	170,879,423.10	67.83

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Unit: Yuan Currency: RMB

Item	2020	2019	Increase or decrease (%)
Net interest income	46,243,250.79	-59,046,347.59	N/A
Gains from changes in fair value (losses are listed with "-")	-88,807,494.18	112,081,401.33	-179.23
Exchange gains (losses are listed with "-")	-646,160.05	30,847.35	-2,194.70
Other operating income	18,079,232.10	8,043,332.18	124.77
Asset disposal proceeds (losses are listed with "-")	-20,667.36	22,973,320.57	-100.09
Tax and surcharges	16,838,369.81	12,438,481.72	35.37
Credit impairment losses	263,120,359.08	186,153,701.24	41.35
Non-operating income	2,410,755.63	8,155,586.34	-70.44
Income tax expenses	16,466,013.88	69,227,081.17	-76.21
Other comprehensive income, net after tax	-6,823,772.15	2,261,459.72	-401.74



SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

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

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

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

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

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

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

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

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

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

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

SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

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

The securities industry is a typical cyclical industry. The overall industry performance is closely related to the capital market and the macro-economy. In 2020, in order to implement twelve key directions of comprehensively deepening the reform of capital market, the State successively launched a series of policies and measures to accelerate the establishment of the basic systems for capital market and make up multi-level shortages of the capital market. With the formal launch of the registration system on ChiNext, the capital market encountered another critical system revolution. With the rapid propulsion of a new round of reform in the market, the ability of securities industry to provide the real economy with better quality and more efficient financial services has been continuously enhanced and has entered into a fast lane towards high quality development.

According to the statistics of the Securities Association of China, as of the end of the Reporting Period, there were 138 securities companies in China, with the total assets, net assets and net capital were RMB8.90 trillion, RMB2.31 trillion and RMB1.82 trillion respectively, representing an increase of 22.50%, 14.10% and 12.35% year-on-year respectively; total operating income and net profits were RMB448.479 billion and RMB157.534 billion respectively, representing an increase of 24.41% and 27.98% year-on-year respectively. The operating results were continuously improved as a whole. At present, the securities industry is still unable to obviously weaken its cyclical characteristic, but keeps a "spiral" rising trend on the whole.

The Company is the only securities company registered in Henan Province, and is one of China's 14 securities companies listed both in Shanghai and Hong Kong. After over 10 years of development, the Company has developed itself into a comprehensive securities company with distinctive advantages in the region. In July 2020, with the completion of the non-public issuance of A shares, the Company's capital strengths were significantly enhanced, which helped to accelerate business development and improve the Company's ability to withstand risks, thereby enhancing the Company's ability to serve the real economy.

Illustrations of the significant changes in major assets of the Company during the Reporting Period

For changes in major assets where the ending balance accounts for more than 5% of the total assets or the change in the current period exceeds 30%, please refer to III. (II) "Analysis of assets and liabilities" under Section 4. Among which: the overseas assets amounted to RMB1.557 billion accounting for 2.97% of the total assets.



SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

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 and vigorously introduced professional talents such as sponsor representatives, with professional capabilities and core indicator ranking such as the amount of equity underwriting, the transaction amount of merger, acquisition and restructuring financial advisory and the scale of underwriting directional additional financing significantly improved, entering the top of the industry. Besides, the number of sponsoring projects for IPO approved by the Issuance Examination Committee Meeting of the CSRC and reserve projects of investment banks have significantly increased. The leading role of driving the investment, credit business and wealth management business has become increasingly prominent.

(II) Advantage of A+H listing platforms

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

(III) Comprehensive financial operation advantage

Currently, the Company establishes over 110 branches in provincial and core cities like Beijing, Shanghai, Hong Kong, Guangzhou and Shenzhen, as well as provincial cities and developed counties in Henan Province, and subsidiaries such as Equity Exchange Co., Central China Futures, Central China Blue Ocean, ZDKY Venture Capital, 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-loan and other financial forms, providing all-round and all life-cycle service for customers.

(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 deep cooperation with the local government, enterprises and individual customers, with a stable customer base and several businesses ranking at the top in terms of regional market share.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

I. REVIEW OF BUSINESS

(I) Business review

During the Reporting Period, the Group achieved operating income of RMB3.103 billion, representing an increase of 30.80% as compared with 2019, among which, the brokerage business achieved income of RMB893 million, representing an increase of RMB273 million, mainly due to the increase in net income from securities brokerage business; the proprietary trading business achieved income of RMB124 million, representing a decrease of RMB297 million, mainly due to the decrease in income from equity investment; the investment banking business achieved income of RMB179 million, representing a decrease of RMB30 million, mainly due to the decrease in net income from financial advisory business; the credit business achieved income of RMB299 million, representing an increase of RMB109 million, mainly due to the increase in interest income from the margin accounts; the investment management business achieved income of RMB85 million, representing a decrease of RMB73 million, mainly due to the decrease in income from asset management business and investment projects of certain subsidiaries; the futures business achieved income of RMB1.354 billion, representing an increase of RMB668 million, mainly due to the increase in income from the commodity sales of Yuxin Investment, a subsidiary of the Company; the overseas business achieved income of RMB30 million, representing an increase of RMB148 million, mainly due to the increase in investment income from overseas subsidiaries measured at fair value; the headquarter and other business achieved income of RMB203 million, representing a decrease of RMB75 million, mainly due to the decrease in gain from headquarter disposal non-current assets and income of Central China Micro-lending, a subsidiary of the Company.

During the Reporting Period, the Group's operating expenses were RMB2.954 billion, representing an increase of 30.80% as compared with 2019, mainly due to an increase in the commodity sales costs of Yuxin Investment, a subsidiary of the Company, among which its credit impairments generated a loss of RMB345 million, representing a decrease of 1.35%. The Company evaluates the credit risk of each business in accordance with the principle of prudence and sufficient provision, and makes provision for impairment through the expected loss model. The Company will continuously monitor the changes in the market value of collateral and the credit standing of financiers, and prudently evaluate the risks of the securities-backed lending business. In case of any adverse factors such as the decline in the market value of collateral, the Company will make full provision for the impairment of the current period in strict accordance with the China Accounting Standards for Business Enterprises and the accounting policies of the Company.

During the Reporting Period, the Group realized the net profit attributable to the shareholders of the parent company of RMB104 million, representing an increase of 79.14% as compared with that in 2019, mainly due to the continued recovery of the securities market, the steady development of the principal businesses, and the year-on-year increase in the income from securities brokerage business, credit business and overseas business.

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

(II) Major risks and uncertainties

Major risks faced by the Company include: credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risk, etc. For the major risks faced by and counter-measures taken by the Group, please refer to IV. (IV) "Potential risks" in this section.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(III) Material subsequent events

From the end of the Reporting Period to the date of publication of this report, no subsequent event has occurred which had a material impact on the Group. For details of other subsequent events of the Group, please refer to XIV. "Events after the balance sheet date" under Section 10 "FINANCIAL REPORT" in this report.

(IV) Future development and forward-looking

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

(V) Environmental policies and performance

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

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

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

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

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(VI) Compliance with relevant laws and regulations with significant impacts

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

(VII) Material relationships with employees, customers and suppliers

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

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

II. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

In 2020, the Company comprehensively coordinated the epidemic prevention and control and business development, vigorously improved the professional level, with the principal business developing steadily. It focused on a series of key tasks such as A-share private placement, US dollar bond issuance, system and mechanism reform, digital transformation and risk resolution, which enhanced the Company's comprehensive strength and risk resistance, and injected momentum and vitality into the Company's future sustainable, stable and sound development.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(I) Securities brokerage business

Market environment

As a number of basic rules and regulations including the new Securities Law and the ChiNext registration system were gradually implemented in 2020, the trading activity was significantly increased. The SSE Composite Index closed at 3,473.07 points, representing an increase of 13.87% as compared to the end of last year, the SZSE Component Index closed at 14,470.68 points, representing an increase of 38.73% as compared to the end of last year, and the ChiNext Index closed at 2,966.26 points, representing an increase of 64.96% as compared to the end of last year. The trading volume in Shanghai and Shenzhen stock markets increased, hitting RMB220.12 trillion (unilateral) throughout the year, representing a year-on-year increase of 61.66%. As the commission rate of the industry channel continued to decline, the increase in activity and scale of market transactions had gradually weakened the contribution to the income of brokerage business, and the proportions of investment advisory income and agency sale of financial products income have continued to increase. The outbreak of the COVID-19 epidemic has further promoted customer demand for off-site transactions and services. The “online customer acquisition” method has been further strengthened, and the securities brokerage business is developing in the direction of “centralized, online, and intelligent”. [Source: Wind Info]

Business measures and performance

In 2020, the Company developed its securities brokerage business primarily in Henan market with the focus on customer operation and actively seized the new opportunity of deepening the development of capital market. We accelerated the layout of online and offline channels and promoted the realization of online self-service and standardization, and offline specialization and personalization. The online services of the Company were provided through the building of “three terminals and a WeChat (三端一微)” platform and the provision of services, centering on “Caishengbao (财升宝)” APP, marked that we have formally entered the era of intelligence. The users of “Caishengbao” APP and the sales of public funds increased by 44.22% and 208.38%, respectively, as compared to last year, and the number of new customers through online channels reached 180.95% of such number in the previous year. The Company ranked 25th overall among domestic brokers in terms of online operation indicators such as daily active users and monthly active users of the “Caishengbao” App, and its official WeChat account ranked 13th in terms of average monthly influence, which showed that the Company’s online service brand influence was further enhanced. As for offline services, we have further promoted the reform of branches, and implemented the “1+N” model in branches in Henan Province, i.e., one “flagship store” plus a number of “retail stores”, so as to promote the branches to become display platforms, marketing platforms and service platforms for the Company’s various businesses. We also paid close attention to basic customers and basic assets, focused on core customers, and used “investment advisory business” and “fund sales” as the starting point to launch excellent products such as “Top Ten Gold Stocks of the Month” and “Selected Public Fund Pools” to achieve a significant increase in income of agency sale of financial products. [Source: Qianfan.analysis.cn and gsdata.cn]

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company's A-share fund trading volume reached RMB1,896.932 billion, with a market share of 4.31%; the balance of margin financing and securities lending was RMB7.191 billion, increasing by 30.13% as compared to the previous year; the number of stock option contracts signed amounted to 4.0117 million, increasing by 67.69% as compared to the previous year. The Company's average daily holdings of non-monetary public funds reached RMB2.536 billion, representing a year-on-year increase of 203.03%; the time-point holdings reached RMB4.213 billion, representing a year-on-year increase of 177.81%. The accumulative sales of public funds reached RMB4.417 billion, increasing by 182.64% as compared to the previous year. The accumulative sales of beneficiary certificates reached RMB3.900 billion for the whole year, increasing by 12.21% as compared to the previous year. As of the end of the Reporting Period, the Company's securities brokerage business had a total of 1.7697 million customers, increasing by 14.77% as compared to the previous year.

Outlook for 2021

In 2021, the Company's wealth management business will focus on the business positioning of "serving social wealth management, becoming a leading financial expert for investors in the target market", so as to achieve coordinated offline and online development. We will promote the application of artificial intelligence and big data business, strengthen the precision and digitization of marketing and services; actively apply for the qualification of fund investment advisory business, provide customers with tailor-made wealth management planning and all-weather asset allocation services; cooperate with first-class fund management companies, expand the scale of agency sale of public fund products, actively promote the business for agency sale of private fund, increase the proportion of revenue from agency sale of financial products, and explore ways of wealth management transformation suitable for our own development.

(II) Credit business

Market environment

In 2020, benefiting from the stock market sentiment, market participants in the margin financing and securities lending services traded actively. As of the end of the Reporting Period, the balance of margin financing and securities lending in Shanghai and Shenzhen stock markets was approximately RMB1.6 trillion, representing an increase of 56.86% as compared to the end of the previous year. The overall scale of securities-backed lending business continued the downward trend of the previous year and the risk has been mitigated.

Business measures and performance

In 2020, while seizing favorable opportunities for the successful non-public issuance of A shares in the credit business, the Company increased capital allocation, improved the risk control measures, and steadily promoted the sustainable and sound development of its businesses. In terms of margin financing and securities lending, the Company strengthened the customer base and expanded the business scale by carrying out the special marketing service activity regarding margin financing and securities lending named "growing together and going forward for our dreams", and a series of training lectures. In terms of securities-backed lending business, the Company newly set up the Pledged Financing Department to make clear the basic position of the credit business in respect of securities-backed lending and strengthen the professional quality and risk control of the business by amending and improving relevant regulations and policies and redesigning the operational procedures in relation to securities-backed lending. While constantly supervising the undergoing projects of securities-backed lending business, we will strictly control the risks of new businesses subject to the blacklist of the subject securities to conduct new businesses with high quality and improve our relevant customer service capabilities.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company had 10,641 new accounts of margin financing and securities lending, representing a year-on-year increase of 323.44%, with an average daily balance of RMB6.383 billion, representing a year-on-year increase of 30.24%. The balance of financing amount under the stock-pledged repo business was RMB2.384 billion, representing a year-on-year decrease of 11.97%. The scale of on-balance sheet stock-pledged repo business amounted to RMB1,705 million with an average collateral ratio of 150.29%, while the scale of off-balance sheet stock-pledged repo business amounted to RMB679 million.

Outlook for 2021

In 2021, the Company will further increase capital allocation in its margin financing and securities lending services on the basis of good investor education, focus on promoting the activation of high-net-worth core customers, and realize the development of both quantity and quality of customers; adjust the business structure, increase the proportion of securities lending, 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 and carry out new business with high quality.

(III) 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 2020, affected by the epidemic, the economic situation was complex and changeable at home and abroad. On the one hand, global trade and cross-border investment suffered heavy losses; the circulation of both the industrial value chain and the supply chain was blocked; the commodity market was volatile; and the uncertainties in the futures market increased. On the other hand, affected by the drastic fluctuation in the global financial market, the demand for corporate hedging increased, the amount of funds in the futures market and the volume of trading positions reached record highs, the role of futures market risk management became more prominent. During the Reporting Period, the accumulated transaction amount in China's futures market was RMB437.53 trillion, representing a year-on-year increase of 50.56%. The accumulated trading volume was 6.153 billion lots, representing a year-on-year increase of 55.29%. [Source: China Futures Association]

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Business measures and performance

In 2020, Central China Futures actively responded to the huge challenge of large fluctuations in commodity prices at home and abroad, 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, Central China Futures focused on industry chain extension services, tapped into the three core industrial value chains of chemicals, breeding and nonferrous metals, cooperated with Futures Research Institute and its subsidiary engaging in futures risk management, and promoted the transformation of futures brokerage business from channel-based to value-added services. The subsidiary engaging in futures risk management continued to expand the business scale of base trading, warehouse receipts and market making, etc., and focused on building the industry influence of advantageous varieties to achieve scale benefits. In 2020, the subsidiary engaging in futures risk management was awarded the Diamond Prize of Market-making Business of Shanghai Futures Exchange. In terms of futures asset management business, Central China Futures expanded its investment and research talent pool and set up 6 filed asset management products, further enriching its product line.

During the Reporting Period, futures business acquired 2,233 new customers and served a total of 28,600 customers, customer turnover increased by 43.08% year-on-year, of which the delivery volume of institutional clients increased by 154% year-on-year. The number of futures market-making products increased from 5 at the beginning of the year to 13 and the market-making business revenue increased by 179.49% year-on-year. As of the end of the Reporting Period, there were 13 filed futures asset management products, with a total net value of RMB1.985 billion as at the end of the Period.

Outlook for 2021

In 2021, Central China Futures will focus on main businesses, and continue to tap into the four sectors of chemicals, ferrous metals, agricultural products and nonferrous metals in terms of the futures brokerage business, increase its institutional client service efforts, and achieve significant improvement in scale and social benefits. In terms of futures risk management business, Central China Futures will consolidate and expand the scale of risk management business of mature varieties, actively expand new trading varieties, broaden business areas, and achieve capital generation. In terms of futures capital management business, on the basis of existing fixed income products, Central China Futures will enrich the product lines of futures derivatives, quantify product design, and create a diversified product supply system.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(IV) Investment banking business

Market environment

With the accelerating development of capital market reform, China has successively launched a number of major reforms, such as the establishment of the STAR Market and the introduction of the registration system in the STAR Market, and a series of major reforms on ChiNext and the New Third Board, were successively launched. As a result, the opening-up has continued to deepen, direct financing has shown a positive trend of accelerating development, the ecology of the investment banking market has been reshaped, and the investment banking business of securities companies has ushered in new opportunities for development. In 2020, 396 enterprises completed their initial public offering and listing either in SSE or SZSE, raising a total of RMB469.963 billion, representing a year-on-year increase of 85.57%. The proceeds raised from the refinancing of the listed companies amounted to RMB1,151.694 billion, representing a year-on-year decrease of 4.42%. 136 companies were newly quoted in the New Third Board market, raising a total of RMB23.223 billion, representing a year-on-year increase of 9.85%. The total amount of bonds issued by various institutions was RMB56.88 trillion, representing a year-on-year increase of 25.89%. [Source: Wind Info]

Business measures and performance

In 2020, the investment banking business of the Company fastened on the market development opportunities in the STAR Market, ChiNext and New Third Board reform, made a deep exploration of the capital markets in Henan and opened up a broad market in developed areas outside Henan province and reserved high-quality project resources. During the Reporting Period, the Company (as the lead underwriter) completed 5 refinancing projects of A-share listed companies, with the equity lead underwriting amount in SSE and SZSE totaling RMB8.870 billion throughout the year, representing a year-on-year increase of 319.78%; completed 1 enterprise bond project, 11 corporate bond projects and 2 financial bond projects, with a bond lead underwriting amount totaling RMB14.047 billion throughout the year, representing a year-on-year increase of 24.83%; acted as the independent financial adviser in 3 mergers and restructuring projects of A-share listed companies; and completed 2 targeted issuance projects on the New Third Board, raising a total of RMB108 million. The Company vigorously supported the development of the real economy by helping companies go public, issue bonds and complete mergers, acquisitions and restructuring.

As of the end of the Reporting Period, the Company ranked 26th in terms of equity underwriting amount in Shanghai and Shenzhen stock markets (including the issuance amount of mergers and restructuring projects), ranked 13th in terms of lead underwriting amount in private placement projects, and ranked in the top 20 in the industry in terms of deal value for mergers and restructuring projects with a financial adviser role. In 2020, the Company ranked 23rd in the industry in terms of the number of A-share IPO projects with a sponsor role that have been approved by the Issuance Examination Committee Meeting of the CSRC. The Company was rated B in the first "Evaluation on the practicing ability of securities companies' corporate bond business" in 2020, and was rated B in 2020 "Evaluation on the practicing ability as the financial adviser of securities companies engaged in mergers, acquisitions and restructuring of listed companies". [Source: Wind Info and Securities Times]

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Outlook for 2021

In 2021, the Company will continue to deepen investment banking reform, comply with the reform of the registration system and improve the issuance pricing capabilities of investment banking. The Company will actively respond to the business needs of large state-owned enterprises, listed companies and outstanding private enterprises in the province, 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. The Company will optimize the spatial layout, focus on major national strategies, develop markets in developed regions such as Beijing, Shanghai, Guangzhou and Shenzhen, and accelerate the enrichment of project reserves so as to lay a foundation for the sustainable development of investment banking business.

(V) Investment management business

1. Asset management

Market environment

As the capital market continues to deepen reforms and supporting rules for new asset management regulations are introduced one after another, the asset management industry is in a critical period of rapid transformation and development. In the new market environment, the transformation of securities companies' asset management public offerings has accelerated, and internal competition in the large asset management industry has gradually heated up. Industry resources have further concentrated on leading institutions. The cultivation of investment characteristics and the creation of differentiated competitive advantages have become the key to breaking the situation.

Business measures and performance

In 2020, the Company thoroughly implemented the requirements of the new asset management regulation to our asset management business. While speeding up the standardization and rectification of current asset management products, our asset management business team streamlined business operation procedures considering industry development trends, took investment and research capabilities as a core task, further enhanced active management abilities, advanced the transform and development of our asset management business, and steadily launched the issuance of our new standard products.

As of the end of the Reporting Period, the total asset under management of the Company amounted to RMB6.298 billion, including 11 collective asset management plans in the amount of RMB4.570 billion, 4 separately managed asset management plans in the amount of RMB1.102 billion and 2 specialized asset management plans in the amount of RMB626 million.

Outlook for 2021

In 2021, the asset management business team will focus on developing FOF products as well as actively-managed hybrid products. We will better cooperate with large institutions, keep improving product design and asset allocation quality to build product systems of low steadily launched the issuance of and stable income, middle-and-high risk as well as innovation subject.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

2. Private fund management

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

Market environment

As the global economy was impacted by the epidemic in 2020, the financing, investment and exit of the equity investment market were all affected to varying degrees. The total capital raised in the equity investment market for the year was RMB1,197.114 billion, representing a year-on-year decrease of 3.8%, while the investment amount was RMB887.149 billion, representing a year-on-year increase of 14.00%. Thanks to the successive implementation of the domestic registration system reforms and the rapid growth of IPO of domestic invested companies, the exit channels of VC and PE institutions had been improved, and the number of exits in the equity investment market increased with 3,842 exits in the year, increased by 30.3% compared with the previous year. [Source: Zero2IPO]

Business measures and performance

In 2020, ZDKY Venture Capital took multiple measures to pay close attention to post-investment management, learned about the real operation of the invested enterprises, made early warnings on risky projects, urged the enterprises to speed up the exploration of new business models to get rid of business difficulties, gradually resolving project risks and reducing losses. It also explored cooperation with head institutions and linkage with the Company's investment banking to fully explore investment opportunities in Henan Province and developed regional markets, and enhanced fund-raising capabilities and the ability to acquire quality projects. Moreover, ZDKY Venture Capital accelerated the pace and progress of project exit and completed the exit or partial exit of a part of the project investment by means of equity buyback and seeking third-party transferees.

During the Reporting Period, ZDKY Venture Capital and its subsidiaries completed 1 equity investment project, with a total investment amount of RMB20 million. As of the end of the Reporting Period, ZDKY Venture Capital and its subsidiaries managed 15 private funds, with a scale of RMB5.100 billion.

Outlook for 2021

In 2021, ZDKY Venture Capital and its subsidiaries will focus on the investment strategy of exit by IPO and merger, acquisition and restructuring, deeply explore the investment market in Henan province and economically developed regions such as Guangzhou and Shenzhen, and cooperate with leading institutions in the industry to increase the number and scale of fund management and improve investment gains.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

3. Alternative investment

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

Market environment

In 2020, the COVID-19 epidemic affected the macro-economy and international trade to varying degrees. While the development of physical enterprises encountered greater challenges, the risks of the alternative investment business of securities companies increased. However, with the successive launch of the registration system for the STAR Market and ChiNext, it was expected that the exit of investment in the primary market would be more convenient and smooth, and alternative investments would usher in important historic opportunities.

Business measures and performance

In 2020, Central China Blue Ocean took multiple measures to fully implement the Company's strategic plan of "strengthening investment banking business and making excellent investments", actively promoted the transformation of investment strategy based on Pre-IPO, strengthened the synergy with the Company's investment banking team, fully promoted the cooperation with head investment institutions, and accumulated a number of excellent investment project resources.

During the Reporting Period, 10 new investments were made by Central China Blue Ocean, with a total investment scale of RMB67.7782 million, including 8 equity investments with a scale of RMB36.4761 million, and 2 financial product investments with a scale of RMB31.3021 million. Central China Blue Ocean also exited from 7 investment projects of various types and recovered investment amount of RMB200 million. As of the end of the Reporting Period, Central China Blue Ocean invested in 33 projects with a total scale of RMB2.159 billion.

Outlook for 2021

In 2021, Central China Blue Ocean will strengthen 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 capabilities for obtaining high-quality projects, thereby increasing investment scale and profitability. It will maintain close linkage with investment banking, invest limited self-owned funds in projects with lower risks and shorter cycles to drive the development of investment business, strengthen post-investment management, conduct project-by-project inspections, and implement policies one by one, forming a virtuous circle of investment - value-added exit - reinvestment and improve profitability while better serving the real economy.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(VI) Proprietary trading

Market environment

In 2020, under loose monetary and fiscal policies, the stock market appeared to fluctuate upwards in turbulence and the structural market continued to be maintained with more obvious sectoral differentiation, with the SSE Composite Index rising by 13.87%, the SZSE Component Index rising by 38.73%, and the ChiNext Index rising by 64.96%. The yield on the bond market rose after falling down and market liquidity was sufficient; credit risk was further exposed, and the structural differentiation of credit bonds continued to intensify. The Comprehensive Full Price Index of ChinaBond decreased by 0.16%. [Source: Wind Info]

Business measures and performance

In early 2020, affected by the epidemic, market conditions have fluctuated greatly, and the Company's equity investments have suffered large losses. In response, the Company adjusted its strategy in a timely manner, reduced its business scale, with its performance gradually improved and part of the loss recovered in the second half of the year through entrusted investments, participation in the private placement and stock investment. Fixed-income investments were adjusted in a timely manner through increasing trading spreads and valuation change returns, and duration control. By carrying out the interest rate bond portfolio arbitrage strategy and interest rate and derivatives hedging strategy, the Company seized the opportunity of two rounds of price rises in the bond market and obtained sustainable and stable income.

During the Reported Period, the proprietary trading business achieved a gain of RMB124.2211 million.

Outlook for 2021

In 2021, the equity proprietary trading business will continue to improve its investment research capability, actively 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 continue to adhere to the investment strategy of "long-term and stable profits with controlled risks", 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.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(VII) Overseas business

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

Market environment

In 2020, the Hong Kong capital market remained active. The average daily turnover was HK\$129.5 billion, representing a year-on-year increase of approximately 49%. There were 154 new listed companies in the Hong Kong market, with gross proceeds from IPO amounting to about HK\$400.2 billion, representing a year-on-year increase of approximately 27%. However, the Hong Kong securities market was shaken down by the impact of the COVID-19 epidemic and the trade dispute between the US and China, with the Hang Seng Index closing at 27,231.13 points as at the end of 2020, down about 3% from the end of the previous year. [Source: Website of Hong Kong Stock Exchange]

Business measures and performance

In 2020, Central China International has firmly grasped the licensed businesses of brokerage, investment banking, fixed income (DCM) and futures, promoted the transformation of business to wealth management, established good cooperative relations with customers in key regions and key industries, reserved project resources, cultivated core competitiveness in the fields of equity financing, debt financing and high-end wealth management to build an overseas market service platform for the Company. It also implemented classified policies on risky projects to increase risk resolution and reduce losses.

As of the end of the Reporting Period, the number of clients of Central China International's securities brokerage business reached 7,644, the market value of clients' securities amounted to HK\$1.704 billion, and the cumulative trading volume of the securities of brokerage business was HK\$11.840 billion, ranking 158th among 632 participants of the Hong Kong Exchanges and Clearing Limited in terms of the trading volume. The number of customers of futures business was 220, the cumulative futures transactions were 3.343 million lots, the number of new futures customer accounts was 43 in an amount of HK\$79.00 million, and the ranking of both Hang Seng Index and gold futures business were among the top of Hong Kong Stock Exchange.

Outlook for 2021

In 2021, Central China International will focus on target markets, take investment banking business as the guide, give full play to the Company's resource advantages in cooperation with first-class institutions, strengthen the synergy between domestic and overseas, enhance the financing service capability in overseas markets, and drive investment and institutional business; improve the compliance and risk control system, accelerate the transformation of brokerage business to high-end wealth management, provide quality services and financial products, and bring sustainable and steady returns to customers and shareholders.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(VIII) Others

1. Regional equity market business

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

Market environment

In 2020, the new Securities Law was officially implemented, which for the first time clearly stipulated the legal status and functions of the regional equity market at the legal level, ushering in another new milestone in the construction of the legal system of the regional equity market. Meanwhile, a number of policies issued within Henan Province further clarify the duties of Equity Exchange Co. and specify the development directions for Equity Exchange Co. for the next three to four years, creating a favorable policy environment for the development of regional equity markets in Henan Province. By the end of 2020, there were 0.0347 million listed companies (including 0.0136 million joint-stock companies), 0.1293 million display companies, 0.0524 million custodian companies and 0.1135 million qualified investors in the regional equity markets of China, with a financing of various types totaled RMB1,419.637 billion.

Business measures and performance

In 2020, the overall development of the Equity Exchange Co. continued to maintain good momentum. It has given full play to the role as a "Service Base of Capital Market for Henan" initiated by the SSE, organized special training sessions for listed reserve companies for listing to connect with the capital market, and assisted high-quality companies to seek for transfer of listing. It also established business cooperation with the Henan Big Data Administration by using the data resources of the Henan Financial Service Sharing Platform to establish more convenient online and offline financing docking channels between listed companies and financial institutions, and currently, more than 700 enterprises listed or displayed in the Equity Exchange Co. have obtained bank credits through the platform, with a total credit of RMB3.629 billion.

During the Reporting Period, there were over 1,700 new listed/display companies in the Equity Exchange Co., with the total number of the listed/display companies exceeding 8,500, the new financing amount was RMB5.5 billion, and the total financing amount was RMB11.733 billion; there were 65 new custodian companies, with the total number of custodian companies of 445; the new custodian shares were 19.2 billion, and the total custodian shares were 61.7 billion.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Outlook for 2021

In 2021, the Equity Exchange Co. will follow the concept of high-quality development. First, it will shift the development focus from scale to quality and give priority to key areas and top companies by better allocating resources. Second, it will make the trading board and listing reserve board stronger by utilizing its function as an “incubator base of listing” for qualified small and medium-sized enterprises in Henan Province; third, 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 stock equity private placement, convertible bonds financing, 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.

Market environment

As an important part of China’s inclusive financial system, micro-lending companies have played an important role in achieving financial innovation and regulating private investment under the long-term policy guidance of insisting on small and decentralized amount and serving the “three rural issues” and small and micro enterprises. In 2020, the micro-lending industry in Henan Province continued to be divided into two levels: on the one hand, most micro-lending companies were subject to many unfavorable factors, as a result, the overall NPL rate of the industry rose, and the operating pressure increased; on the other hand, some financial institutions, large corporate groups and listed companies gradually developed and grew by actively setting up small loan companies to build their own operating characteristics and market competitiveness, becoming the core strength of the micro-lending industry in Henan Province.

Business measures and performance

In 2020, Central China Micro-lending actively responded to the latest policies of the State and Henan Province to support the development of the real economy in response to the impact of the epidemic, and took various measures to enhance support for the real economy, including increasing credit relief, reducing credit financing costs and appropriately adjusting repayment plans, on the premise of risk control. At the same time, it optimized customer structure around the shareholders’ industrial chain, carried out businesses precisely and formed a stable business model. During the Reporting Period, Central China Micro-lending was awarded the 2019 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2019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 by Henan Finance Guarantee Industry Association.

During the Reporting Period, the loans provided by Central China Micro-lending totaled RMB680 million. As of the end of the Reporting Period, the balance of loans amounted to RMB1.014 billion.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Outlook for 2021

In 2021, Central China Micro-lending will strive to form a market positioning with group linkage and micro-finance as the core, deeply focus on the Company's industrial chain and customer base, synergize with investment banking and wealth management lines, focus on serving Central China Securities' high-quality institutional customers, and vigorously improve services for small and medium-sized enterprises. At the same time, according to the market environment, it will moderately develop consumer financial services, and form a stable and sustainable business model and unique competitive advantages.

III. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis on principal businesses

Analysis of changes in relevant items in the income statement and statement of cash flows

Unit: Yuan Currency: RMB

Item	Amount for the Period	Amount for corresponding period of last year	Change (%)
Operating income	3,103,301,696.87	2,372,526,991.25	30.80
Operating costs	2,954,485,813.12	2,258,791,739.77	30.80
Net cash flow from operating activities	1,370,803,122.31	3,488,339,970.68	-60.70
Net cash flow from investment activities	-1,335,439,661.91	-86,455,261.88	N/A
Net cash flow from financing activities	1,474,831,325.48	-1,196,113,475.84	N/A

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

1. Analysis of revenue and cost

Items with a change of more than 30% in the consolidated income statement:

Unit: Yuan Currency: RMB

Item	Amount for the Period	Amount of the same period last year	Change ratio (%)	Description
Net interest income	101,097,703.29	28,497,623.04	254.76	Mainly due to decrease in interest expenses such as sales of repurchase finance assets and bank borrowings
Investment gains (losses are listed with "-")	606,652,804.47	929,911,611.48	-34.76	Mainly due to decrease in investment revenue on financial instrument
Gains from changes in fair value (losses are listed with "-")	-48,524,176.45	-165,217,911.98	N/A	Mainly due to change in fair value of trading financial asset
Exchange gains (losses are listed with "-")	-3,348,221.20	-2,411,060.48	N/A	Mainly due to change of exchange rate
Other operating income	1,264,503,482.85	588,755,236.72	114.78	Mainly due to increase in commodity sales income
Asset disposal proceeds (losses are listed with "-")	-20,777.16	22,972,242.66	-100.09	Mainly due to decrease in revenue in fixed asset disposal
Tax and surcharges	19,375,311.17	14,420,697.18	34.36	Mainly due to increase in urban maintenance and construction taxes and education taxes
Other asset impairment losses	31,841,326.55	9,760,642.03	226.22	Mainly due to increase in provision on inventory impairments
Other operating costs	1,224,223,343.33	581,172,268.50	110.65	Mainly due to increase in commodity sales costs
Non-operating income	5,860,453.04	9,408,024.38	-37.71	Mainly due to decrease in revenue of government subsidies not related to day-to-day business of the Company
Non-operating expenditure	10,645,944.64	7,025,663.04	51.53	Mainly due to increase in the expense not related to day-to-day business of the Company
Other comprehensive income, net after tax	-23,994,465.35	12,417,598.13	-293.23	Mainly due to the influence of the difference by foreign currency

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Principal businesses by sectors, products and regions

Unit: RMB0'000 Currency: RMB

Principal businesses by sectors

By sectors	Operating income	Operating cost	Gross Margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Securities brokerage	89,289.99	58,294.52	34.71	44.15	11.84	Increase of 18.86 percentage points
Proprietary business	12,422.11	17,622.23	-41.86	-70.52	39.25	Decrease of 111.83 percentage points
Investment banking business	17,886.43	19,412.92	-8.53	-14.54	-3.46	Decrease of 12.45 percentage points
Credit business	29,929.94	20,665.81	30.95	57.52	2.49	Increase of 37.07 percentage points
Investment management business	8,523.50	3,390.69	60.22	-46.28	1.86	Decrease of 18.80 percentage points
Futures business	135,407.92	133,049.34	1.74	97.48	99.93	Decrease of 1.21 percentage points
Overseas business	-2,979.04	6,703.23	N/A	N/A	-56.31	N/A
Headquarters and others	20,306.76	38,246.48	-88.34	-27.03	6.27	Decrease of 59.01 percentage points

Unit: RMB0'000 Currency: RMB

Principal business by regions

By regions	Operating income	Operating cost	Gross Margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross margin (%)
Branches in Henan province	81,178.38	48,805.62	39.88	44.50	13.57	Increase of 16.37 percentage points
Branches outside Henan province	20,533.71	27,111.13	-32.03	-57.14	24.34	Decrease of 86.51 percentage points
Domestic subsidiaries	156,136.67	147,609.91	5.46	68.30	81.74	Decrease of 6.99 percentage points
Overseas subsidiaries	-2,979.04	6,703.23	N/A	N/A	-56.31	N/A
Businesses in the headquarters	55,917.89	67,155.33	-20.10	-5.90	3.44	Decrease of 10.85 percentage points

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

2. Costs

Please refer to VI. NOTE 50 in the “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 10 “FINANCIAL REPORT” of this report.

3. Cash flow

In 2020, the net increase in cash and cash equivalents of the Group was RMB1.507 billion.

(1) Net cash flow from operating activities

The net cash flow from operating activities amounted to RMB1.371 billion, representing a year-on-year decrease of RMB2.118 billion, which was mainly due to increase in cash outflow of trading financial instruments investment.

During the Reporting Period, the cash flow incurred from operating activities amounted to RMB11.379 billion, accounting for 51.98% of the total cash inflow, of which cash in charge of interest, service charge and commission amounted to RMB2.702 billion or 23.75%; net increase of interbank borrowings amounted to RMB1.33 billion or 11.69%; net increase of repurchase business capital amounted to RMB3.48 billion or 30.58%; net decrease of resale business amounted for RMB700 million or 6.15%; net cash received from acting trading securities amounted for RMB1.66 billion or 14.59%; and cash received from other business related activities amounted to RMB1.507 billion or 13.24%. Cash outflow generated from operating activities amounted to RMB10.008 billion, accounting for 49.11% of the total cash outflow, of which net increase of trading financial instruments amounted to RMB4.505 billion or 45.01%; net increase of financing accounting for RMB1.622 billion or 16.21%; cash in charge of interest, service charge and commission amounted to RMB688 million or 6.88%; cash paid to and for employees amounted to RMB850 million or 8.50%; various taxes and fees paid amounted to RMB244 million or 2.44%; and cash payment related to other business activities amounted to RMB2.099 billion or 20.96%.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(2) Net cash flow from investment activities

Net cash flow from investment activities amounted to RMB-1.335 billion, representing a decrease of RMB1.249 billion as compared with the same period last year, which was mainly due to the increase in cash paid for investment.

During the Reporting Period, the cash flow generated from investment activities amounted to RMB61 million, accounting for 0.28% of the total cash inflow, of which cash received from investment income amounted to RMB61 million or 99.64%; net cash recovered from the disposal of fixed assets, intangible assets and other long-term assets amounted to RMB0.2 million or 0.36%. Cash outflow derived from investment activities amounted to RMB1.396 billion, accounting for 6.85% of the total cash outflow, of which cash payment of investment amounted to RMB1.279 billion or 91.59%; and cash payment for the purchase and construction of fixed assets, intangible assets and other long-term assets amounted to RMB117 million or 8.41%.

(3) Net cash flow from financing activities

Net cash flow from financing activities amounted to RMB1.475 billion, representing a year-on-year increase of RMB2.671 billion, which was mainly due to the increase in cash received by absorbing investments..

During the Reporting Period, the cash flow from financing activities amounted to RMB10.452 billion, amounted to 47.74% of the total cash inflow, of which cash received from bond issuance amounted to RMB6.118 billion or 58.53%; cash received from investment absorption amounted to RMB3.645 billion or 34.87%; cash received from the loan amounted to RMB689 million or 6.60%. Cash outflow amounted to RMB8.977 billion or 44.04% of the total cash outflow, of which cash paid for debt repayment amounted to RMB8.367 billion or 93.20%; cash paid for dividend distribution, profit or interest payment amounted to RMB477 million or 5.31%; and cash payment related to other fund-raising activities amounted to RMB133 million or 1.49%.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(II) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	Amount at the end of the Period	Percentage of the amount at the end of the Period in total asset (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total asset (%)	Year-on-year change (%)	Explanation
Cash and bank accounts	10,951,131,021.90	20.91	9,331,748,561.52	21.42	17.35	Mainly due to increase in customer capital deposit affected by the market situation
Margin financing	7,400,757,113.38	14.13	6,060,740,196.56	13.91	22.11	Mainly due to increase in margin account receivable
Derivative financial assets	0.00	0.00	11,384,115.93	0.03	-100.00	Mainly due to decrease in scales of forward contract
Refundable deposits	744,878,747.69	1.42	395,169,735.95	0.91	88.50	Mainly due to increase in trading and performance guarantee
Financial assets held under resale agreements	2,055,964,889.83	3.93	3,023,888,527.71	6.94	-32.01	Mainly due to decrease in business scale of bonds outright repurchase
Trading financial assets	22,592,572,498.77	43.13	17,227,018,646.76	39.54	31.15	Mainly due to increase in bond investment scale
Debt investments	456,168,931.89	0.87	676,389,859.29	1.55	-32.56	Mainly due to decrease in trust plan scale
Other debt investments	2,088,805,149.07	3.99	664,695,346.48	1.53	214.25	Mainly due to increase in scales of bond investment
Construction in progress	52,427,024.00	0.10	35,578,119.28	0.08	47.36	Mainly due to increase in expense on office construction
Deferred income tax assets	464,734,648.09	0.89	345,625,693.11	0.79	34.46	Mainly due to the influence in asset provision of impairments
Short-term borrowing	315,977,554.88	0.60	1,568,747,897.84	3.60	-79.86	Mainly due to decrease in credit borrowings for subsidiary within one year
Payable short-term financing	4,154,657,809.90	7.93	4,455,447,124.75	10.23	-6.75	Mainly due to decrease in subordinated bonds
Due to banks and other financial institutions	3,694,418,222.23	7.05	2,361,159,583.32	5.42	56.47	Mainly due to increase in capital from refinancing
Derivative financial liabilities	57,980.91	0.00	83,740.00	0.00	-30.76	Mainly due to decrease in scale of options
Financial assets sold under repurchase agreements	12,200,308,194.73	23.29	8,721,088,626.07	20.02	39.89	Mainly due to increase in business scale of pledge-style repo
Acting trading securities	10,555,230,551.25	20.15	8,895,066,941.34	20.42	18.66	Mainly due to increase in customer capital deposit affected by the market situation
Taxes payable	131,604,084.55	0.25	56,986,010.70	0.13	130.94	Mainly due to increase in business income tax payable
Payables	65,874,572.60	0.13	183,081,131.54	0.42	-64.02	Mainly due to decrease in settlement payable
Long-term borrowing	1,001,741.67	0.00	13,202,955.17	0.03	-92.41	Mainly due to decrease in credit borrowings for subsidiary over one year
Bonds payable	4,610,250,342.02	8.80	4,623,940,375.96	10.61	-0.30	Mainly due to remained period of part of bonds less than one year and divided to the calculation of payable short-term financing placement
Deferred income tax liabilities	14,241,536.99	0.03	8,258,284.47	0.02	72.45	Mainly due to the influence in change of value of financial asset

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Other explanations

(1) Assets

By the end of 2020, the total assets of the Group amounted to RMB52.377 billion, representing an increase of RMB8.807 billion or 20.21% compared with RMB43.570 billion at the beginning of the year. Among them: monetary funds, clearing settlement funds and refundable deposits accounted for 26.87% of total assets, financial assets accounted for 47.99% of total assets, margin accounts accounted for 14.13% of total assets, investment property assets, fixed assets, projects under construction and right-of-use assets accounted for 0.78% of total assets, long-term equity investment accounted for 2.04% of total assets, financial assets held under resale agreements accounted for 3.93% of total assets, and deferred income tax assets, intangible assets and other assets accounted for 4.26% of total assets. The Company's asset quality and liquidity are good, and the asset structure is excellent.

(2) Liabilities

At the end of 2020, the total liabilities of the Group amounted to RMB38.19 billion, representing an increase of RMB5.118 billion or 15.48% compared with RMB33.072 billion at the beginning of the year. Among them: acting trading securities (including acting trading securities of credit trading) accounted for 27.64% of total liabilities; bonds payable, accounts payable for short-term financing accounted for 22.95% of total liabilities, financial assets sold under repurchase agreements accounted for 31.95% of total liabilities, bank loan accounted for 0.83% of total liabilities, interbank borrowings accounted for 9.67% of total liabilities, trading financial liabilities, derivative financial liabilities accounted for 3.55% of total liabilities, and salary, tax payable, other debt accounted for 3.41% of total liabilities.

As of 31 December 2020, the Group's asset-liability ratio after deducting acting trading securities (including acting trading securities of credit trading) and acting underwriting securities was 66.08%, representing a year-on-year decrease of 3.65 percentage points.

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

Please refer to VI. NOTE 59 in the "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 10 "FINANCIAL REPORT" of this report.

3. Commitments and contingent liabilities

Please refer to XII. "Contingencies" and XIII. "Commitments" under Section 10 "FINANCIAL REPORT" of this report.

(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 public issuance of corporate bonds, subordinated bonds and private bonds. In addition, the Company obtains short-term funds by way of bond repurchases, interbank borrowing and lending, transfer financing and the issuance of beneficiary certificates.

The Company continued to strengthen the management of financing channels and maintained a good financing capability. As of 31 December 2020, the Company has obtained a comprehensive credit of RMB31.08 billion from a number of banks, which can effectively guarantee the Company's business development funding needs.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(IV) Industry operation information

Please refer to Section 3 “SUMMARY OF THE COMPANY’S BUSINESS” and II. “DISCUSSION AND ANALYSIS ON BUSINESS OPERATION” under this Section of this report.

(V) Analysis of investments

Overall analysis on external equity investments

At the end of the Reporting Period, the Group has long-term equity investment of RMB1.067 billion, representing a decrease of RMB37 million or 3.39% compared with the end of the previous year.

(1) *Material equity investments*

Please refer to VI. NOTE 11 in the “NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS” under Section 10 “FINANCIAL REPORT” 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*

Please refer to XII. “ITEMS MEASURED AT FAIR VALUE” under Section 2 of this report.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(VI) 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 of Central China Micro-lending Held by CCBO was considered and approved at the 21st meeting of the Sixth Session of the Board on 13 August 2020, pursuant to which the Board agreed that CCBO would transfer its 15% equity interests in Central China Micro-lending by public quotation, and authorized the Company's management to handle various tasks in the process of the equity transfer. On 22 January 2021, CCBO and Luohe Financial Holding Co., Ltd. (漯河市金融控股有限公司) entered into the State-owned Property Rights Transaction Contract (《國有產權交易合同》).

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

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

Central China Futures Co., Ltd.

Registered address: 4F, Zhongyuan Guangfa Finance Building, No. 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

Date of incorporation: 18 April 1993

Registered capital: RMB330 million

Shareholding proportion: 51.357%

Legal representative: Xie Xuezhu

Contact No.: 0371-68599199

Financial position: As of 31 December 2020, the total assets and net assets of Central China Futures amounted to RMB1,910 million and RMB429 million respectively. In 2020, Central China Futures recorded operating income of RMB1,354 million and net profit of RMB18.1216 million.

Reasons for the large fluctuations: The increase in operating capital, variety of investment futures and inventory turnover of Yuxin Investment, Central China Futures' risk management subsidiary, resulted in a substantial increase in the purchase of commodities and sales income. In 2020, the total amount of purchase of goods was RMB1.409 billion, representing a year-on-year increase of 91%. The accumulated sales income of goods was RMB1.245 billion, representing a year-on-year increase of 114%.

Zhongding Kaiyuan Venture Capital Management Co., Ltd.

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

Date of incorporation: 8 February 2012

Registered capital: RMB680 million

Shareholding proportion: 100%

Legal representative: Zhou Jie

Contact No.: 0371-69177108

Financial position: As of 31 December 2020, the total assets and net assets of ZDKY Venture Capital amounted to RMB1.127 billion and RMB757 million respectively. In 2020, ZDKY Venture Capital recorded operating income of RMB53.5147 million and net profit of RMB20.9997 million.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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\$1.0 billion

Shareholding proportion: 100%

Contact No.: 00852-25001375

Financial position: As of 31 December 2020, the total assets and net assets of Central China International amounted to HK\$1.850 billion and HK\$308 million respectively. In 2020, Central China International recorded income and other profits of HK\$58 million and net profit of HK\$-111 million.

Reasons for losses: Due to the impact of the epidemic, the licensed company business that mainly serving mainland customers has been affected, and business income has declined. In addition, the fair value reduction and provision for impairment of historical risk items have a staged impact on the operating results.

Central China Blue Ocean Investment Management Company Limited

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

Date of incorporation: 25 March 2015

Registered capital: RMB3,000 million

Shareholding proportion: 100%

Legal representative: Xu Haijun

Contact No.: 0371-86503971

Financial position: As of 31 December 2020, the total assets and net assets of Central China Blue Ocean amounted to RMB3.045 billion and RMB2.389 billion respectively. In 2020, Central China Blue Ocean recorded operating income of RMB108 million and net profit of RMB19.9426 million.

Reasons for the large fluctuations: Affected by the epidemic, the interest income and investment income of Central China Blue Ocean for the projects they invested in have fallen.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Central China Equity Exchange Co., Ltd.

Registered address: No.23 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

Date of incorporation: 29 June 2015

Registered capital: RMB350 million

Shareholding proportion: 35%

Legal representative: Zhao Jizeng

Contact No.: 0371-61775086

Financial position: As of 31 December 2020, the total assets and net assets of Equity Exchange Co. amounted to RMB384 million and RMB354 million respectively. In 2020, Equity Exchange Co. recorded operating income of RMB86.89 million and net profit of RMB27.0693 million.

There were sharp fluctuations: The companies invested by the fund held by Equity Exchange Co. were listed on the STAR Market, which increased the fair value of investment assets.

(VIII) Structured entities controlled by the Company

As of December 31, 2020, the Group has merged 8 structured entities, including asset management plans and partnerships. For the manager or investment adviser of the structured entities and the structured entities holding product shares, the Company included those structured entities under the control of the Company into the scope of the consolidated statements after comprehensively considering the factors including investment decision right of the Company, the exposure of the variable returns and the use of the investment decision right to influence factors such as the variable returns.

(IX) Others

1. New establishment and disposal of securities branches, branch offices and subsidiaries of the Company and impact on results during the Reporting Period

During the Reporting Period, the Company completed the relocation of 3 securities branch offices and 3 securities branches within the same city at home, and the capital increase, disposal and change of 1 subsidiary. All of these changes will facilitate the optimization of the Group's network as well as the enhancement of the Company's customer service capability and the comprehensive strength of its subsidiaries.

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

The Company is constantly adjusting and optimizing its securities branch network. During the Reporting Period, the Company established 1 new securities branch, relocated 3 branch offices and 3 securities branches within the same city. For details, please refer to the paragraph headed I. (I) "Administrative licensing of branch offices and securities branches during the Reporting Period" under Section 12 of this report.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(2) *Establishment of and changes in subsidiaries*

Central China International:

The Proposal on Capital Increase in Hong Kong Subsidiary, Central China International Financial Holdings Co., Ltd., was considered and approved at the 19th meeting of the Sixth Session of the Board on 29 April 2020, pursuant to which the Board agreed to make additional capital contribution to Central China International by HK\$500 million to HK\$1 billion. In January 2021, the Company received the Reply Letter on Relevant Opinion on Capital Increase in Central China International Financial Holdings Co., Ltd. by Central China Securities Co., Ltd (Institutional Department Letter [2021] No. 275) issued by the CSRC. According to the above reply, the CSRC has no objection to the Company's capital increase of HK\$800 million to Central China International.

As of the end of the Reporting Period, the capital increase has not yet been implemented.

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

Central China Blue Ocean:

On 16 November 2020, the Company issued the Shareholders' Resolution of Central China Blue Ocean Investment Management Company Limited, which approved the change of the registered capital of Central China Blue Ocean to RMB3 billion. As of the end of the Reporting Period, Central China Blue Ocean has completed the process of industrial and commercial registration of the change.

ZDKY Venture Capital:

On 19 December 2019, the registered capital of ZDKY Venture Capital changed from RMB800 million to RMB680 million, and ZDKY Venture Capital obtained the new business license on 28 April 2020.

2. **Specific explanation on standardization of accounts**

Taking standardized management of customer accounts as an important foundation, the Company focused on the normalization, standardization and systematism of customer account management and kept perfecting the long-term effective mechanism of standardized management of customer accounts. In 2020, according to the requirements of relevant regulations of China Securities Depository and Clearing Corporation Limited and the Company, the Company effectively implemented various measures for standardized management of customer accounts, conscientiously carried out work such as mobile phone number verification, institutional account information verification, OnePassword account specification, and continued to carry out foundation work such as standardization of stock customer account information, completion of customer information, dormant account activation and formulating specifications for non-conforming accounts so as to ensure that the customer account information is true, accurate, complete and valid.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company activated 1,965 dormant cash accounts and 3,601 dormant securities accounts (as of the end of the Period, there were 392,337 dormant cash accounts and 660,224 dormant securities accounts); the Company standardized 18 unqualified cash accounts and 19 unqualified securities accounts (as of the end of the Period, there were 1,131 unqualified cash accounts and 1,193 unqualified securities accounts); as of the end of the Period, the Company had 7 cash accounts and 14 securities accounts frozen by the court; the Company had no risky disposal account. See the following table for details:

Type of account: RMB account

Type of account		2020	2019	YoY Change
Dormant accounts	Cash account	392,337	394,302	-1,965
	Securities account	660,224	663,825	-3,601
Unqualified accounts	Cash account	1,131	1,149	-18
	Securities account	1,193	1,212	-19
Judicially frozen accounts	Cash account	7	7	0
	Securities account	14	14	0
Risk disposal accounts	Cash account	0	0	0
	Securities account	0	0	0

3. Business innovation

In 2020, as the application of mobile Internet, big data, cloud computing, artificial intelligence and other technological means in the securities industry continued to deepen, financial technology was reshaping the industry ecology. The Company established an online standardized service system and released a new generation of intelligent mobile wealth management terminal — “Caishengbao 4.0” to open a new era of intelligent investment; increased cooperation with high-quality Internet channels to enhance online customer acquisition capability; carried out “6.18”, “8.18” and “Double 11” and other thematic activities to interact with customers online and enhance the stickiness of customers of online services. By the end of the Reporting Period, the number of customers of Caishengbao APP increased by 44.22% compared with the previous year, and the number of new customers cooperating through Internet channel reached 180.95% of the previous year, and Caishengbao ranked 25th overall among domestic brokerage companies in terms of Internet operation indicators such as DAU and MAU, and its official WeChat account ranked 13th in terms of average monthly influence, which showed that the Company’s online service brand influence was further enhanced. At the same time, the Company relied on “big data, artificial intelligence” and other financial technologies, and orderly promoted the launch of smart market and reports and other tools and services to improve customer service capabilities and help the Company’s digital transformation of wealth management. [Source: qianfan.analysis.cn and gsdata.cn]

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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

(I) Industry landscape and development trend

The Fifth Plenary Session of the 19th CPC Central Committee proposed to “fully implement the stock registration system, establish a normalized delisting mechanism and increase the proportion of direct financing”, which has pointed out the direction for the high-quality development of the capital market. Yi Huiman, Chairman of the CSRC, wrote an article entitled “Raising the Proportion of Direct Financing”, which specifically deploys six key tasks of capital market reform, such as fully implementing the registration system for stock issuance, improving the multi-level capital market system with Chinese characteristics, promoting the quality of listed companies, thoroughly promoting the innovative development of bond market, accelerating the development of private equity funds, and vigorously promoting the entry of long-term capital into the market. In the future, the pivotal function of the capital market will be greatly strengthened, the core function of serving the high-quality development of the real economy will be enhanced, the efficiency of market resource allocation will be greatly improved, the proportion of direct financing will be continuously enhanced, the deep vitality of the market will be further stimulated, and the securities industry will usher in a new upward cycle.

At the same time, the industry change is also full of challenges. With the cancellation of the foreign shareholding limits in securities companies and the gradual liberalization of securities business licenses, foreign securities companies and financial enterprises represented by commercial banks entered the securities market, thus changing the existing competition pattern of the securities industry and the existing business model of securities companies, and the competition in the industry tended to be complicated and white-hot, further reducing the survival space of small and medium-sized securities firms.

Looking ahead to 2021, with the approach of the full registration system, the vitality of the capital market will be further released, and the securities industry will usher in historic development opportunities. The average daily turnover of brokerage business is expected to remain at a high level; investment banking business will maintain growth and the growth rate is expected to increase; credit business will run relatively smoothly, and the industry's net interest income is expected to maintain positive year-on-year growth.

(II) Development strategy of the Company

Focusing on major national strategies, the Company will strengthen investment banking, optimize investment so as to accelerate the transition to wealth management, build a core characteristic business system, raise the level of compliance risk control, improve the management quality of cadres and employees, increase capital strengths and profitability, bringing the Company to top the list of securities companies across China and moving the rank of some important business areas significantly forward, to achieve a “Second Take-off” (二次騰飛).



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(III) Operating plan

In 2021, the Company will focus on the strategic concept of “Second Take-off” (二次騰飛), center on increasing the proportion of direct financing and serving the real economy, take digital transformation as a starting point and institutional innovation as the driving force, comprehensively strengthen strategic cooperation with top institutions, continue to deepen various reforms, promote various business upgrades, and make efforts to prevent and resolve risks. We will strive to achieve high-quality development and make new contributions to the high-quality development of the real economy and the capital market.

(IV) Potential risks

In 2020, the Company’s overall risk management was positioned as a prudent risk preference strategy. It always upholds the risk management concept of matching capital, risk and return in order to take moderate risks, achieve an optimal balance of business scale, profitability and risk tolerance, and bring sustainable and stable profit returns to shareholders. The Company continued to optimize and improve the construction of a comprehensive risk management system, continuously improving the risk management system, improving the organizational structure of risk management, optimizing the risk control index system, strengthening the construction of risk management information technology system, and enhancing the risk response mechanism, etc., as follows:

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, strengthening the hierarchical authorization of the Senior Management, refining and constricting the authorization of the scale and limits of each business and subsidiary, and making prudent decisions; secondly, closely participating in the key risk management processes of each department and subsidiary to improve the control system.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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: first, the Company revised the systems related to net capital risk control indicators in accordance with changes in regulatory requirements; second, the Company added new systems related to credit risk management, including “Public Opinion Monitoring Rules for Credit Risk”, “Internal Credit Rating Management Measures” and “Management Measures for Credit System”; third, the Company revised and added new systems related to operational risk, including “Operational Risk Management Measures”, “Operational Risk Control Self-Assessment (RCSA) Management Rules” and “Key Risk Indicators (KRI) Management Rules for Operational Risk”; fourth, the Company revised and improved business risk control systems for the New Third Board market-making business and asset management business; fifth, for the front-end control of credit risk, the Company revised various methods in the financing business, such as the customer credit authorization methods, the management methods of the target securities, the due diligence methods, the continuity management methods and the method for disposal of breach of contract.

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 credit risk management system based on continuous upgrading of existing systems to accumulate true, accurate and complete internal and external data for risk identification, measurement, evaluation, monitoring and reporting to meet the Company’s overall risk management needs.

During the Reporting Period, the Company’s risk management system was continuously upgraded and improved: first, the upgrade of the existing systems for the New Third Board market-making business, capital business, net capital and stress testing, and proprietary derivatives was completed; second, credit risk systems such as a unified public opinion monitoring system, internal rating system and financial fraud analysis tools were added to enhance the efficiency and capability of credit risk management; third, the operational risk management system was upgraded to realize self-assessment support, setting and monitoring of key risk indicators, collection and reporting of loss data for operational risk and control and the visualization of operational risk views and risk reports; fourth, the construction of data marts and other modules was promoted to extract brokerage and credit business data from some subsidiaries, and the construction of subsidiary management systems was advanced, and the extraction of the data of all the subsidiaries and the monitoring of their systems were gradually realized; fifth, the Company integrated risk management data governance into its overall IT construction strategic planning, promoted the development of data standards and database construction to provide comprehensive, accurate and timely data sources for risk management, thereby promoting the formation of a visualized risk view at the consolidated level of the Company.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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.

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, and securities repurchases. (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.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company established an internal rating system for access management of the bond business and supplementary management of other credit risk businesses; improved the due diligence and duration management system for securities-backed lending, established a four-category management strategy for project risk, and determined the principles of new and compressed scale during the duration; improved the management and control of risk indicators such as the scale, limits, and percentage of single client single securities pledge to total equity for margin financing and securities lending, securities-backed lending, as well as margin business and bond investment business of overseas subsidiaries; and unified the credit risk public opinion monitoring standards of each business and each subsidiary. The weak links in the risk management of credit risk businesses were gradually improved, and the vertical management of subsidiaries was gradually promoted and strengthened, and no significant credit risk emerged in all businesses.

At the end of the Reporting Period, the average maintenance guarantee ratio of our customers in the margin financing and securities lending business was 276%, and the average performance guarantee ratio of our customers in the securities repurchase transaction business was 254%, the average performance guarantee ratio of the customers of the on-balance sheet securities-backed lending business was 150%, and no significant credit risk items were added to the Company's businesses 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 fluctuation risk refers to the risk of fluctuations in the Company's financial position and cash flow due to interest rate changes in the market. Exchange rate risk refers to the 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.

The Company's management of market risk revolves around five aspects. First, implement a strict investment authorization system. The management of the Company is responsible for breaking down and allocating business size and risk limits for equity securities proprietary trading, fixed income securities proprietary trading and asset management during the year within the authorization granted by the Board. Second, establish a management mechanism for the securities pool and black and white list database, clarified the access standards, strictly managed the transactions in the pool and the over-pool and over-scale approval procedures. Third, 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. Fourth, establish a mark-to-market system with front and back office collaboration and dynamic monitoring in real time to ensure the implementation of risk management policies, strategies and risk control indicators and identify, warn, and report related risks so as to adopt risk control measures such as exposure reduction or hedging. Fifth, establish market risk measurement analysis 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.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company continued to improve the control of market risk. First, 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. Second, it actively researched hedging investment strategies and tried to use 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: improved the risk control programs for various products of asset management business according to product series, increased the market risk indicators such as the percentage of high-risk investment targets, single-variety stop loss and single-product stop loss; improved the risk control indicators such as the scale, limit, single-variety concentration and stop loss limit of investment business of Central China International and 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 view of the liquidity risk, the Company controls investment size of its proprietary business in a rational manner by diversifying share investments, paying attention to liquidity risk management, keeping a low percentage ratio of positions held against all marketable securities within the same type of investments. Based on conditions such as business development, financing ability and control index of liquidity risks, the Company has rationally determined the scale and term of its debt financing, strengthened its real time monitoring and management of significant amount of funds so as to achieve centralised allocation and coordination of capital and avoid liquidity risks resulting from centralised maturity of debts. The Company also made use of various financing methods and channels in a comprehensive manner to timely satisfy the Company's liquidity needs. Moreover, the Company used net capital and liquidity-based monitoring system for monitoring risk control indicators, and used stress tests to assess the impact of business activities on net capital and liquidity.

As of the end of the Reporting Period, the Company's liquidity coverage ratio and the net stable funding ratio was 169.52% and 169.30%, respectively.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(4) Operational risk and policies

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

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

During the Reporting Period, the Company optimized and upgraded the operational risk management system, forming specific management plans for operational risk process combing and evaluation, key risk control indicators and operational risk loss event collection, focusing on process combing and setting key risk control indicators for the Company's and subsidiaries' credit risk business and market risk business. Through operational risk management, the Company could effectively identify and control 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, policies and investment

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 violations of laws, regulations or rules by the operation and management or licensed practices of the Company or its personnel.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

The Company's Compliance Management Department keeps track of laws, regulations and guidelines in a timely manner, and continuously develops and improves the Company's compliance management system based on the actual situation of the Company; supervises each Company unit to formulate/revise internal management systems and improve business processes in accordance with changes in laws, regulations and regulatory rules; strengthens the training of compliance administrators of relevant units, and creates a team of compliance administrators with strong compliance awareness and professional capabilities; provides compliance advice and consultation for the Company's management and various units, and supervises the compliance of their management activities; conducts pre-compliance reviews of the Company's internal management systems, major decisions, new products, new business plans, etc.; strictly implements compliance assessment and accountability mechanisms to provide strong guarantees for compliance management; performs regular and temporary report obligations to regulatory authorities; organizes money laundering risk prevention and control work in accordance with the Company's anti-money laundering system; timely identifies, evaluates and manages the relevant compliance risks in the Company's operation and management through compliance consultation, compliance review, compliance inspection, compliance monitoring and other channels, and integrates compliance management into decision-making, execution, supervision, feedback and other links, and into the whole process of company operation and management; the Company actively carries out the construction of a compliance culture, improves the self-discipline mechanism, and ensures compliance operations and standardized development. In 2020, according to the parent company's approach, the Company's total investment in compliance risk control was RMB73.3886 million.

(6) Information technology risk, policies and investment

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, the Company has continuously invested in and improved its level of IT operation and management, information security control methods, emergency management capability of information systems and all-round risk management, etc., so as to ensure the safe operation of information systems.

- ① The Company actively prepared emergency plans for the COVID-19 epidemic to ensure the stable operation of the core system.
- ② The Company has carried out system optimization, simplified emergency operations, and reduced the impact of single-point failures on market releases.
- ③ With regard to security and emergency response, the Company has improved the security, effectiveness and stability of the IT system through regular penetration tests and vulnerability scanning, real-time security early-warning, host security strengthening, regular security self-examinations and regular emergency drills.
- ④ 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.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

In 2020, the Company actively carried out automation and standardization building, continuously optimized and improved the IT operation and maintenance system, increased investment in the application of new technologies, security reinforcement and infrastructure renewal, and adopted stable and efficient technical architecture, in order to lay a solid foundation for guaranteeing the IT operation & maintenance, and effectively support the business development of the Company. In 2020, according to the parent company's approach, the Company's total investment in information technology was RMB149.3865 million.

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

Based on a comprehensive valuation, the COVID-19 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, due to the reoccurrence of the pandemic, weak global economy and escalating geopolitics conflicts and other factors, which worsened the market fluctuations, the Company suffered considerable losses in terms of investment business at the early stage of the pandemic outbreak. In response to that, the Company promptly adjusted its strategies by downsizing business and withdrawing some losses, contributing to improvement of its results in the second half of the year. In terms of operational risks, the Company adopted a combination of onsite office work and home telecommuting for employees on the basis of pandemic prevention and control with the focus on the online transactions and services, securing scheduled and orderly operation of the Company and putting the operational risk under control on the whole. In terms of liquidity risks, as the pandemic mitigates, central banks and governments of major global economies launched a series of favorable policies to support the stability of liquidity in the financial market. As a result, the market environment tends to be stable and the pandemic is expected to have little impact on the Company's liquidity risk.

V. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PROPOSAL

Please refer to I. "PROPOSAL OF PROFIT DISTRIBUTION TO HOLDERS OF ORDINARY SHARES OR CAPITALISATION ISSUE" under Section 5 of this report.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

VI. DIRECTORS

Please refer to Section 7 "DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES" of this report.

VII. DIRECTORS' INTERESTS IN THE BUSINESS COMPETING WITH THE COMPANY

During the Reporting Period, none of the Directors of the Company has any interest in business that competes or may compete, either directly or indirectly, with the Company.

VIII. PERMITTED INDEMNITY PROVISION

Please see the paragraph headed I. (II) 1. "Composition of the Board" under Section 8 of this report.

IX. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 31 December 2020, 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 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
Chang Junsheng	H Share	Beneficial owner	1,000,000	0.022	0.084	Long position

Save as disclosed above, as of 31 December 2020, 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 4 REPORT OF THE BOARD OF DIRECTORS

X. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 31 December 2020, pursuant to the knowledge of the Directors of the Company after making reasonable inquiries, the following persons (other than Directors, Supervisors or chief executive of the Company) have the following interests or short positions in shares or underlying shares required to be disclosed to the Company in accordance with Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name	Class of shares	Nature of interest	Number of shares held (shares)	Percentage of the Company's total issued shares (%)	Percentage of the Company's total issued A shares/ H shares (%)	Long position/ short position/ lending pool
Henan Investment Group	A Share	Beneficial owner	822,983,847	17.726	23.872	Long position
	H Share	Beneficial owner/ Interest of corporation controlled by the substantial shareholder	130,187,000 ^{Note 1}	2.804	10.891	Long position
Bohai Industrial Investment Fund	A Share	Beneficial owner	431,738,551	9.299	12.523	Long position
Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of the Bohai Industrial Investment Fund)	A Share	Investment manager	431,738,551	9.299	12.523	Long position
Anyang Iron & Steel Group Co., Ltd.	A Share	Beneficial owner	177,514,015	3.823	5.149	Long position
Shanghai Wealspring Asset Management Co., Ltd.	H Share	Investment manager	72,434,000	1.56	6.060	Long position

Note:

- As known to the Directors, as at 31 December 2020, Henan Investment Group (through Stock Connect's Southbound trading) directly held a long position in 83,454,000 H shares of the Company, and through its indirect wholly-owned subsidiary, Dahe Paper (Hong Kong) Co., Limited, indirectly held a long position in 46,733,000 H shares of the Company.

Save as disclosed above, as of 31 December 2020, the Company was not aware of any other persons (excluding the Directors, Supervisors and chief executive of the Company) having the interests or short positions required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

XI. PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or repurchased any securities of the Company during the Reporting Period.

XII. NON-COMPETITION UNDERTAKING OF CONTROLLING SHAREHOLDERS

Please refer to the paragraph headed VI. "THE COMPANY'S CORRESPONDING SOLUTIONS, WORK PROGRESS AND FOLLOW-UP PLAN TO COMPETITION" under Section 8 of this report.

XIII. OTHER DISCLOSURES

(I) Share capital

Please refer to the NOTE 36 in the NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS under Section 10 "FINANCIAL REPORT" as set out in this report.

(II) Pre-emptive rights arrangement

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

(III) Sufficiency of public float

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

(IV) Management contract

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

(V) Director and Supervisor service contract

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

(VI) Material interests of Directors and Supervisors in transactions, arrangements or contracts

The Company or its subsidiaries have not entered into any significant transactions, arrangements or contracts entitling substantial interests to the Directors or Supervisors of the Company or their related entities directly or indirectly during the Reporting Period.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(VII) Rights of Directors and Supervisors to acquire shares or debentures

During the Reporting Period, no arrangements to which the Company, any of its subsidiaries, its holding company or any subsidiaries of its holding company is or was a party enabling the Directors or Supervisors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or other body corporate.

(VIII) Donations

During the Reporting Period, the Group's charitable and other donations amounted to approximately RMB5.50 million.

(IX) Employees

Please refer to VI. "EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES" under Section 7 of this report.

(X) Property, plants, equipment and investment properties

As at the end of the Reporting Period, for details of the Group's property, plants, equipment and investment properties, please refer to the VI. NOTES 12 and 13 in the "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 10 "FINANCIAL REPORT" as set out in this report.

(XI) Reserves

For changes of the Group's reserves and distributable reserves during the Reporting Period, please refer to the NOTES 37 to 40 in the "NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS" under Section 10 "FINANCIAL REPORT" as set out in this report.

(XII) Tax reduction and exemption

A shareholders

In accordance with the Notice of Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2015] No. 101) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) and Notice on Issues Relating to Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) issued by the Ministry of Finance, State Administration of Taxation and the CSRC, for shares of listed companies obtained by individuals from public offerings or the market, where the holding period is less than one month (inclusive) (from the date of an individual's acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares), the full amount of dividends shall be counted as taxable income at an effective tax rate of 20%; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis at an effective tax rate of 10%; and where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax. For dividends distributed by the listed company, where the period of individual shareholding is within one year (inclusive), the listed company shall not withhold the individual income tax temporarily. When an individual transfers his/her shares, the securities depository and clearing company calculates the actual taxable income according to his/her period for holding shares, and the company withholds tax otherwise through the securities depository and clearing company for the part in excess of the withheld tax. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the Cai Shui [2012] No. 85 requirements. For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable on their own.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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

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

H shareholders

In accordance with provisions of the Notice of the State Administration of Taxation on Personal Income Tax Collection Issues after the Document with the Number of Guo Shui Fa [1993] No. 045 has been Abolished (Guo Shui Han [2011] No. 348) 《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號), withholding and remitting obligor will withhold and remit personal income tax as per item of "interest, dividends and bonus income" for dividends and bonus income of overseas resident individual shareholders from domestic non-foreign-funded enterprise by issuing shares in Hong Kong. When domestic non-foreign-funded enterprise issues shares in Hong Kong, its overseas resident individual shareholders will enjoy relevant tax preference in accordance with tax convention signed by China and the country stated in the residential identity and tax arrangement of inland and Hong Kong (Macau). In general, tax rate for dividend is 10% in accordance with relevant tax convention and provisions on tax arrangement. To simplify tax collection and management, when a domestic non-foreign funded enterprise that has issued shares in Hong Kong distributes dividends and bonus, personal income tax will be generally withheld and remitted as per the tax rate of 10% and application is not necessary. Situations in which tax rate for dividends is not 10% will be handled in accordance with the following provisions: (1) according to the Administration Measures on Preferential Treatment Entitled by Non-residential Taxpayers under Tax Treaties (Announcement issued by State Administration of Taxation 2019 No. 35) 《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號), as for residents of conventional country whose tax rate is less than 10%, such H share individual holders shall submit application to the Company for regulated treatment and reserve related information if those holders are residents in countries with tax agreement at the rate of less than 10%. If the applied information is complete, tax will be paid by the Company according to taxation laws and regulations in China and the provisions in treaties; (2) as for residents of conventional country whose tax rate is between 10% and 20%, withholding and remitting obligor shall withhold and remit personal income tax as per actual conventional tax rate when distributing dividends and bonus and it need not handle application and approval issues; (3) as for residents without tax convention and other situations, withholding and remitting obligor shall withhold and remit personal income tax at the tax rate of 20% when distributing dividends and bonus.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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

According to the requirements of Notice on the Tax Policies Concerning the Pilot Program of the Shanghai, Hong Kong Stock Connect Published by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission (Cai Shui [2014] No. 81) (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen, Hong Kong Connect (Cai Shui[2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the Company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, H share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular the dividends received by resident enterprises in mainland which hold H share for at least 12 consecutive months could be exempted from enterprise income tax according to the law.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

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



By order of the Board
Jian Mingjun
Chairman

30 March 2021

SECTION 5 SIGNIFICANT EVENTS

I. PROPOSAL OF PROFIT DISTRIBUTION TO HOLDERS OF ORDINARY SHARES OR CAPITALISATION ISSUE

(I) Formulation, implementation or adjustment of cash dividend policy

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

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

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

As audited by ShineWing Certified Public Accountants (Special General Partnership), the Company's net profit attributable to owners of the parent company for 2020 is RMB104,302,038.78. After the withdrawal of the surplus reserve and various risk reserves, and plus the undistributed profits carried forward from the previous year, the accumulated distributable profit amounts to RMB102,780,913.15 as of 31 December 2020.

As considered and approved by the Board, the Company proposes to distribute profits for 2020 based on the total share capital registered on the record date for payment of the cash dividend. The Company proposes distribute a cash dividend of RMB0.17 (tax inclusive) for every 10 shares to all shareholders. Calculated based on the total share capital of the Company as of 31 December 2020, the total cash dividend amounts to RMB78,929,039.90 (tax inclusive), representing 75.67% of the net profit attributable to owners of the parent company in that year. No capital reserves will be converted into share capital and no bonus shares will be distributed by the Company.

The proposed profit distribution plan as mentioned above is subject to the consideration and approval of the annual general meeting of the Company for the year of 2020.

The formation of the aforesaid profit distribution plan is of highly 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 2020 profit distribution plan is considered and approved by the annual general meeting of the Company for the year of 2020, payment of the 2020 cash dividend will be made before 31 August 2021. 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 date for the payment of the dividends to A shareholders.

SECTION 5 SIGNIFICANT EVENTS

(II) Profit distribution plans or proposals for ordinary shares for the past three years (including the Reporting Period)

Unit: Yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax inclusive)	Capitalisation shares for every 10 shares (share)	Amount of cash dividends (tax inclusive)	Net profit attributable to owners of ordinary shares of the listed company as shown in the consolidated financial statements during the year of distribution	Percentage of net profit attributable to owners of ordinary shares of the listed company as shown in the consolidated financial statements (%)
2020	0	0.17	0	78,929,039.90	104,302,038.78	75.67
2019	0	0.20	0	77,381,414.00	58,222,745.44	132.91
2018	0	0.10	0	38,690,707.00	65,787,558.62	58.81

SECTION 5 SIGNIFICANT EVENTS

II. 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	36 months since the date of initial offering of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to 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 circulation of initial public offering of the restricted A-shares of Central China Securities held by Henan Investment Group, the shares held by Central China Securities shall not be 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 non-competition agreement with Henan Investment Group on 10 March 2014	Yes	Yes		
Undertaking in relation to refinancing	Others	The Company	Undertaking in relation to increasing resource investment in compliance risk control and information technology	Note	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
	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)	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	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.	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.* (河南鐵路投資有限責任公司)	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.* (中意資產管理有限責任公司)	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
	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		
	Shares subject to trading moratorium	Jiangsu Soho Holdings Group Co., Ltd.	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.* (杭州澤桐投資管理有限公司)	Undertakings by shareholders in relation to voluntary moratorium on trading of shares	6 months since the date of non-public issuance of A shares by Central China Securities and listing on the stock exchange	Yes	Yes		
	Shares subject to trading moratorium	Sunlight Asset Management Co., Ltd. (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		

* 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
	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 (營建軍)	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* (上海鉅坤投資中心(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 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 increased 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

III. APPOINTMENT OR TERMINATION OF SERVICE OF ACCOUNTING FIRMS

Unit: 0'000 Currency: RMB

Currently engaged

Name of the domestic accounting firm	ShineWing Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	255.00
Term of the audit services provided by domestic accounting firm	9 years

Unit: 0'000 Currency: RMB

	Name	Remuneration
Accounting firm engaged for internal control audit	ShineWing Certified Public Accountants (Special General Partnership)	45.00

During the Reporting Period, ShineWing Certified Public Accountants (Special General Partnership) provided non-auditing services mainly in terms of non-public issuance of A shares and issuance of USD dollar-denominated bonds, with a total of related fee of RMB710,000.

SECTION 5 SIGNIFICANT EVENTS

The alignment in the preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises in domestic and international markets and change of auditors

Given the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Hong Kong Stock Exchange in December 2010, and the Pilot Work Plan for Accounting Firms Engaged in Audit Business for H Share Enterprises (《會計師事務所從事 H 股企業審計業務試點工作方案》) issued by the Accounting Division of the Ministry of Finance and the CSRC, issuers listed in Hong Kong while incorporated in mainland China are allowed to adopt the China Accounting Standards for Business Enterprises to prepare financial statements, and Chinese accounting firms approved by the Ministry of Finance and the CSRC are allowed to adopt the China Accounting Standards for Business Enterprises to audit such financial statements. As considered and approved by the Company's 2019 Annual General Meeting on 10 June 2020, the Company has adopted the China Accounting Standards for Business Enterprises to prepare financial statements and disclose such relevant financial information both in Hong Kong and mainland China since the interim financial report and interim results of 2020, so as to reduce and simplify working procedures, such as communication between domestic and overseas auditors, increase efficiency and save costs.

Given that the alignment in the preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises to be disclosed in mainland China and Hong Kong markets by the Company, as considered and approved by the Company's 2019 Annual General Meeting on 10 June 2020, the Company has ceased to re-appoint PricewaterhouseCoopers for their overseas audit services under the International Financial Reporting Standards, and has re-appointed ShineWing Certified Public Accountants as the sole auditing firm of the Company for the year of 2020 to provide both domestic and overseas audit services under the China Accounting Standards for Business Enterprises. During the Reporting Period, the audit and review (including internal control) fees amounted to RMB3 million (of which, the interim review fee amounted to RMB1 million, the audit fee for annual financial report and special regulatory report amounted to RMB1.55 million, and the audit fee for internal control amounted to RMB0.45 million).

For details of the above, please refer to the announcement dated 22 April 2020 and the circular dated 20 May 2020 disclosed by the Company on HKEXnews website of the Hong Kong Stock Exchange and relevant announcement of the Company dated 23 April 2020 disclosed on the website of the SSE. (Announcement No.: 2020-034)

SECTION 5 SIGNIFICANT EVENTS

IV. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period:

Unit: 0'000 Currency: RMB

Prosecution (petitioner)	Defendant (respondent)	Party bearing joint liability	Type of litigation or arbitration	Background of litigation (arbitration)	Amount involved in litigation (arbitration)	Any estimated liabilities incurred in litigation (arbitration) and the amount	Development of litigation (arbitration)	Trial outcome of litigation (arbitration) and the influence	Enforcement of the judgment on litigation (arbitration)
Central China Securities	Shenwu Technology Group Corporation Limited* (神霧科技集團股份有限公司)	None	Contract dispute	Note 1	20,000.00		Note 1	Note 1	Note 1
Central China Securities	Neoglorry Holdings Group Co. Ltd.* (新光控股集團有限公司)	None	Contract dispute	Note 2	20,000.00		Note 2	Note 2	Note 2
Central China Securities	Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership)* (石河子市瑞晨股權投資合夥企業 (有限合夥)), Tan Songbin (譚頌斌), Zhou Juan (周娟)	None	Contract dispute	Note 3	18,799.98		Note 3	Note 3	Note 3
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 4	20,000.00		Note 4	Note 4	Note 4
Central China Securities	Kedi Food Group Co., Ltd. (科迪食品集團股份有限公司)	None	Contract dispute	Note 5	43,165.83		Note 5	Note 5	Note 5
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 6	10,580.88		Note 6	Note 6	Note 6
Central China International	Ke Wentuo (柯文托), Ke Jinzhi (柯金治), Shi Kaihua (施凱華), Fujian Grace Environmental Wall Paper Co., Ltd.* (福建省優雅環境保壁紙有限公司)	None	Contract dispute	Note 7	17,210.92		Note 7	Note 7	Note 7
Central China International Investment Company Limited	Ke Wentuo (柯文托), Ke Jinzhen (柯金珍)	None	Contract dispute	Note 8	24,688.40		Note 8	Note 8	Note 8

* For identification purpose only

SECTION 5 SIGNIFICANT EVENTS

- Note 1: The Company filed a lawsuit against Shenwu Technology Group Corporation Limited (hereinafter referred to as “Shenwu Group”), asserting the defendant’s breach of securities-backed lending contract. After the first instance judgment issued by the Henan High People’s Court (hereinafter referred to as “Henan High People’s Court”), the defendant Shenwu Group filed an appeal. On 22 August 2019, the Company received the (2019) Supreme Court Minzhong No. 706 civil judgment issued by the Supreme People’s Court of People’s Republic of China (hereinafter referred to as “Supreme People’s Court”), which rejected the appeal and upheld the original judgment. Henan High People’s Court accepted the case for compulsory enforcement on 23 September 2019. Zhengzhou Intermediate People’s Court (hereinafter referred to as “Zhengzhou Intermediate People’s Court”) auctioned 19,800,000 shares of Shenwu Energy Saving Co., Ltd.* (神霧節能股份有限公司) (hereinafter referred to as “*ST Energy Saving”) (Stock Code: 000820) held by Shenwu Group according to corresponding procedures, and both of the first auction and the second auction failed. On 10 September 2020, Zhengzhou Intermediate People’s Court reached a verdict that “the equivalent creditor’s rights shall be offset by transferring 19,800,000 shares of *ST Energy Saving held by Shenwu Group valued at RMB18,849,600 to Central China Securities Co., Ltd.”. On 24 December 2020, Zhengzhou Intermediate People’s Court issued Enforcement Ruling (2019) Yu 01 Zhi Four of No. 2457 to conclude this enforcement procedure. As of 31 December 2020, the book value of the balance of the creditor’s right amounted to RMB181 million, and a full provision for bad debt has been made.
- Note 2: The Company filed a lawsuit against Neoglory Holdings Group Co. Ltd. (hereinafter referred to as “Neoglory Holdings”), asserting the defendant’s breach of the securities-backed lending contract. Henan High People’s Court accepted and then transferred the case to Jinhua Intermediate People’s Court since Neoglory Holdings applied for bankruptcy and reorganization. Jinhua Intermediate People’s Court of Zhejiang Province (hereinafter referred to as “Jinhua Intermediate People’s Court”) accepted the bankruptcy and reorganization application on 25 April 2019, for which the Company had declared its creditor’s rights. On 30 December 2019, the Company received the (2019) Zhe 07 Minchu No. 198 civil judgment issued by Jinhua Intermediate People’s Court, which supported the Company’s claims including payment to be made by Neoglory Holdings of financing principal with an amount of RMB200.00 million and interest, liquidated damages, and attorney’s fees. It is confirmed that the Company had a preferential right of compensation on the 31,850,000 shares of Neoglory Prosperity Inc.* (新光圓成股份有限公司) (Stock Code: 002147) pledged by Neoglory Holdings within the scope of the creditor’s rights determined by the aforesaid judgment. As at the end of the Reporting Period, this judgment has already taken effective, and Neoglory Holdings was in the process of bankruptcy and reorganization. As of 31 December 2020, the book value of the financing principal amounted to RMB200 million, and the accumulated provision for impairment amounted to RMB162 million.
- Note 3: The Company filed a lawsuit against Shihezi Ruichen Equity Investment Partnership Enterprise (Limited Partnership) (hereinafter referred to as “Ruichen Investment”), Tan Songbin and Zhou Juan, asserting the defendants’ breach of contract in the securities-backed lending business. After the first-instance judgment issued by Henan High People’s Court, the defendants, Ruichen Investment, Tan Songbin and Zhou Juan, filed an appeal. On 22 January 2020, the Company received the (2019) Supreme Court Minzhong No. 1917 civil judgment issued by the Supreme People’s Court, which rules that Ruichen Investment shall pay the Company the financing principal of approximately RMB187.9998 million and liquidated damages, attorney’s fees and insurance premiums, and Tan Songbin shall bear joint and several liability for the above-mentioned payment obligation. It is confirmed that the Company has a preferential right of compensation for the discount, auction, or sale proceeds of the 24,529,900 shares of Guangdong Silver Age Sci & Tech Co., Ltd.* (廣東銀禧科技股份有限公司) (hereinafter referred to as “Silver Age Sci & Tech”) (Stock Code: 300221) pledged by the defendant, Ruichen Investment, to the Company within the scope of the creditor’s rights determined by the aforesaid judgment. Other claims asserted by Central China Securities were rejected. Henan High People’s Court accepted the case for compulsory enforcement on 30 March 2020. Zhengzhou Intermediate People’s Court auctioned 24,529,900 shares of Silver Age Sci & Tech according to the corresponding procedures, and the first auction failed. Ruichen Investment raised an objection to execution during the second auction period, and Zhengzhou Intermediate People’s Court dismissed the appeal with the Enforcement Ruling (2020) Yu 01 Zhi Yi No.1155. Then Ruichen Investment filed for retrial with the Henan Provincial High Court. As of the end of the Reporting Period, Henan Provincial High Court has not yet accepted the application for retrial, therefore, the second auction of the shares of Silver Age Sci & Tech was suspended.

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, applied to participate in the distribution of RMB158,380,000 from the auction of 24.78 million shares of Silver Age Sci & Tech held by Tan Songbin. On 23 December 2020, after deducting related expenses, the Company received RMB13,942,396.35 for the execution of the distribution. As of 31 December 2020, the book value of the financing principal amounted to RMB175 million, and the accumulated provision for impairment amounted to RMB3 million.

* For identification purpose only

SECTION 5 SIGNIFICANT EVENTS

Note 4: The Company filed a lawsuit against Great Wall Film & Culture Company Group Limited (currently known as Zhejiang Qingfeng Yuansheng Culture Limited, hereinafter referred to as “Great Wall Film” or “Zhejiang Qingfeng”), asserting the defendant’s breach of securities-backed lending contract. On 5 December 2019, Henan High People’s Court issued the (2019) Yuminchu No. 11 civil judgment, which supported the Company’s claims including the payment to be made by Great Wall Film for the financing principal with an amount of RMB200.00 million and interest, liquidated damages, attorney’s fees and litigation property preservation insurance premiums. It is confirmed that if Great Wall Film fails to fulfill the above-mentioned payment obligations, the Company has the preferential right of compensation for the discount, auction, or sale proceeds of the 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. On 10 August 2020, the Company received the (2020) Supreme Court Minshen No. 4280 notice of response to action issued by the Supreme People’s Court stating Great Wall Film refused to obey the first instance judgment and applied for a retrial. On 26 October 2020, the Company received the (2020) Supreme Court Minshen No. 4280 civil judgment issued by the Supreme People’s Court, which rejected the application for retrial. Zhengzhou Intermediate People’s Court auctioned 50,400,000 shares of *ST Grate Wall according to the corresponding procedures, and both of the first auction and the second auction failed. On 26 November 2020, Zhengzhou Intermediate People’s Court issued Enforcement Ruling (2020) Yu 01 Zhi Three of No. 426, ruling that 50,400,000 shares of *ST Grate Wall held by Great Wall Film were valued at RMB71,542,800 and delivered to Central China Securities Co., Ltd. to offset its equivalent creditor’s rights. On the same day, the Zhengzhou Intermediate People’s Court issued Enforcement Ruling (2020) Yu 01 Zhi Four of No. 426 to conclude this enforcement procedure.

During the execution of the case, the Company verified that Zhao Ruiyong and Zhao Feifan, as shareholders of Great Wall Film, had not contributed RMB1 billion to fulfill their obligations, and the two bore joint and several liability for the payment obligation of Great Wall Film within the range of RMB1 billion. The Company applied for the addition of Zhao Ruiyong and Zhao Feifan as the persons to be executed in accordance with the law. Zhengzhou Intermediate People’s Court dismissed the appeal of the Company and issued Enforcement Ruling (2020) Yu 01 Zhi Yi No. 1229 on 10 December 2020 on the grounds that the evidence submitted by the Company was insufficient. In order to protect its legal rights and interests, the Company filed an enforcement objection lawsuit with Zhengzhou Intermediate People’s Court within the statutory period, requesting an order to add the defendants, Zhao Feifan and Zhao Ruiyong, 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 RMB350,065 million and RMB649.935 million respectively. The case was accepted by Zhengzhou Intermediate People’s Court on 30 December 2020. As at the end of the Reporting Period, the trial of the case had not yet commenced. As of 31 December 2020, the book value of the balance of the creditor’s right amounted to RMB128 million, and a full provision for bad debt has been made.

Note 5: The Company filed a lawsuit against Kedi Food Group Co., Ltd. (hereinafter referred to as “Kedi Group”), asserting the defendant’s breach of securities-backed lending contract, and after the first instance judgement issued by Zhengzhou Intermediate People’s Court, both Kedi Group and the Company refused to obey the first instance judgment and instituted an appeal. On 3 August 2020, the Company received the (2020) Yu Minzhong No. 636 civil judgement stating that Kedi Group was deemed to withdraw the appeal on its own account since it failed to pay the appeal fees within the stipulated period, and the Company’s withdrawal of the appeal was allowed and this ruling was final. Zhengzhou Intermediate People’s Court accepted the case for compulsory enforcement on 24 August 2020. On 24 December 2020, Henan Kedi Dairy Co., Ltd.* (河南科迪乳業股份有限公司) published an alert announcement regarding the application for bankruptcy reorganization of its controlling shareholder, and the Shangqiu Intermediate People’s Court made a (2020) Yu 14 Po Shen No.20 civil judgement, ruling that Wei Junping’s application for bankruptcy reorganization of Kedi Food Group Co., Ltd. was accepted. As of 31 December 2020, the book value of the financing principal amounted to RMB305 million, and the accumulated provision for impairment amounted to RMB73 million.

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- Note 6: Central China Blue Ocean filed a lawsuit against Henan Zhongyi Real Estate Co., Ltd. (hereinafter referred to as “Zhongyi Real Estate”), asserting the defendant’s breach of financial entrusted wealth management contract. On 31 October 2019, the Company received the (2019) Yu 01 Minchu No. 1407 civil judgment issued by Zhengzhou Intermediate People’s Court, which supported Central China Blue Ocean’s claims including the payment to be made by Zhongyi Real Estate of trust loan principal with an amount of RMB99.69 million and interest, penalty interest, compound interest, liquidated damages and attorney’s fees. It is confirmed that Central China Blue Ocean is the mortgagee of the in-process construction that is located in the east side of Yinping Road and the south side of Dongqing street (real estate unit number: 410102103004GB00071W00000000), together with the apportioned land-use rights; the Company has the preferential right of compensation for the discount, auction, or sale proceeds within the scope of its creditor’s right; and eight defendants, including Henan Zhongyi Heavy Industry Machinery and Technology Co., Ltd., bear joint and several liability for the aforesaid payment obligation determined in this judgment, and have the right to claim compensation from Zhongyi Real Estate after they undertook the guarantee liability. The case was filed in Zhengzhou Intermediate People’s Court on 13 January 2020. In accordance with the corresponding procedures, Zhengzhou Intermediate People’s Court conducted an auction of the properties in the names of Xu Zengcai and Xu Xianghong, the persons being executed, located at No. 2, Floor 1-4, Building 31, and No. 4, Floor 1-4, Building 30, East Park, No. 69 Hongyuan Road, Jinshui District, and the first auction failed. As of the end of this Reporting Period, the case was under the process of compulsory enforcement. As of 31 December 2020, the book value amounted to RMB103 million, and the accumulated provision for impairment amounted to RMB1 million.
- Note 7: Central China International filed a lawsuit against Ke Wentuo, Ke Jinzhi, Shi Kaihua and Fujian Grace Environmental Wall Paper Co., Ltd., asserting the defendants’ breach of guarantee contract. Quanzhou Intermediate People’s Court of Fujian Province (hereinafter referred to as “Quanzhou Intermediate People’s Court”) accepted the case on 21 October 2019, and heard this case on 17 January 2020. The Company submitted the application for changes in claims on 22 September 2020 and the application for withdrawal of the lawsuit on 28 September 2020 to Quanzhou Intermediate People’s Court, respectively. On 10 November 2020, the Company received (2019) Min 05 Minchu No.1874 civil judgement from Quanzhou Intermediate People’s Court, ruling that Central China International was granted to dismiss the lawsuit. As of the end of the Reporting Period, the case was concluded.
- Note 8: Central China International Investment Company Limited filed a lawsuit against Ke Wentuo and Ke Jinzhen, asserting the defendants’ breach of guarantee contract. Quanzhou Intermediate People’s Court accepted the case on 21 October 2019, and heard this case on 17 January 2020. The Company submitted the application for changes in claims on 22 September 2020 and the application for withdrawal of the lawsuit on 28 September 2020 to Quanzhou Intermediate People’s Court, respectively. On 23 November 2020, the Company received (2019) Min 05 Minchu No. 1875-1 civil judgement from Quanzhou Intermediate People’s Court, ruling that Central China International Investment Company Limited was granted to dismiss the lawsuit. As of the end of the Reporting Period, the case was concluded. As of 31 December 2020, the book value of the investment principal mentioned in the above two notes totaled HK\$340 million, and the accumulated provision for impairment or decrease in changes in fair value amounted to HK\$221 million.

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

On 28 August 2020, the Company received the Decision on the Implementation of Administrative Supervision Measures to Order Corrective Action for Central China Securities Co., Ltd. (《關於對中原證券股份有限公司實施責令改正行政監管措施的決定》) ([2020] No. 11) and Decision on the Implementation of Administrative Supervision Measures for the Issuance of Warning Letters to Zhu Jianmin (《關於對朱建民實施出具警示函行政監管措施的決定》) ([2020] No. 13) from Henan Branch of the CSRC, details of which are set out in the announcement dated 31 August 2020. (Announcement No.: 2020-063)

For the above event, the Company immediately implemented the corrective order and reported the results to the supervision department. Having been insisting on the principles of regulated operation and giving top priority to customer interests, the Company completely regulated our staff’s practices and duty performance and further enhanced the internal management on the asset management businesses to strictly control business risks.

SECTION 5 SIGNIFICANT EVENTS

As of the end of the Reporting Period, saved as disclosed above, the matters of which the Company became aware had no other cases of being punished or publicly censured by the CSRC, the Securities Association of China, stock exchanges, financial futures exchanges, and finance and taxation, foreign exchange and auditing authorities.

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

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

VII. CONNECTED TRANSACTIONS

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

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

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

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

- (1) Securities and financial products transactions: Securities and financial product transactions will be conducted at the prevailing market prices in the ordinary and usual course of the Group's business; inter-financial institutions loans will be conducted upon normal commercial terms or better at interest rates and terms, as applicable to similar loans provided by independent third party institutions.
- (2) Securities and financial services: The general pricing principles for service fee or commission or brokerage fee charged by the Group shall be based on negotiations between the parties with reference to the prevailing market rates and in accordance with the requirements of the applicable laws and regulations of the PRC.

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

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

In 2020, the annual caps and actual amounts of securities and financial products transactions between the Group and Henan Investment Group and its associates, and the annual caps and actual amounts of securities and financial services provided by the Group to Henan Investment Group and its associates are set out as follows:

	Annual caps for 2020 <i>(in millions of RMB)</i>	Actual amounts in 2020 <i>(in millions of RMB)</i>
Securities and financial products transactions		
Total net cash outflow from the Group	123.00	30.00
Total net cash inflow to the Group*	18.00	1.80
Securities and financial services		
Revenue from provision of securities and financial services to Henan Investment Group and its associates	33.81	4.60

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

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

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Entering into the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.

The Group has been, in the ordinary and usual course of its business, engaged in continuing transactions with Equity Exchange Co. including, securities and financial products transactions and mutual provision of securities and financial services. According to the Hong Kong Listing Rules, Equity Exchange Co. is a connected subsidiary of the Company (Henan Investment Group, the substantial shareholder of the Company, holds 10% of its equity). Transactions between the Group and Equity Exchange Co. constitute continuing connected transactions of the Group. Therefore, the Company and Equity Exchange Co. entered into a securities and financial products transactions and services framework agreement on 27 March 2019 (the "Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.") for a term of three years from 1 January 2019 to 31 December 2021, and respectively set the annual caps (for the three financial years ending 31 December 2021, (1) the annual caps of the total net cash inflow into the Group for transactions in respect of the securities and financial products transactions are RMB75.00 million, RMB75.00 million and RMB75.00 million, respectively, and the annual caps of the total net cash outflow from the Group are RMB2.40 million, RMB2.40 million and RMB2.40 million, respectively; and (2) the annual caps for revenue from provision of securities and financial services to Equity Exchange Co. in respect of securities and financial services are RMB1.95 million, RMB1.95 million and RMB1.95 million, respectively, and the annual caps for expenses to be incurred by provision of securities and financial services to the Group are RMB10.10 million, RMB10.10 million and RMB10.10 million, respectively), in order to regulate such continuing connected transactions of the Company more effectively.

According to the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co., the Group enters into various securities and financial products transactions with Equity Exchange Co. in the ordinary and usual course of its business, and mutually provides various securities and financial services to each other. The Company and Equity Exchange Co. agreed that:

- (1) Securities and financial products transactions: The securities and financial products transactions will be conducted at the prevailing market prices in the ordinary and usual course of the Group's business.
- (2) Securities and financial services: The general pricing principle of the service fees charged by the Group shall be based on negotiations between the parties with reference to the prevailing market rates and in accordance with the requirements of the applicable laws and regulations of the PRC.

SECTION 5 SIGNIFICANT EVENTS

In 2020, the annual caps and actual amounts of securities and financial products transactions between the Group and Equity Exchange Co., and the annual caps and actual amounts of securities and financial services mutually provided between the Group and Equity Exchange Co. are set out as follows:

	Annual caps for 2020 <i>(in millions of RMB)</i>	Actual amounts in 2020 <i>(in millions of RMB)</i>
Securities and financial products transactions		
Total net cash inflow to the Group	75.00	0.00
Total net cash outflow from the Group*	2.40	0.48
Securities and financial services		
Revenue from provision of securities and financial services to Equity Exchange Co.	1.95	1.28
Expenses incurred by provision of securities and financial services to the Group	10.10	2.02

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

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

During the Reporting Period, the above continuous connected transactions were executed in accordance with the relevant framework agreements signed by the Company with Henan Investment Group and the Equity Exchange Co., respectively, and the pricing principles of the connected transactions were strictly observed.

The auditor engaged by the Company has reviewed the above-mentioned non-exempt continuing connected transactions and has sent a letter to the Board of Directors, stating that:

- Nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions have not been approved by the Board of Directors of the Company;
- If the transactions involve the provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions have not been conducted in accordance with the Group's pricing policy in all material respects;
- Nothing has come to the auditor's attention that causes them to believe that the continuing connected transactions in all material respects were not carried out in accordance with the relevant agreements governing the transactions;
- Regarding the total amount of each continuing connected transaction listed in the appendix of the continuing connected transaction letter, nothing has come to the auditor's attention that causes them to believe the disclosed continuing connected transactions have exceeded the annual caps set by the Company.



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The independent non-executive Directors of the Company have confirmed to the Board of Directors that they have reviewed the above non-exempt continuing connected transactions and considered that the transactions were:

- conducted in the ordinary course of business of the Group;
- on normal commercial terms, or if there is no comparable transaction to determine whether the terms of the transaction are on normal commercial terms, on terms no less favorable to the Group than those available from or to (as the case may be) independent third parties; and
- conducted in accordance with the terms set out in relevant transactions agreement, which were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, there is no related party transaction or continuing related party transaction as set out in IX. "RELATED PARTIES AND RELATED PARTY TRANSACTIONS" under Section 10 "FINANCIAL REPORT" of this report that falls into the category of connected transaction or continuing connected transaction that need to be disclosed under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules with respect to the connected transaction and continuing connected transactions of the Company.

SECTION 5 SIGNIFICANT EVENTS

VIII. MATERIAL CONTRACTS AND CONTRACT PERFORMANCE

Guarantees

Unit: Yuan Currency: RMB

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

Guarantor	Relationship between guarantor and the listed company	Guarantee	Guarantee amount	Commencement date of guarantee (date of the agreement)	Guarantee starting date	Guarantee expiration date	Type of guarantee	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	643,854,600.00
Total balance of guarantees provided to subsidiaries at the end of the Reporting Period (B)	281,949,400.00

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

Total amount of guarantees (A+B)	281,949,400.00
Percentage of total guarantees over the net assets of the Group (%)	2.11
Including:	
Amount of guarantees provided to shareholders, de facto controller and their related parties (C)	
Amount of debt guarantees directly or indirectly provided to the parties with the gearing ratio exceeding 70% (D)	
Total amount of guarantees exceeding 50% of net assets (E)	
Total amount of the above three types of guarantees (C+D+E)	
Explanations on outstanding guarantee which may assume joint and several liability for repayment	
Explanations on guarantees	As at the end of the Reporting Period, the Company provided counter-guarantee for Central China International's offshore loans, the balance of which amounted to RMB281,949,400.00 in total (equivalent to HK\$335,000,000.00)

SECTION 5 SIGNIFICANT EVENTS

IX. OTHER SIGNIFICANT EVENTS

Non-public issuance of A shares

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

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

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

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As of 31 December 2020, the Company used the funds raised from the Non-public Issuance as follows: RMB2,000,000,000.00 was used for expanding the scale of capital-based intermediary businesses such as margin financing and securities lending, and securities-backed lending; RMB1,000,000,000.00 was used for expanding the scale of investment in fixed income businesses and increasing the reserves of high-quality liquid assets of the Company; RMB19,576,274.25 was used for increasing the investment in information system and continuously improving the informatization management level; and RMB150,000,000.00 was used for replenishing the working capital. Apart from the above usage of funds, the surplus of the Company's proceeds of RMB452,099,553.66 (including the interest income of the proceeds, amounting to RMB6,155,224.94) have not yet been used and are deposited in the special bank account opened by the Company. As of 31 December 2020, the planned usage of the Company's proceeds raised from the Non-public Issuance was consistent with the contents disclosed in the Proposal of the Non-public Issuance (revised) with no change. The Company will successively put the proceeds into operation according to its development strategy, the market conditions and the usage plan of the proceeds raised from the Non-public Issuance. On 23 July 2020, the Company raised a net proceeds of RMB3,617.1298 million through the Non-public Issuance. As of 31 December 2020, the remaining proceeds of RMB452.0996 million (including the interest of the proceeds of RMB6.1552 million in the account) have not been used, and will be fully used for capital increase in domestic and foreign wholly-owned subsidiaries of no more than RMB450 million, information system construction and investment in compliance risk control of no more than RMB45 million in the first half of 2021.

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 and 1 August 2020 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 and 2020-056)

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Changes in ordinary shares

1. Changes in ordinary shares

Unit: Share

		Before this change		Increase or decrease of this change (+, -)				After this change	
		Number	Percentage (%)	Issuance of new shares	Bonus issue	Capitalization of capital reserve into share capital	Others	Subtotal	Number
									Percentage (%)
I.	Shares subject to trading moratorium	870,963,022	22.51	773,814,000			-870,963,022	-97,149,022	773,814,000
1.	State-owned shares								
2.	Shares held by state-owned legal persons	870,963,022	22.51	409,235,666			-870,963,022	-461,727,356	409,235,666
3.	Shares held by other domestic investors			364,578,334				364,578,334	364,578,334
	Including: Shares held by domestic non state-owned legal persons			345,470,054				345,470,054	345,470,054
	Shares held by domestic natural persons								
4.	Shares held by overseas investors			19,108,280				19,108,280	19,108,280
	Including: Shares held by overseas legal persons								
	Shares held by overseas natural persons								
II.	Tradable Shares not subject to trading moratorium	2,998,107,678	77.49			870,963,022		870,963,022	3,869,070,700
1.	RMB-denominated ordinary shares	1,802,742,678	46.59			870,963,022		870,963,022	2,673,705,700
2.	Domestic-listed foreign shares								
3.	Overseas-listed foreign shares	1,195,365,000	30.90						1,195,365,000
4.	Others								
III.	Total number of ordinary shares	3,869,070,700	100.00	773,814,000				773,814,000	4,642,884,700

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

2. Explanations on changes in ordinary shares

(1) *Resumption of trading of shares subject to trading moratorium of the Company*

On 3 January 2020, a total of 870,963,022 shares subject to trading moratorium under the initial public offering of A shares held by Henan Investment Group Co., Ltd., and the National Council for Social Security Fund were released from sales restrictions and commenced trading. For details of the above, please refer to the announcement disclosed by the Company on the website of the SSE on 28 December 2019. (Announcement No.: 2019-074)

(2) *Non-public issuance of A shares of the Company*

On 5 June 2020, the Company's application for the non-public issuance was approved by the Issuance Examination Committee Meeting of the CSRC, and on 1 July 2020 the Company received 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)) from the CSRC, which approved the non-public issuance of no more than 773,814,000 new shares by the Company. The Company completed the non-public issuance of 773,814,000 shares on 30 July 2020, raising gross proceeds of RMB3,644,633,940.00. The total issued A shares of the Company was changed to 3,447,519,700 shares. For details of the above, please refer to the related announcements disclosed by the Company on HKEXnews website of the Hong Kong Stock Exchange on 1 July 2020 and 31 July 2020 and on the website of the SSE on 2 July 2020 and 1 August 2020. (Announcement No.: 2020-051, 2020-056)

3. The Impact of changes in ordinary shares on financial indicators such as earnings per share and net assets per share in the latest year and the latest period

When calculated based on the total number of shares of the Company preceding the non-public issuance of new A shares, i.e. 3,869,070,700 shares, the Company's earnings per share and net assets per share in 2020 are RMB0.03 and RMB3.46 respectively. When calculated based on the total number of shares of the Company upon the completion of the non-public issuance of new A shares, i.e. 4,642,884,700 shares, the Company's earnings per share and net assets per share in 2020 are RMB0.02 and RMB2.88 respectively.

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 year	Number of shares released from trading moratorium during the year	Increase in the number of shares subject to trading moratorium during the year	Number of shares subject to trading moratorium at the end of the year	Reasons for trading moratorium	Date of release from trading moratorium
Henan Investment Group Co., Ltd.	822,983,847	822,983,847	0	0	Shares subject to trading moratorium under the initial public offering	3 January 2020
National Council for Social Security Fund (Transfer Account No.1)	47,979,175	47,979,175	0	0	Shares subject to trading moratorium under the initial public offering	3 January 2020
Shanghai Gaoyi Asset Management Partnership (Limited Partnership)	0	0	116,595,322	116,595,322	Non-public issuance of shares subject to trading moratorium	1 February 2021
China International Capital Corporation Limited	0	0	91,295,116	91,295,116	Non-public issuance of shares subject to trading moratorium	1 February 2021
Guotai Junan Securities Co., Ltd.	0	0	82,802,547	82,802,547	Non-public issuance of shares subject to trading moratorium	1 February 2021
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	0	0	63,694,267	63,694,267	Non-public issuance of shares subject to trading moratorium	1 February 2021
Caitong Fund Management Co., Ltd.	0	0	53,927,813	53,927,813	Non-public issuance of shares subject to trading moratorium	1 February 2021
Henan Railway Investment Co., Ltd.	0	0	47,239,915	47,239,915	Non-public issuance of shares subject to trading moratorium	1 February 2021
Generally China Asset Management Co., Ltd.	0	0	42,462,845	42,462,845	Non-public issuance of shares subject to trading moratorium	1 February 2021
Jinxiu Zhonghe (Tianjin) Investment Management Co., Ltd.	0	0	39,702,760	39,702,760	Non-public issuance of shares subject to trading moratorium	1 February 2021
CITIC Securities Company Limited	0	0	35,031,847	35,031,847	Non-public issuance of shares subject to trading moratorium	1 February 2021
Bay Area Industry and Finance Investment (Guangzhou) Co., Ltd.	0	0	31,847,133	31,847,133	Non-public issuance of shares subject to trading moratorium	1 February 2021
Jiangsu SOHO Holdings Group Co., Ltd.	0	0	25,477,707	25,477,707	Non-public issuance of shares subject to trading moratorium	1 February 2021

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Name of shareholders	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium during the year	Increase in the number of shares subject to trading moratorium during the year	Number of shares subject to trading moratorium at the end of the year	Reasons for trading moratorium	Date of release from trading moratorium
CSC Financial Co., Ltd.	0	0	25,477,707	25,477,707	Non-public issuance of shares subject to trading moratorium	1 February 2021
Hangzhou Zetong Investment Management Co. Ltd.	0	0	21,443,736	21,443,736	Non-public issuance of shares subject to trading moratorium	1 February 2021
Sunshine Asset Management Corporation Limited	0	0	20,382,165	20,382,165	Non-public issuance of shares subject to trading moratorium	1 February 2021
Hebei Guokong Capital Management Co. Ltd.	0	0	19,108,280	19,108,280	Non-public issuance of shares subject to trading moratorium	1 February 2021
Zi Jianjun	0	0	19,108,280	19,108,280	Non-public issuance of shares subject to trading moratorium	1 February 2021
Guosen Securities Co., Ltd.	0	0	19,108,280	19,108,280	Non-public issuance of shares subject to trading moratorium	1 February 2021
Shanghai Boshen Investment Limited Partnership*	0	0	19,108,280	19,108,280	Non-public issuance of shares subject to trading moratorium	1 February 2021
Total	870,963,022	870,963,022	773,814,000	773,814,000	/	/

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. ISSUANCE AND LISTING OF SECURITIES

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

Unit: 0'000 Currency: RMB

Type of shares and derivative securities	Date of issuance	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of trading
Ordinary shares						
A Shares	10 July 2020	4.71	77,381.40	30 July 2020	77,381.40	
Convertible corporate bonds, bonds with warrants and corporate bonds						
2020 Non-public						
Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	22 April 2020	4.08%	1,500.00	29 April 2020	1,500.00	23 April 2023

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

During the Reporting Period, the Company issued one tranche of bonds, namely "20 Central China C1", with an amount of RMB1.5 billion, an interest rate of 4.08%, and a term of 3 years.

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

III. SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period	114,008 Among which: 113,967 A shareholders; 41 H shareholders;
Total number of ordinary shareholders as at the end of last month prior to the date of disclosure of this report	151,128 Among which: 151,087 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 or frozen Status of shares	Number	Nature of shareholders
HKSCC Nominees Limited	2,950	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)	-102,571,216	431,738,551	9.30		None		Others
Anyang Iron & Steel Group Co., Ltd.		177,514,015	3.82		None		State-owned legal person
Shanghai Gaoyi Asset Management Partnership (Limited Partnership) — Gaoyi Linshan No. 1 Foresight Fund (上海高毅資產管理合夥企業(有限合夥) — 高毅鄰山1號遠望基金)	116,595,322	116,595,322	2.51	116,595,322	None		Others
China International Capital Corporation Limited	91,348,316	91,348,316	1.97	91,295,116	None		State-owned legal person
Guotai Junan Securities Co., Ltd.	82,806,647	82,806,647	1.78	82,802,547	None		State-owned legal person
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	-11,351,978	63,694,267	1.37	63,694,267	None		State-owned legal person
Anyang Economic Development Group Co., Ltd.		48,824,693	1.05		Pledged	24,412,346	State-owned legal person
Henan Railway Investment Co., Ltd.	47,239,915	47,239,915	1.02	47,239,915	None		State-owned legal person

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	1,195,140,850	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)	431,738,551	RMB-denominated ordinary shares	431,738,551
Anyang Iron & Steel Group Co., Ltd.	177,514,015	RMB-denominated ordinary shares	177,514,015
Anyang Economic Development Group Co., Ltd.	48,824,693	RMB-denominated ordinary shares	48,824,693
HKSCC Nominees Limited	44,361,852	RMB-denominated ordinary shares	44,361,852
Zheng Yu (鄭宇)	34,642,190	RMB-denominated ordinary shares	34,642,190
China Construction Bank Corporation — Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 — 國泰中證全指證券公司交易型開放式指數證券投資基金)	26,725,100	RMB-denominated ordinary shares	26,725,100
Henan Shenhua Group Co., Ltd.	17,749,930	RMB-denominated ordinary shares	17,749,930
Henan Jinlong Industrial Co., Ltd. (河南省金龍實業有限公司)	16,000,000	RMB-denominated ordinary shares	16,000,000
Explanation on related party or concert party relationship among the above shareholders	The Company is not aware of any related party relationship among the above-mentioned shareholders or whether they are parties acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》).		

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten holders of tradable shares subject to trading moratorium and the trading moratorium conditions

Unit: Share

No.	Number of shares held subject to trading moratorium	Changes during the Reporting Period	Listing and trading of shares subject to trading moratorium		Trading moratorium conditions
			Date eligible for listing and trading	Number of shares newly eligible for listing and trading	
1	Shanghai Gaoyi Asset Management Partnership (Limited Partnership) — Gaoyi Linshan No. 1 Foresight Fund	116,595,322	1 February 2021	116,595,322	Not transferable within 6 months commencing from the listing date
2	China International Capital Corporation Limited	91,295,116	1 February 2021	91,295,116	Not transferable within 6 months commencing from the listing date
3	Guotai Junan Securities Co., Ltd.	82,802,547	1 February 2021	82,802,547	Not transferable within 6 months commencing from the listing date
4	China Pingmei Shenma Energy & Chemical Group Co., Ltd.	63,694,267	1 February 2021	63,694,267	Not transferable within 6 months commencing from the listing date
5	Henan Railway Investment Co., Ltd.	47,239,915	1 February 2021	47,239,915	Not transferable within 6 months commencing from the listing date
6	GCAM — ICBC — New Return No.5 Asset Management Product (中意資管—工商銀行—新回報5號資產管理產品)	42,462,845	1 February 2021	42,462,845	Not transferable within 6 months commencing from the listing date
7	Jinxiu Zhonghe (Tianjin) Investment Management Co., Ltd.- Zhonghe Jinxiu No.650 Private Securities Investment Fund (錦綉中和(天津)投資管理有限公司—中和錦綉650號私募證券投資基金)	39,702,760	1 February 2021	39,702,760	Not transferable within 6 months commencing from the listing date
8	CITIC Securities Company Limited	35,031,847	1 February 2021	35,031,847	Not transferable within 6 months commencing from the listing date
9	Bay Area Finance Investment (Guangzhou) Co. Ltd.	31,847,133	1 February 2021	31,847,133	Not transferable within 6 months commencing from the listing date
10	CSC Financial Co., Ltd.	25,477,707	1 February 2021	25,477,707	Not transferable within 6 months commencing from the listing date

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

The Company is not aware of any related party relationship among the above-mentioned shareholders or whether they are parties acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

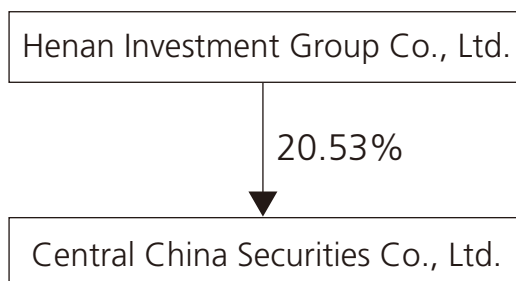
IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

1. Legal person

Name	Henan Investment Group Co., Ltd.
Person in charge of the entity or legal representative	Liu Xinyong
Date of incorporation:	18 December 1991
Principal business	Investment management, investment in construction projects, industrial production information and machinery and equipment required for construction projects, sale of raw materials of products for investment projects (other than those subject to national specific regulations); housing lease (For those subject to approval among the abovementioned, the company is not allowed to operate such business before obtaining approvals.)
Details of controlling interests and investments in other domestic and overseas-listed companies during the Reporting Period	The controlling interests in domestic listed companies are: 738,700,684 shares in YUNENG Holdings (001896) which accounts for 64.20% of its total share capital; 278,907,035 shares in City Development Environment (000885) which accounts for 56.19% of its total share capital; and 407,835,649 shares in Ancai Hi-Tech (600207) which accounts for 47.26% of its total share capital. The investments in domestic listed companies are: China Aviation Optical (002179) and Zhengzhou Bank (002936). The investments in overseas listed companies are: Zhongyuan Bank (01216.HK) and Bank of Zhengzhou (06196.HK).

2. Chart of the ownership and controlling relationships between the Company and the controlling shareholder (as of 31 December 2020)



SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

(II) De facto controller

1. Legal person

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

2. Information on changes in de facto controller during the Reporting Period and the publication date

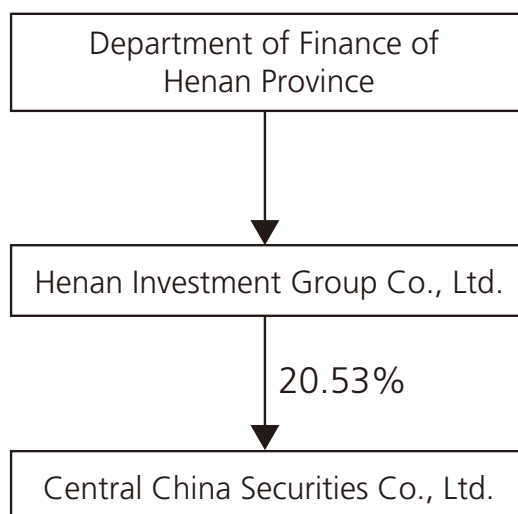
According to the "Reply of the People's Government of Henan Province on Changing the Institution Performing Responsibilities of Promoter in Henan Investment Group Co., Ltd." (YZW [2019] No.128), (《河南省人民政府關於變更河南投資集團有限公司履行出資人職責機構的批覆》(豫政文[2019]128號)), Henan Provincial Government authorized the Department of Finance of Henan Province to perform the responsibilities of promoter in Henan Investment Group. Henan Province Development and Reform Commission will no longer perform the relevant responsibilities. On 10 January 2020, Henan Investment Group completed the registration of changes with the administrative department for industry and commerce, and the institution performing the responsibilities of promoter has been changed from Henan Province Development and Reform Commission to the Department of Finance of Henan Province.

This change was an overall adjustment of the supervision and administration of state-owned assets. The controlling shareholder of the Company is still Henan Investment Group, while the de facto controller has been changed from Henan Province Development and Reform Commission to the Department of Finance of Henan Province. The final promoter of Henan Investment Group, the controlling shareholder of the Company, has always been Henan Provincial Government. The ultimate actual controlling of the Company by Henan Provincial Government has not changed.

For details of the above information, please refer to the relevant announcements of the Company disclosed on the website of SSE on 29 June 2017, 6 November 2019, 4 January 2020 and 14 January 2020. (Announcement No.: 2017-054, 2019-065, 2020-001 and 2020-005)

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

3. Chart of the ownership and controlling relationships between the Company and the de facto controller (as of 31 December 2020)



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

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

I CHANGES IN THE SHAREHOLDING AND INFORMATION ON REMUNERATION

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

Unit: Share												
Name	Positions ^(Note)	Gender	Age	Term of office commencing on	Term of office ending on	Number of A shares held at the beginning of the year	Number of A shares held at the end of the year	Changes (increase/decrease) in shares held during the year	Reason for changes (increase/decrease)	Total remuneration before tax received from the Company during the Reporting Period (RMB'0,000)	Total remuneration after tax received from the Company during the Reporting Period (RMB'0,000)	Whether received remuneration from related parties of the Company
Jian Mingjun	Chairman, Executive Director	Male	58	10 September 2015	16 October 2021				N/A	99.62	75.01	No
Chang Junsheng	Vice Chairman	Male	50	16 October 2018	16 October 2021				N/A	300.00	192.00	No
	Executive Director			17 May 2018	16 October 2021							
	President			25 April 2018	16 October 2021							
Li Xingjia	Non-executive Director	Male	56	12 October 2015	16 October 2021				N/A	0	0	Yes
Wang Lixin	Non-executive Director	Male	54	10 September 2015	16 October 2021				N/A	3.60	3.07	Yes
Tian Shengchun	Non-executive Director	Male	46	16 October 2018	16 October 2021				N/A	0	0	No
Zhang Xiaoji	Non-executive Director	Male	35	10 September 2015	16 October 2021				N/A	3.60	3.07	No
Lu Benson Cheng	Non-executive Director	Male	39	1 November 2018	16 October 2021				N/A	3.60	3.51	No
Yuen Chi Wai	Independent Non-executive Director	Male	45	10 September 2015	16 October 2021				N/A	25.00	22.69	No
Ning Jincheng	Independent Non-executive Director	Male	64	10 September 2015	16 October 2021				N/A	25.00	21.00	No
Yu Xugang	Independent Non-executive Director	Male	52	7 December 2015	16 October 2021				N/A	25.00	21.00	No
Zhang Dongming	Independent Non-executive Director	Female	68	16 October 2018	16 October 2021				N/A	25.00	21.00	No
Lu Zhili	Chairman of the Supervisory Committee	Male	54	10 September 2015	16 October 2021				N/A	127.28	92.40	No
Zhang Qiuyun	Shareholder Representative Supervisor	Female	49	10 June 2020	16 October 2021				N/A	0	0	Yes

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Positions (Weixi)	Gender	Age	Term of office commencing on	Term of office ending on	Number of A shares held at the beginning of the year	Number of A shares held at the end of the year	Changes (increase/decrease) in shares held during the year	Reason for changes (increase/decrease)	Total remuneration before tax received from the Company during the Reporting Period (RMB'0,000)	Total remuneration after tax received from the Company during the Reporting Period (RMB'0,000)	Whether received remuneration from related parties of the Company
Cao Zongyuan	Shareholder Representative Supervisor	Male	54	17 May 2018	10 June 2020			N/A	N/A	0	0	Yes
Zhang Xiansheng	Shareholder Representative Supervisor	Male	55	17 May 2018	16 October 2021			N/A	N/A	0	0	No
Xie Junsheng	Shareholder Representative Supervisor	Male	54	13 October 2016	16 October 2021			N/A	N/A	0	0	No
Xiang Siying	Independent Supervisor	Female	57	10 September 2015	16 October 2021			N/A	N/A	12.00	10.08	No
Xia Xiaoning	Independent Supervisor	Male	60	9 May 2016	16 October 2021			N/A	N/A	12.00	11.29	No
Zhang Lu	Employee Representative Supervisor	Female	52	16 June 2017	16 October 2021			N/A	N/A	80.64	62.61	No
Zhang Huanlin	Employee Representative Supervisor	Male	49	3 June 2019	16 October 2021			N/A	N/A	30.70	25.34	No
Xiao Yichen	Employee Representative Supervisor	Female	36	12 January 2018	16 October 2021			N/A	N/A	57.46	46.29	No
Zhu Jianmin	Executive Vice President	Male	57	10 September 2015	16 October 2021			N/A	N/A	127.45	92.00	No
Zhu Junhong	Vice President	Female	51	10 September 2015	16 October 2021			N/A	N/A	120.76	87.38	No
Xu Haijun	Vice President	Male	50	3 September 2016	16 October 2021			N/A	N/A	117.98	85.48	No
Li Zhaoxin	Chief Accountant, Person in-charge of Finance Department	Male	51	29 January 2018	16 October 2021			N/A	N/A	115.26	84.04	No
Hua Jinzhong	Chief Compliance Officer	Male	48	12 April 2018	16 October 2021			N/A	N/A	118.42	86.10	No
Zhao Huiwen	Vice President	Female	44	25 February 2019	16 October 2021			N/A	N/A	45.06	35.56	No
Zhu Qiben	Secretary to the Board	Male	56	18 January 2018	20 April 2020			N/A	N/A	424.18	259.27	No
Liu Hao	Chief Investment Officer	Male	49	6 May 2020	16 October 2021			N/A	N/A	450.00	275.20	No
Li Feng	Chief Risk Officer	Male	50	29 October 2019	16 October 2021			N/A	N/A	115.26	84.03	No
Han Junyang	Chief Information Officer	Male	51	29 October 2019	16 October 2021			N/A	N/A	89.00	63.70	No
Total	/	/	/	/	/			/	/	2,553.87	1,763.12	/

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Notes:

1. Jian Mingjun: the remuneration before tax for the year 2020 is temporarily fixed at RMB996,200, which is subject to the approval of the Board, the shareholders' general meeting and relevant authorities;
2. Lu Zhili: the remuneration before tax for the year 2020 is temporarily fixed at RMB1,272,800, the remuneration before tax received was RMB832,800, which is subject to the approval of the Supervisory Committee, the shareholders' general meeting and relevant authorities;
3. Zhu Jianmin: the remuneration before tax received for the year 2020 was RMB834,500; Zhu Junhong: the remuneration before tax received for the year 2020 was RMB767,600; Xu Haijun: the remuneration before tax received for the year 2020 was RMB739,800; Li Zhaoxin: the remuneration before tax received for the year 2020 was RMB712,600; Hua Jinzhong: the remuneration before tax received for the year 2020 was RMB755,600;
4. Zhu Qiben: the remuneration includes special rewards for the non-public issuance of A shares;
5. Liu Hao: according to regulatory regulations, the deferred remuneration before tax for the year 2020 was RMB3.2598 million;
6. Li Feng: the remuneration before tax received for the year 2020 was RMB712,600; Han Junyang: the remuneration before tax received for the year 2020 was RMB640,000.

Name	Major working experience
Jian Mingjun	Born in 1963, Mr. Jian Mingjun is an alternate member of the Commission of Communist Party of Henan Province and a standing committee member of Henan Provincial People's Congress. He holds a doctoral degree in economics. He is a senior accountant. He has been an officer in Comprehensive Plan Office of Ministry of Finance of the PRC, the deputy director of General Office of Finance Department of Henan Province, the standing vice president of ASIA (group) Accounting Firm, the director of General Office of Finance Department of Henan Province and the chairman of State-owned Enterprises Supervisory Committee of the Henan Government. Currently, he also served as the president of the Securities and Futures Association of Henan. He served as the president of the Company from October 2008 to August 2012, and has been the chairman of the Board of the Company since August 2012 and the secretary of the Party Committee of the Company since November 2014.
Chang Junsheng	Born in 1971, Mr. Chang Junsheng holds a master's degree in management and obtains the qualification of a certified public accountant. He is deputy secretary of the Party Committee, vice chairman and president of the Company. He began to work in July 1993, and has successively worked at Beijing Construction Engineering Group Corporation and Zhonghaiheng Industry Development Co., Ltd. He worked at the CSRC from March 1998 to February 2018, and successively served as the assistant managing officer and managing officer of the issuance supervision department, the assistant researcher, deputy division head, researcher and head of audit division II of the issuance supervision department, division head of regulatory division I of the regulatory department of non-listed companies, and the deputy director of the issuance regulatory department.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
Li Xingjia	Born in 1964, Mr. Li Xingjia holds a master's degree. He serves as a director of the Company and a director and deputy general manager of Henan Investment Group. Mr. Li has worked in the Henan Planned Economy Committee, Henan Planning Commission and Henan Development and Reform Commission as officer, managing officer and deputy division head. He has served in Henan Construction and Investment Corporation as the chief economist and deputy general manager, while serving as the chairman of the board of Yuneng Holdings Company Limited. He has also worked in Henan Investment Group as the temporary officer responsible for asset management department I, the chief technology officer and deputy general manager.
Wang Lixin	Born in 1966, Mr. Wang Lixin holds a master's degree. He is a director and the deputy general manager of Bohai Industrial Investment Fund Management Co., Ltd. He served as the assistant manager of the overseas banking department of the head office of Bank of China, vice president of Beijing Representative Office at BOC International Holdings Limited, executive director and managing director of BOCI Securities Limited, managing director of the investment banking department of Credit Suisse Founder Securities Limited, director of the investment banking department of UBS Securities Co. Limited, and managing director of the direct investment department of BOC International Holdings Limited.
Tian Shengchun	Born in 1975, Mr. Tian Shengchun is a senior engineer with an on-the-job master's degree of University of Science and Technology Beijing. He is currently the deputy director of the planning and development department of Anyang Iron & Steel Group. He began to work in 1998, and successively served as the assistant engineer, engineer, officer and deputy director of the general office of Anyang Iron & Steel Group Group No.4 Steel Mill, the investment administrator of the investment management division of the planning department of Anyang Iron & Steel Group, the director of external investment management office of the strategic investment division of Anyang Iron & Steel Group, the director of the policy research office of the planning and development department of Anyang Iron & Steel Group, the chief Level II management expert of Anyang Iron & Steel Group.
Zhang Xiaoqi	Born in 1985, Mr. Zhang Xiaoqi holds a bachelor's degree in commerce. He is a director and the deputy general manager of Beijing Maoyuan Capital Investment Management Co., Ltd, and a director and general manager of Central China International Investment. He served as a staff of the index division of Shenzhen Securities Information Co., Ltd. at the Shenzhen Stock Exchange, and a project manager of Beijing Maoyuan Capital Investment Management Co., Ltd.
Lu Benson Cheng	Born in 1982, Mr. Lu Benson Cheng holds an executive master's degree in business administration of Tsinghua PBC School of Finance. He is currently the managing director of Zhuhai Rongze Tongyuan Investment Management Partnership (Limited Partnership). He served as an analyst in the investment banking department of Morgan Stanley Asia, the executive director in the investment department of Goldman Sachs (Asia) Special Situations Group, managing director of ICBC International Holdings Co., Ltd., and the managing director of Tianjin ICBC International Investment Advisory Partnership (Limited Partnership).

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
Yuen Chi Wai	Born in 1975, Mr. Yuen Chi Wai holds a bachelor's degree in commerce. He is the senior member of Hong Kong Institute of Certified Public Accountants, and the senior member of Australia Institute of Certified Public Accountants. He has rich financial, corporate governance and risk management experience. He has successively served as an auditor in Charles Mar Fan & Co., Arthur Andersen, PricewaterhouseCoopers (Hong Kong), and Beijing and Shenzhen Branch of PricewaterhouseCoopers, the chief financial officer, company secretary and assistant president of Bolina Holding Co., Ltd (the shares of which are listed on Hong Kong Stock Exchange, stock code: 01190), and he is currently the managing director of Venture Executive Services Limited. He has served as the joint company secretary of Zhixin Group Holding Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 02187) since May 2019.
Ning Jincheng	Born in 1956, Mr. Ning Jincheng holds a doctoral degree in law and possesses the title of professor. He is a professor of the law faculty and a doctoral tutor of Zhengzhou University. Currently he concurrently serves as an arbitrator of Zhengzhou Arbitration Commission and a lawyer of Henan Shidao Law Firm. He has been a lecturer, professor and vice chancellor of Zhengzhou University, a professor, doctoral tutor, dean and secretary of the Party committee of Henan Administrative Institute of Politics and Law. He has been an independent director of Xi'an Hongsheng Science & Technology Development Co., Ltd. (the shares of which are listed on SSE, stock code: 600817) since January 2019.
Yu Xugang	Born in 1968, Mr. Yu Xugang holds a doctoral degree of law in Peking University. He was a partner at Beijing Dacheng Law Offices, LLP and a senior partner at Beijing Dacheng Law Offices, LLP. He has been an independent director of Dafeng Port Heshun Technology Company Limited (the shares of which are listed on Hong Kong Stock Exchange, stock code: 08310) since May 2016, and an independent director of Huachuang Yang'an Co., Ltd. (the shares of which are listed on SSE, stock code: 600155) since December 2016.
Zhang Dongming	Born in 1953, Ms. Zhang Dongming holds a doctoral degree of economics. She is currently a retired researcher of Chinese Academy of Fiscal Sciences (formerly known as the Institute of Fiscal Sciences of the Ministry of Finance). She began to work in September 1969, and successively served as the worker of Mudanjiang Air Force May Seventh Cadre School, an officer of the Industrial Transport Department of Dongcheng District, Beijing City, the section chief of the Graduate Faculty of the Institute of Fiscal Sciences, the deputy division head and division head of the Academic Affairs Office of the Ministry of Finance, senior economist and researcher, the researcher of the Foreign Financial Research Center.
Lu Zhili	Born in 1966, Mr. Lu Zhili holds a master degree of economics. He is a senior economist. He served as the manager and assistant to general manager of the securities issuance department and chairman and assistant to general manager of the research department of Henan Securities from September 1992 to October 2002. He joined the Company since the registration in November 2002, served as the vice president of the Company from November 2002 to March 2013, the standing vice president of the Company from March 2013 to September 2015. He has served as the Chairman of the Supervisory Committee of the Company since September 2015.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
Zhang Qiuyun	Born in February 1972, Ms. Zhang Qiuyun holds a doctoral degree in economics. She served as a teacher in Kaifeng No. 1 Middle School from March 1993 to September 1998. She studied at the School of Economics and Trade of Henan University from September 1998 to June 2001 and obtained a master's degree in economics. She studied at the School of Economics at Fudan University from September 2001 to June 2004 and obtained a doctoral degree of economics. She successively served as the deputy investigator and the deputy director of the Finance Division of Henan Provincial Development and Reform Commission from July 2004 to June 2015. She served as the Secretary to the Party Branch of Henan Macroeconomic Research Institute from June 2015 to August 2017. She served as the Deputy Managing Director of the Management Committee of Zhengzhou District of China (Henan) Free Trade Pilot Zone from August 2017 to June 2019. She has been serving as the Director of the Financial Management Department of Henan Investment Group since June 2019.
Zhang Xiansheng	Born in 1965, Mr. Zhang Xiansheng holds an on-the-job master's degree of CPC School of Henan Province. He is a senior accountant and certified public accountant. He served as an officer of the financial section of the Coking Plant of Anyang Iron & Steel Group from August 1983 to April 1990, an officer, vice section chief, section chief, assistant to division head and deputy division head of the financial division of Anyang Iron & Steel Group from April 1990 to April 2006, the secretary to the Board, person in charge of finance and head of the finance division of Anyang Iron & Steel Co., Ltd. (the shares of which are listed on SSE, stock code: 600569) from April 2006 to July 2015, the head of the audit department of Anyang Iron & Steel Group from July 2015 to December 2016, and the head of the audit and legal affairs department of Anyang Iron & Steel Group from December 2016 to November 2017. He has been the head of the financial department of Anyang Iron & Steel Group since November 2017. He has been the supervisor of Anyang Iron & Steel Co., Ltd. since November 2015.
Xie Junsheng	Born in 1967, Mr. Xie Junsheng holds a bachelor's degree of economics. He is a senior accountant. He engaged in financial economy works in the inspection section of the Bureau of Finance of Anyang Municipality from September 1989 to June 1994, served as the deputy general manager of Anyang City Treasury and Security Company from July 1994 to December 2002, and the deputy general manager in Anyang Economic Technology Development Co., Ltd. from December 2002 to October 2010. He has been the deputy general manager of Anyang Economic Development from October 2010 to September 2020. He has served as the chief supervisor of Anyang Economic Development since September 2020.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
Xiang Siying	Born in 1963, Ms. Xiang Siying holds a master's degree of economics and a master's degree in business administration. She served as an officer of the foreign economic office and the general office of the rural management and administration in the Ministry of Agriculture of China from September 1988 to July 1991, an investment analyst of the Chinese representative division of International Finance Corporation from May 1993 to August 1996, an investment officer in the East Asia and Pacific Branch and Global Manufacturing and Consumer Service Branch Washington District of International Finance Corporation from August 1996 to March 2004, the executive general manager of the investment banking division and direct investment division of China International Capital Corporation Limited from March 2004 to June 2010, the executive director of CDH Investments Fund Management Company from June 2010 to March 2016, an advisor of CDH Investments Fund Management Company from March 2016 to March 2018, an independent director of China Ocean Industry Group Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 00651) since May 2008, and an independent director of Huili Resources (Group) Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 01303) since September 2017.
Xia Xiaoning	Born in 1960, Mr. Xia Xiaoning holds a bachelor's degree in engineering. He served as the investment officer of Asian Development Bank from March 1989 to March 1995. He worked at AIF Capital Limited from April 1995 to September 2008 and his last position held was senior partner and managing director. He served as the chief executive officer of CITP Advisors (Hong Kong) Limited from December 2008 to September 2012. He has been the senior consultant to Vision Finance Group Limited since September 2012, and an independent non-executive director of China Medical & HealthCare Group Limited (the shares of which are listed on the Hong Kong Stock Exchange, stock code: 00383) since December 2016.
Zhang Lu	Born in 1969, Ms. Zhang Lu holds a master's degree in law, and obtains the national legal professional qualification. She served as the staff member and deputy general manager at Jingliu Road securities branch of Henan Securities from May 1993 to October 2002. She joined the Company since its registration in November 2002, served as a staff member and deputy general manager of the Compliance Management (Legal Affairs) Headquarter from November 2002 to December 2013, the deputy director and director of the office of the Board of the Company from December 2013 to March 2017. She has been the general manager of the Investment Banking Operation Management Headquarter since March 2017.
Zhang Huamin	Born in 1972, Mr. Zhang Huamin holds a bachelor's degree of economics. He is a senior accountant. He was the director of the planning and finance department of Henan Securities from June 1995 to October 2002. He joined the Company since its registration in November 2002. He successively served as the head of accounting of the Planning and Finance Headquarter, the financial manager of the Shanghai Branch Office, and the audit manager of the Audit Department from November 2002 to January 2009. He was the deputy general manager of the Planning and Finance Headquarter from January 2009 to March 2013, the deputy general manager of the Asset Management Headquarter from March 2013 to July 2013. Mr. Zhang was the general manager of the Risk Management Headquarter from July 2013 to December 2019. He has been the standing deputy general manager of Central China International since December 2019.



SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
Xiao Yichen	Born in 1984, Ms. Xiao Yichen holds a master's degree in accounting. She worked at the Investment Banking Headquarter and Capital Market Headquarter of the Company from March 2010 to January 2014, and served as the principal officer of quality control division I of the investment banking comprehensive management department of the Company from December 2014 to January 2018, the assistant to general manager of the investment banking comprehensive management department from January 2018 to April 2018. She has been the business director of the Quality Control Headquarter since May 2018.
Zhu Jianmin	Born in 1963, Mr. Zhu Jianmin holds an executive master's degree in business administration. He is a senior economist. He served as the deputy manager of the issuance department, manager of the operation department of Funiu Road branch, director of Beijing office, manager of the brokerage management department, and manager of the operation department of Shangqiu branch of Henan Securities, and the director of president's office, general manager of the Brokerage Business Headquarter, and assistant to the president of the Company, etc. He has been the vice president of the Company from August 2007 to September 2015, the standing vice president of the Company in September 2015 and the deputy secretary of the Party Committee of the Company in September 2018. He is the deputy secretary to the Party Committee and the standing vice president of the Company, and concurrently a member of the Professional Committee of Securities Brokerage of the Securities Association of China and the vice president of the Henan Securities and Futures Fund Association.
Zhu Junhong	Born in 1969, Ms. Zhu Junhong holds an executive master's degree in business administration. She is a senior accountant and an academic and technology leader of Henan province. She served as the chief accounting officer, deputy manager and manager of planning and finance department, and the general accountant of Henan Finance and Securities Company. She has been the principal officer of finance department, assistant to president and general manager of the planning and finance department of the Company from November 2002 to September 2009, and the principal officer of finance department, general accountant and general manager of the planning and finance department of the Company from September 2009 to August 2012. From August 2012 to January 2018, she served as the principal officer of finance department and chief accountant of the Company. She has been the vice president of the Company since August 2012.
Xu Haijun	Born in 1970, Mr. Xu Haijun holds a master's degree. He served as the manager of the computer department of the Shanghai branch, the deputy manager of the Huayuan Road branch, the manager and assistant to general manager of the Zijingshan branch, the manager of Shenzhen branch, and the assistant to general manager of Shanghai Huierdun Investment Company. From January 2004 to January 2018, he has held various positions in the Company, including the general manager of IT Headquarter, the general manager of Compliance Management Headquarter, the chief compliance officer and the secretary to the Board. Since September 2016, he has been the vice president of the Company.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
Li Zhaoxin	Born in 1969, Mr. Li Zhaoxin holds a master's degree in accounting. He is a senior accountant, a certified public accountant, a certified tax adviser and an economist. He handled financial work at the Bureau of Corrections of Henan Province (河南省勞改局) and Bureau of Prison Management of Henan Province (河南省監獄管理局) from July 1991 to October 2004. He worked at the Henan SASAC from October 2004 to November 2017 and held various positions such as the deputy division head of the property rights administration division, a researcher at the planning and development division and the division head of the general division (Research Office). He has been a member of the Party Committee of the Company since November 2017. He has been the chief accountant and principal officer of finance department of the Company since January 2018. He is concurrently a committee member of the Financial Accounting Professional Committee of the Securities Association of China.
Hua Jinzhong	Born in 1972, Mr. Hua Jinzhong is a senior accountant, certified public accountant, certified public assets estimator, and certified public tax agent with a master's degree in management. He worked at Henan Laien (Group) Co., Ltd. from November 1993 to April 2001, and China Great Wall Asset Management Company Zhengzhou Representative Office from April 2001 to October 2004. He worked at Henan regulatory bureau of the CSRC from October 2004 to March 2018, and successively served as the managing officer, deputy division head and deputy office director of the supervision division of the listed company, the deputy division head of the new business supervision division, division head of the company inspection division, and the director of office (Party affairs office). He has been the chief compliance officer of the Company since April 2018, and the vice president of the Company since February 2019.
Zhu Qiben	Born in 1964, Mr. Zhu Qiben holds a master degree of economics. He was the project manager of the investment banking department and the assistant to director of general office of Henan Securities. He has been the vice general manager and general manager of the Company's Human Resources Management Department, assistant to the president and general manager of Human Resources Management Department, director of the Supervision Office and auditor-in-charge of the Company from November 2002 to December 2015. He served as the chief risk officer of the Company from December 2015 to January 2018. He has been the secretary to the Board of the Company since January 2018.
Liu Hao	Born in 1972, Mr. Liu Hao holds a master's degree in business administration and obtains the qualification of a certified public accountant. Since entering the work force in July 1993, he successively worked for the Audit Department II of Shenzhen Zhonghua Accounting Firm, the Investment Banking Headquarters of Everbright Securities Company Limited, the Bond Business Department of United Securities Co., Ltd., and the Investment Banking Division and the Fixed Income Division of Minsheng Securities Co., Ltd.. He joined the Company in June 2018 and has been serving as the Company's chief investment officer since May 2020.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
Li Feng	Born in 1971, Mr. Li Feng holds a master's degree. He began to work in July 1996. He successively served as the deputy general manager and general manager of Sanmenxia operation branch of Henan Securities. From 2002 to 2015, he acted as the general manager of Sanmenxia operation branch, the general manager of Xinxiang operation branch, the general manager of Shanghai operation branch, the general manager of Brokerage Business Headquarter, the general manager of Innovation Business Headquarter and assistant to the president of the Company, etc. He was the president of Equity Exchange Co. from 2015 to 2017, the assistant to the president of the Company from 2017 to 2019, and the chief risk officer of the Company since 2019.
Han Junyang	Born in 1970, Mr. Han Junyang holds a master's degree. He began to work in July 1993. He worked in the Henan Securities and successively served as the manager of the Computer Division of Shenzhen operation branch, the deputy manager of the administrative region operation branch and the department head of Computer Centre. From 2002 to 2019, he successively served as the deputy general manager of IT Department of the Company, the general manager of Hangzhou operation branch, the general manager of the IT Department, the general manager of the Brokerage Business Headquarter and the general manager of the Internet Finance Headquarter of the Company, etc. He was the employee representative supervisor of the Company from 2015 to 2019, and the chief information officer of the Company since 2019.

Other situations:

The term of office of each of Mr. Yuen Chi Wai and Mr. Ning Jincheng, each as an independent Director, reached six years, on 3 June 2020 and 30 March 2021 respectively. As the cessation of service of Mr. Yuen Chi Wai and Mr. Ning Jincheng will result in the number of independent Directors of the Sixth Session of the Board of the Company being less than one-third of the members of the Board, not complying with the relevant requirements, the cessation of service of Mr. Yuen Chi Wai and Mr. Ning Jincheng will come into effect after the appointment of new independent Directors of the Company. Until then, Mr. Yuen Chi Wai and Mr. Ning Jincheng will continue to perform their duties as independent Directors and members of the relevant specialized committees under the Board in accordance with the relevant laws and regulations and the Articles of Association. The Company will perform the procedures to complete the election of new independent Directors as soon as possible.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

II. POSITION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT HELD OFFICE OR RESIGNED DURING THE REPORTING PERIOD

(I) Positions held in shareholders

Name	Name of shareholder	Positions held in shareholder	Term of office commencing on	Term of office ending on
Li Xingjia	Henan Investment Group	Director and deputy general manager	June 2010	
Tian Shengchun	Anyang Iron & Steel Group	Deputy division director	December 2016	
Zhang Qiuyun	Henan Investment Group	Director of the financial management department	June 2019	
Cao Zongyuan	Henan Investment Group	Director of the assets management department	June 2019	
Zhang Xiansheng	Anyang Iron & Steel Group	Head of financial department	November 2017	
Xie Junsheng	Anyang Economic Development	Deputy general manager	October 2010	
Explanations	Nil			

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Positions held in other entities

Name	Name of other entities	Position held in other entities	Term of office commencing on	Term of office ending on
Jian Mingjun	Henan Securities and Futures Association	Director	June 2013	
	Central China International	Director	January 2015	
Chang Junsheng	Central China International	Director	March 2018	
	Policy Advisory Committee of the Fourth Board of Director of the Shanghai Stock Exchange	Committee member	March 2018	
	Securities Association of China	Director	June 2018	
	Institute of Financial Law of Henan Law Society	Vice president	August 2018	
	Listing Cultivation Committee under the Board of Directors of Shenzhen Stock Exchange	Committee member	November 2018	
Li Xingjia	Henan Natural Gas Storage and Transportation Co., Ltd.	Chairman	August 2018	
Zhang Xiaoqi	Central China International Investment Company Limited	Director	July 2016	
	Central China International Investment Company Limited	General manager	September 2017	
	Beijing Maoyuan Capital Investment Management Co., Ltd.	Deputy general manager	March 2014	
Tian Shengchun	Anyang Iron & Steel Automation Software Co., Ltd.	Director	September 2018	
Lu Benson Cheng	Zhuhai Rongze Tongyuan Investment Management LP	Managing director	January 2014	
Yuen Chi Wai	Venture Executive Services Limited	Managing director	August 2014	
	Zhixin Group Holding Limited	Joint company secretary	May 2019	
Ning Jincheng	Law Faculty of Zhengzhou University	Professor, doctoral tutor	November 2010	
	Zhengzhou Arbitration Commission	Arbitrator	May 2009	
	Henan Shi Dao Law Firm	Lawyer	November 2016	
Yu Xugang	Xi'an Hongsheng Technology Co., Ltd	Independent director	January 2019	
	Beijing Dacheng Law Offices	Senior partner	January 2004	
	Dafeng Port Heshun Technology Company Limited	Independent director	May 2016	
	Hua Chuang Yang'an Co., Ltd.	Independent director	December 2016	

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of other entities	Position held in other entities	Term of office commencing on	Term of office ending on
Zhang Qiuyun	Henan Investment Group Guarantee Co., Ltd.	Executive director	June 2019	
	Zhongfu Payment Service Co., Ltd.	Executive director	June 2019	
	Zhongyuan Yuze Financial Leasing (Shanghai) Co., Ltd.	Chairman	July 2019	
	Zhongyuan Trust	Director	September 2020	
	Zhongyuan Bank Co., Ltd.	Director	January 2021	
	Henan Lian Zhuoyue Insurance Agent Co., Ltd.	Executive director	August 2020	
	Zhongyuan Capital International Holdings Co., Ltd.	Director	June 2019	
	Henan Investment Group Co., Ltd. Asset Management Company	Chairman	December 2020	
	Henan Asset Management Company Limited	Director	October 2019	
	Henan Huirong Supply Chain Management Co., Ltd.	Chairman	September 2020	
Cao Zongyuan	Zhongyuan Trust	Director	April 2016	
	Henan Investment Group Guarantee Co., Ltd.	Executive director	November 2015	
	Zhongyuan Yuze Financial Leasing (Shanghai) Co., Ltd.	Chairman	December 2015	
Zhang Xiansheng	Anyang Iron & Steel Co., Ltd.	Supervisor	November 2015	
Xie Junsheng	Angang Group Yongtong Ductile Iron Pipe Co., Ltd.	Director	December 2017	
Xiang Siying	China Ocean Industry Group Limited (the shares of which are listed on Hong Kong Stock Exchange, stock code: 0651)	Independent director	May 2008	
	Huili Resources (Group) Limited (the shares of which are listed on Hong Kong Stock Exchange, stock code: 01303)	Independent director	September 2017	
Xia Xiaoning	Vision Finance Group Limited	Senior consultant	September 2012	
	China Medical & HealthCare Group Limited (the shares of which are listed on Hong Kong Stock Exchange, stock code: 00383)	Independent director	December 2016	
Zhang Huamin	Central China Micro-lending	Supervisor	October 2018	
	Central China International	Director	September 2019	
	Central China International	Deputy general manager of affairs	December 2019	
Zhu Jianmin	Brokerage Business Commission of Securities Association of China	Committee member	April 2018	
	Henan Securities and Futures Fund Association	Vice president	November 2019	
Xu Haijun	Institute of Commercial Law of Henan Law Society	Vice president	July 2017	
	Henan Asset Management Company Limited	Director	August 2020	
	Central China International	Director, chairman	September 2019	
	Central China Blue Ocean	Executive director (legal representative)	September 2019	

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of other entities	Position held in other entities	Term of office commencing on	Term of office ending on
Li Zhaoxin	Financial Accounting Committee of the Securities Association of China	Committee member	March 2019	
	ZDKY Venture Capital	Executive director (legal representative)	September 2019	November 2020
Zhu Qiben	Equity Exchange Co.	Director	June 2018	
Explanations	Nil			

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of remuneration of Directors, Supervisors and senior management

The remuneration and assessment of the Company's Directors shall be proposed by the Remuneration and Nomination Committee under the Board, considered and approved by the Board and considered and determined by the general meeting; the remuneration and assessment plans of the Supervisors shall be proposed by the Supervisory Committee, which shall be considered and determined by the general meeting; and the remuneration and assessment of the senior management shall be proposed by the Remuneration and Nomination Committee under the Board and determined by the Board.

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

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

The remuneration of the external Directors and Supervisors shall be proposed by the Remuneration and Nomination Committee under the Board according to the industry and market conditions, subject to the approval by the general meeting.

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

Payment of remuneration of Directors, Supervisors and senior management

For details about the payment of remuneration of Directors, Supervisors and senior management, please refer to I. "CHANGES IN THE SHAREHOLDING AND INFORMATION ON REMUNERATION" in this section in this report.

According to relevant state provisions and with reference to personal will, the Director, namely Mr. Li Xingjia waived his allowance since July 2016, and the Director, namely Mr. Tian Shengchun and the Supervisors, namely Mr. Cao Zongyuan, Ms. Zhang Qiuyun, Mr. Zhang Xiansheng and Mr. Xie Junsheng, waived their allowance since their appointment while they would continue to perform their relevant duties.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The total remuneration received by all Directors, Supervisors and senior management during the Reporting Period

RMB25.5387 million (before tax)

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

Name	Position	Change	Reason for the change
Zhang Qiuyun	Shareholder Representative Supervisor	Elected	
Cao Zongyuan	Shareholder Representative Supervisor	Resigned	Work adjustment
Zhao Huiwen	Vice President	Resigned	Changes of work
Liu Hao	Chief Investment Officer	Appointed	

V. PUNISHMENT BY SECURITIES REGULATORY AUTHORITIES IN THE PAST THREE YEARS

On 28 August 2020, the Company received the Decision on Implementing Administrative Supervision Measure of Issuing Warning Letters to Zhu Jianmin ([2020] No. 13) (《關於對朱建民實施出具警示函行政監管措施的決定》([2020]13號)) from Henan Branch of the CSRC. For details, please refer to the announcement of the Company disclosed on the website of the SSE on 31 August 2018. (Announcement No.: 2020-063)

Save as disclosed above, the Directors, Supervisors and senior management of the Company have no other cases of being punished by the securities regulatory authorities in the past three years.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

VI. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the parent company	2,427
Number of in-service employees of the major subsidiaries	369
Total number of in-service employees	2,796

Composition	
Type of profession	Number of staff
Brokerage personnel	1,651
Investing banking personnel	304
Asset management personnel	85
Securities investment personnel	29
Researcher	34
International personnel	51
Legal compliance, risk control and audit personnel	86
IT personnel	70
Finance personnel	62
Administration and management personnel	361
Others	63
Total	2,796

Education level	
Type of education	Number of persons
Doctoral degree	15
Master's degree	666
Bachelor's degree	1,927
Associate's degree and below	188
Total	2,796

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Remuneration policies

The remuneration of the Company's employees is composed of basic salaries, allowances, performance bonus and welfare. Basic salary is a relatively fixed part of remuneration and is the basic income of employees. As a supplement to basic salary, allowance includes allowance for special posts and allowance for professional and technical personnel. Performance bonus is withdrawn from annual profits and distributed according to the results of performance evaluation in favor of the front-line employees with outstanding performance. The Company provided employees with statutory welfare such as social insurance and housing provident fund according to relevant state provisions. Moreover, to improve the level of welfare and security of employees, it offered employees enterprise annuity plan. The Company actively explored and worked out an employee equity incentive scheme and studied and designed a plan for employee equity incentive, and will initiate employee equity incentive at an appropriate time under the circumstances permitted by external laws and policies.

(III) Training plans

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

During the Reporting Period, the Company provided employee training at all levels and diversified business and compliance training and innovative training program by means of face-to-face teaching or mobile online training, in order to enhance their professional skills and quality and facilitate the strategic development of the Company. The headquarters successively organized 5 internal training classes, which were attended by 932 employees in total; the Company participated in trainings organized by superior and external training institutions, including 26 training classes organized by the CSRC, the Securities Association of China, the Organization Department of Henan provincial party committee, the Department of Finance of Henan Province, the SASAC of Henan province, the stock exchanges, etc. which were attended by 102 employees in total; subsequent online occupational training programs were also organized with the per capita courses of 15 hours. The Company incurred training expenditure amounting to RMB1.01 million. The Company organized and implemented a series of pertinent and foresighted occupational and business training programs, and built a platform for further study, in order to enhance the comprehensive quality and business skills of employees, and realized the mutual benefits of both the Company and employees. In 2021, the Company will, on the basis of its business needs, strengthen and expand the employee training, focus on the practicality of the training, continuously provide human resources and cultivate more excellent employees for its sustainable development.



SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(IV) Labour outsourcing

Total working hours on labor outsourcing

306,100 hours

Total payment for labor outsourcing

RMB4.1734 million

VII. OTHERS

Information about customer solicitation and customer service of commission brokers

Securities brokers are natural persons other than employees of the Company and authorized by the Company to engage in brokerage-related activities such as customer solicitation and customer service as an agent within the scope of authorization of the Company. The Company has signed an agency contract with securities brokers. The Company established a complete management system for securities brokers, covering qualification management of securities brokers, agency contract management, pre-job training and follow-up vocational training, registration management and information inquiry, code of practice, risk control, performance evaluation and remuneration payment, and achieved the centralized and unified management of securities brokers. The securities branches were responsible for the daily management of securities brokers. During the Reporting Period, while maintaining effective operation of the basic management system of securities brokers, the Company kept on reinforcing the management of securities broker business of our branches, gained insight into the developing situation of securities broker team in each branch, and optimized relevant daily management procedure of securities brokers. As of the end of the Reporting Period, the number of securities brokers of the Company amounted to 318.

SECTION 8 CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF THE CORPORATE GOVERNANCE

Being a public company listed in both Mainland China and Hong Kong, the Company operates in strict compliance with laws, regulations, and normative documents at the domestic and overseas listing place, and is committed to maintaining and improving its good social image. Strictly complying with the Company Law, Securities Law, Regulation on the Supervision and Administration of Securities Companies, Rules for Governance of Securities Companies, Code of Corporate Governance for Listed Companies, the Corporate Governance Code and other laws, regulations, and regulatory provisions, the Company has completed and improved its corporate governance structure under which party building work is deeply integrated with corporate governance, to further clarify the responsibility boundaries of party committee leadership, board decision-making, management execution, and supervision by the board of supervisors, and has formed a corporate governance mechanism that each department performs its own duties, responsibilities, operates coordinately, and maintains effective checks and balances, so as to ensure the regulated operation of the Company. The Company strictly complied with all code provisions of the Corporate Governance Code and met requirements for most recommended best practices specified in the Corporate Governance Code during the Reporting Period.

(I) Shareholders and general meeting

The general meeting shall be the supreme authority of the Company. All shareholders exercise their power through the general meeting. The Company strictly complied with the relevant requirements of the Articles of Association and Rules of Procedure for General Meetings to ensure that the calling, proposing, notice giving, convening, and voting procedures for general meetings are legal and valid, and all shareholders, especially minority shareholders, could enjoy equal status and fully exercise their rights as shareholders. The general meeting exercises the following functions and powers in accordance with the laws:

1. to decide on the business operation policies and investment plan for the Company;
2. to elect and change Directors and Supervisors who are not employees' representatives, and resolve on the remunerations of Directors and Supervisors;
3. to consider and approve reports of the Board;
4. to consider and approve reports of the Supervisory Committee;
5. to consider and approve the annual financial budgets and final accounting plans of the Company;
6. to consider and approve the Company's profit distribution plan and loss recovery plan;
7. to resolve on increase or decrease of the registered capital of the Company;
8. to resolve on issuance of bonds of the Company;
9. to resolve on the merger, division, dissolution, liquidation, or change of nature of organization of the Company;
10. to amend the Articles of Association;
11. to appoint, dismiss, or cease to re-appoint of the accounting firms;
12. to consider and approve the external guarantees of the Company that require the approval by the general meetings;



SECTION 8 CORPORATE GOVERNANCE REPORT

13. to consider the Company's purchase or disposal of material assets within one year of an aggregate value exceeding 30% of the latest audited total assets of the Company;
14. to consider and approve matters relating to the changes in the use of proceeds;
15. to consider share incentive scheme;
16. to consider and approve shareholding schemes of Directors, Supervisors, senior management, or employees of the Company;
17. to consider proposals proposed by shareholders holding no less than 3% (inclusive) in aggregate of the Company's shares;
18. to consider other matters which, in accordance with laws, administrative regulations, regulatory requirements regarding securities of the place(s) where the Company's shares are listed, and the Articles of Association, shall be resolved at a general meeting.

The matters resolved at a general meeting which are subject to approval by national regulatory and management authorities of securities shall take effect upon such approval. For those matters involving with change of registration, formalities on change of registration shall be gone through in accordance with laws.

(II) Directors and the Board

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

1. Composition of the Board

Four specialized committees, namely the Development and Strategy Committee, Risk Control Committee, Remuneration and Nomination Committee, and Audit Committee have been established under the Board of the Company. The Company appoints and changes directors in strict accordance with the provisions of the Articles of Association. The number of Directors and the composition of the Board are in compliance with the requirements of laws and regulations. Pursuant to the requirements of the Articles of Association, the Company's Board comprises 11 Directors. The Directors shall be elected at general meetings. The term of office of each session of the Board shall be three years, and the Directors may seek re-election upon expiry of the term of office. As of the end of the Reporting Period, the Company's Board comprises 11 Directors, including 2 executive Directors (Mr. Jian Mingjun and Mr. Chang Junsheng), 5 non-executive Directors (Mr. Li Xingjia, Mr. Wang Lixin, Mr. Tian Shengchun, Mr. Zhang Xiaoqi, and Mr. Lu Benson Cheng), and 4 independent non-executive Directors (Mr. Yuen Chi Wai, Mr. Ning Jincheng, Mr. Yu Xugang, and Ms. Zhang Dongming). Mr. Jian Mingjun is the chairman of the Company, and Mr. Chang Junsheng is the Vice Chairman of the Company. There is no relationship among the Directors, Supervisors and senior management including relationships in terms of financial, business, family, or other significant or related relations. All Directors are qualified to serve as directors of securities companies and listed companies.

SECTION 8 CORPORATE GOVERNANCE REPORT

During the Reporting Period, to further encourage Directors, Supervisors, and senior management to fully and diligently fulfill their duties, the Company purchased liability insurance for Directors, Supervisors, and senior management to control potential legal and regulatory risks that may arise in their performance of duties.

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

2. Responsibilities of the Board

- (1) to convene general meetings and report to general meetings;
- (2) to report at the annual general meetings and disclose in the annual reports the performance of Directors, including, among other things, the number of attendances of Directors at Board meetings and voting;
- (3) to execute resolutions of general meetings;
- (4) to resolve on the Company's business plans and investment plans;
- (5) to prepare the annual financial budgets and financial statements of the Company;
- (6) to prepare the profit distribution plan and loss recovery plan of the Company;
- (7) to prepare plans for the increase or reduction of the registered capital and the issuance of corporate bonds of the Company;
- (8) to formulate plans for material acquisitions, purchase of shares of the Company, or merger, division, dissolution, and change of the nature of incorporation of the Company;
- (9) to resolve on the establishment of internal management organizations and branches of the Company;
- (10) to appoint or dismiss the Company's president, chief compliance officer, secretary to the Board, and chief auditing officer as nominated by the chairman and determine their remunerations; to decide to appoint or dismiss the Company's vice president, chief financial officer, and other senior management as nominated by the president and determine their remunerations;
- (11) to set up the basic management system of the Company;
- (12) to formulate the proposals for any amendment to the Articles of Association;
- (13) to formulate proposals for appointment and dismissal of an accounting firm;

SECTION 8 CORPORATE GOVERNANCE REPORT

- (14) to decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, related party transactions, etc. of the Company within the authority granted by the general meeting;
- (15) to listen to the work report of the president of the Company and examine the president's work;
- (16) to listen to the report of the chief compliance officer on the compliance status of the Company;
- (17) to determine Directors' remunerations and distribution plan thereof, and submit special reports to the general meeting on the performance evaluation and remunerations of Directors;
- (18) to evaluate and determine the nature and extent of the risks the Company is willing to take in achieving its strategic objectives, ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems, oversee the Company's risk management and internal control systems on an ongoing basis, oversee management in the design, implementation and monitoring of the risk management and internal control systems, and ensure that a review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems has been conducted at least annually;
- (19) to exercise other functions and powers as stipulated by laws and regulations, departmental rules, regulatory documents, or the Articles of Association.

The Board may resolve on the issues specified in the above paragraphs by approval of more than half of the Directors save for the issues specified in (7), (8), and (12), in which approval of two-thirds of the Directors is required.

3. Chairman and president

The positions of the chairman of the Board and the president of the Company are held by different persons, so as to ensure the independence of their duties and balance of authorization. Mr. Jian Mingjun served as the chairman of the Board, and Mr. Chang Junsheng served as the president. The respective duties and authorities of the chairman of the Board and president of the Company are clearly divided and specified in the Articles of Association.

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

SECTION 8 CORPORATE GOVERNANCE REPORT

4. The Board and the management

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

(III) Supervisors and the Supervisory Committee

The Company's Supervisory Committee is responsible to all shareholders, and responsible for supervising the legal compliance of the Company's financial operations and the Company's directors, presidents, and other senior management in performing their duties, and safeguarding the lawful rights and interests of the Company and its shareholders. The calling, convening, transacting, and voting procedures for Supervisory Committee meetings are strictly in compliance with the Rules of Procedure for Supervisory Committee Meetings, ensuring the standard operation of the Supervisory Committee.

1. Composition of the Supervisory Committee

The Company's Supervisory Committee has two specialized committees, namely the Financial Supervision Committee and the Performance Supervision and Evaluation Committee. The Company appoints and changes Supervisors in strict accordance with the provisions of the Articles of Association. The number and composition of Supervisors are in compliance with the requirements of laws and regulations. Pursuant to the requirements of the Articles of Association, the Company's Supervisory Committee comprises 9 Supervisors. The term of office of each session of the Supervisory Committee shall be three years, and the Supervisors may seek re-election upon expiry of the term of office. On 30 March 2020, the Company convened the tenth meeting of the Sixth Session of the Supervisory Committee, at which Ms. Zhang Qiuyun was nominated as the candidate of the Supervisor of the Sixth Session of the Supervisory Committee; on 10 June 2020, the Company convened the 2019 Annual General Meeting, at which Ms. Zhang Qiuyun was elected as a Supervisor of the Sixth Session of the Supervisory Committee to formally perform the duties of a shareholder representative Supervisor of the Sixth Session of the Supervisory Committee, with a term of office until the expiry of the term of office of the Sixth Session of the Supervisory Committee. As of the end of the Reporting Period, the Company's Supervisory Committee comprises 9 Supervisors, including the chairman of the Supervisory Committee (Mr. Lu Zhili), 3 shareholder representative Supervisors (Ms. Zhang Qiuyun, Mr. Zhang Xiansheng, and Mr. Xie Junsheng), 2 independent Supervisors (Ms. Xiang Siying and Mr. Xia Xiaoning), and 3 employee representative Supervisors (Ms. Zhang Lu, Mr. Zhang Huamin and Ms. Xiao Yichen). All Supervisors are qualified to serve as supervisors of securities companies and listed companies.

SECTION 8 CORPORATE GOVERNANCE REPORT

2. Responsibilities of the Supervisory Committee

- (1) to examine financial operations of the Company;
- (2) to supervise the work performance of the Directors and senior management, and propose dismissal of Directors and senior management who have violated laws, regulations, the Articles of Association, or the resolutions of general meetings;
- (3) to require Directors and senior management to make corrections if their conduct has damaged the interests of the Company;
- (4) to require the Board to make corrections when any resolution of the Board runs against the laws and administrative regulations or regulations of China Securities Regulatory Commission;
- (5) to review the financial reports and profit distribution plans to be submitted by the Board to the general meetings; to conduct investigation if there is any doubt or any unusual circumstances in the Company's operations; and if necessary, to engage an accounting firm, law firm, or other professional institutions to assist in their work at the expenses of the Company;
- (6) to propose the convening of extraordinary general meetings and, in case the Board does not perform the obligations to convene and preside over the general meetings in accordance with Company Law, to convene and preside over the general meetings;
- (7) to propose proposals to the general meeting;
- (8) to coordinate with Directors on behalf of the Company or initiate legal proceedings against Directors and senior management in accordance with the laws;
- (9) to formulate remuneration plan and distribution plan for Supervisors and submit specific reports on performance evaluation and remuneration of Supervisors to the general meeting;
- (10) to exercise other functions and powers specified in the laws and regulations, departmental rules, regulatory documents, or the Articles of Association.

II. SUMMARY OF GENERAL MEETING

General meeting	Date of convention	Designated website for publication of the poll results	Date of publication of the poll results
2019 Annual General Meeting	10 June 2020	http://www.sse.com.cn/ http://www.hkexnews.hk	11 June 2020 10 June 2020
2020 First Class Meeting for Holders of A Shares	10 June 2020	http://www.sse.com.cn/ http://www.hkexnews.hk	11 June 2020 10 June 2020
2020 First Class Meeting for Holders of H Shares	10 June 2020	http://www.sse.com.cn/ http://www.hkexnews.hk	11 June 2020 10 June 2020

SECTION 8 CORPORATE GOVERNANCE REPORT

Particulars of general meetings

During the Reporting Period, the Company convened three general meetings in total, including one annual general meeting, one class meeting for holders of A shares, and one class meeting for holders of H shares, with the information about the meetings and resolutions set out as follows:

1. The Company convened the 2019 Annual General Meeting on 10 June 2020, and considered and approved the Work Report of the Board for the Year of 2019, the Work Report of the Supervisory Committee for the Year of 2019, the Annual Report for the Year of 2019, the Profit Distribution Plan for the Second Half of the Year of 2019, the Financial Statements for the Year of 2019, the Resolution on the Alignment in the Preparation of Financial Statements in Accordance with China Accounting Standards for Business Enterprises in Domestic and International Markets and the Appointment of the Auditing Firm for the Year of 2020, the Evaluations and Remuneration of the Directors for the Year of 2019, the Evaluations and Remuneration of the Supervisors for the Year of 2019, the Resolution on the Provision of Guarantee for Central China International Financial Holdings Company Limited, the Resolution on the Amendments to Articles of Association, the Resolution on the Amendments to the Rules of Procedure for the Meetings of the Board, the Resolution on the Amendments to the Rules of Procedure for the General Meetings, the Resolution on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2020, the Resolution on the Adjustments to the Plan of Non-public Issuance of A Shares by the Company, the Resolution on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures (Revised), the Resolution on the Extension of the Validity Period of the Authorization to the Board of Directors and its Authorized Persons to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares, and the Resolution on the Change of the Shareholder Representative Supervisor;
2. The Company convened the 2020 First Class Meeting for Holders of A Shares on 10 June 2020, and considered and approved the Resolution on the Adjustments to the Plan of Non-public Issuance of A Shares by the Company and the Resolution on the Extension of the Validity Period of the Authorization to the Board of Directors and its Authorized Persons to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares;
3. The Company convened the 2020 First Class Meeting for Holders of H Shares on 10 June 2020, and considered and approved the Resolution on the Adjustments to the Plan of Non-public Issuance of A Shares by the Company and the Resolution on the Extension of the Validity Period of the Authorization to the Board of Directors and its Authorized Persons to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares.

SECTION 8 CORPORATE GOVERNANCE REPORT

III. PERFORMANCE OF DUTIES BY DIRECTORS

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

Name of Directors	Whether or not an independent Director	Number of attendances at Board meetings	Attendance at Board meetings			Number of absence	Whether unable to attend in person for two consecutive meetings	Attendance at general meetings
			Number of attendance in person	Number of attendance through communication	Number of attendance by proxy			
Jian Mingjun	No	11	11	9			No	3
Chang Junsheng	No	11	11	9			No	3
Li Xingjia	No	11	11	9			No	3
Wang Lixin	No	11	11	9			No	3
Tian Shengchun	No	11	11	9			No	3
Zhang Xiaoqi	No	11	11	9			No	0
Lu Benson Cheng	No	11	11	9			No	0
Yuen Chi Wai	Yes	11	11	9			No	0
Ning Jincheng	Yes	11	11	9			No	3
Yu Xugang	Yes	11	11	9			No	3
Zhang Dongming	Yes	11	11	9			No	3
Number of Board meetings convened during the year								11
Among which: number of on-site meetings								0
Number of meetings held through communication								9
Number of meeting held by means of on-site combined with communication								2

SECTION 8 CORPORATE GOVERNANCE REPORT

(II) Particulars of meetings of the Board

During the Reporting Period, the Board convened a total of 11 meetings, and details of the meetings and resolutions are as follows:

1. The Company convened the fifteenth meeting of the Sixth Session of the Board on 9 January 2020, and considered and approved the Proposal on the Change of Representative of Securities Affairs and the Proposal on the Change of the Agent for Dividend Distribution of H Shares;
2. The Company convened the sixteenth meeting of the Sixth Session of the Board on 30 March 2020, and considered and approved the Announcement on Unaudited Annual Results for the Year Ended 31 December 2019, the Proposal on the Adjustments to the Plan of Non-public Issuance of A Shares by the Company, the Proposal on the Proposal of the Non-public Issuance of A Shares by the Company (Revised), the Proposal on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company (Revised), the Proposal on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures, the Proposal on the Extension of the Validity Period of the Authorization to the Board of Directors and its Authorized Persons to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares, the Proposal on Provision for Impairment on Assets, the Proposal on the Estimation of Related Party/Continuing Connected Transactions to be Contemplated in the Ordinary Course of Business for the Year of 2020, the Proposal on Determining the 2020 External Donation Budget and on External Donation and the Special Work Report on Information Technology for the Year of 2019;
3. The Company convened the seventeenth meeting of the Sixth Session of the Board on 22 April 2020, and considered and approved the Work Report of the Board for the Year of 2019, the Work Report of the President for the Year of 2019, the Duty Report of Independent Directors for the Year of 2019, the Annual Report for the Year of 2019 (A Shares), the Annual Report for the Year of 2019 (H Shares) and the Results Announcement for the Year Ended 31 December 2019, the Work Report of the Audit Committee under the Board for the Year of 2019, the Work Report of the Risk Control Committee under the Board for the Year of 2019, the Work Report of the Development and Strategy Committee under the Board for the Year of 2019, the Work Report of the Remuneration and Nomination Committee under the Board for the Year of 2019, the 2019 Social Responsibility Report and ESG (Environment, Social and Governance) Report, the 2019 Compliance Report, the 2019 Risk Management Annual Report, the 2019 Internal Control Assessment Report, the Profit Distribution Plan for the Second Half of 2019, the Financial Statements for the Year of 2019, the Proposal on the Alignment in the Preparation of Financial Statements in Accordance with China Accounting Standards for Business Enterprises in Domestic and International Markets and the Appointment of the Auditing Firm for the Year of 2020, the Proposal on Increasing the Fees for Overseas Audits for the Year of 2019, the Evaluation and Remuneration of the Directors of the Company for the Year of 2019, the Proposal on the Provision of Guarantee for Central China International Financial Holdings Company Limited, the Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2020, the Proposal on the Amendments to the Articles of Association, the Proposal on the Amendments to the Rules of Procedure for the Meetings of the Board, the Proposal on the Amendments to the Rules of Procedure for the General Meetings, the Proposal on the Formulating of Policy on Investigation System Relating to Materials Disclosure Errors in Annual Report of Central China Securities Co., Ltd., and the Proposal on the Convening of the 2019 Annual General Meeting, 2020 First Class Meeting for Holders of A Shares, and 2020 First Class Meeting for Holders of H Shares;



SECTION 8 CORPORATE GOVERNANCE REPORT

4. The Company convened the eighteenth meeting of the Sixth Session of the Board on 17 April 2020, and considered and approved the Proposal on Provision for Impairment on Assets, the Proposal on Risk Preference and Tolerance for the Year of 2020, the Proposal on the Business Scale and Size of Investment by Funds at the Disposal of the Company and Affordable Risk Limits in Asset Management for the Year of 2020, and the Proposal on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2020;
5. The Company convened the nineteenth meeting of the Sixth Session of the Board on 29 April 2020, and considered and approved the 2020 First Quarterly Report, the 2019 Audit Report, the Proposal on Capital Increase in Hong Kong Subsidiary, Central China International Financial Holdings Co., Ltd., the Proposal on the Formulating of the Administrative Measures for Compliance and Accountability of Central China Securities Co., Ltd., and the Proposal on Provision for Impairment on Assets;
6. The Company convened the twentieth meeting of the Sixth Session of the Board on 8 July 2020, and considered and approved the Proposal on the Change of the Authorized Person in the e-Submission System of the Hong Kong Stock Exchange, the Proposal on Provision for Impairment on Assets, the Proposal on the Amendments to the Risk Management Measures for New Business (New Product) of Central China Securities Co., Ltd., and the Proposal on the Formulating of the Investor Relations Management System of Central China Securities Co., Ltd.;
7. The Company convened the twenty-first meeting of the Sixth Session of the Board on 13 August 2020, and considered and approved the Proposal on the Amendments to the Articles of Association and Handling the Corresponding Registration Procedures for Industrial and Commercial Changes, the Proposal on the Transfer of the Partial Equity Interest of Central China Micro-lending Held by CCBO, the Proposal on the Establishment, Change of Name, and Adjustment of Function of Certain Headquarters Departments, and the Proposal on the Adjustment of Business Scale of Margin Financing and Securities Lending and Agreed Repurchase for the Year of 2020;
8. The Company convened the twenty-second meeting of the Sixth Session of the Board on 27 August 2020, and considered and approved the Proposal on Consideration of the Half Year Report of 2020, the Interim Results Announcement for the Six Months Ended 30 June 2020 and the 2020 Interim Report;
9. The Company convened the twenty-third meeting of the Sixth Session of the Board on 28 August 2020, and considered and approved the Proposal on the Formulating of the Major Special Work Reward Management Measures of Central China Securities Co., Ltd.;
10. The Company convened the twenty-fourth meeting of the Sixth Session of the Board on 30 October 2020, and considered and approved the 2020 Third Quarterly Report, the Proposal on Provision for Impairment on Assets, the Proposal on the Establishment, Change of Name, and Adjustment of Function of Certain Headquarters Departments, the Proposal on the Change of Two Securities Business Departments to Branch Companies, and the Proposal on the Adjustment of Business Scale of Margin Financing and Securities Lending and Agreed Repurchase;
11. The Company convened the twenty-fifth meeting of the Sixth Session of the Board on 31 December 2020, and considered and approved the Proposal on External Donation.

SECTION 8 CORPORATE GOVERNANCE REPORT

(III) Particulars of Directors' trainings

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

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

In March 2020, the Company organized all Directors to learn about the Interpretation of the Securities Law of the People's Republic of China, to provide legal support for their performance of duties subsequently;

In August 2020, Ms. Zhang Dongming, an independent Director, participated in the Second Follow-up Training Session for Independent Directors of Listed Companies in 2020 organized by the SSE;

In September 2020, all Directors participated in the online special training on the new Securities Law organized by the Henan Branch of the CSRC;

In November 2020, all Directors participated in the Training Session on Integrity and Self-Discipline Management for Practitioners organized by the Henan Securities and Futures Fund Association;

In November 2020, Mr. Jian Mingjun and Mr. Chang Junsheng, both being Directors, participated in the Follow-up Training for Securities Practitioners organized by the Securities Association of China.

SECTION 8 CORPORATE GOVERNANCE REPORT

IV. THE SPECIALIZED COMMITTEES UNDER THE BOARD

(I) Composition of specialized committees under the Board

The Development and Strategy Committee, Risk Control Committee, Remuneration and Nomination Committee and Audit Committee have been established under the Sixth Session of the Board of the Company. The committees shall, within their terms of reference specified in the rules of procedure, assist the Board in work, be accountable to the Board, and report their work to the Board.

As of the date of this report, the composition of specialized committees under the Board of the Company is as follows:

1. Development and Strategy Committee

Chairperson: Jian Mingjun (executive Director)
Members: Chang Junsheng (executive Director), Li Xingjia (non-executive Director), Wang Lixin (non-executive Director), Tian Shengchun (non-executive Director)

2. Risk Control Committee

Chairperson: Jian Mingjun (executive Director)
Members: Zhang Xiaoqi (non-executive Director), Ning Jincheng (independent non-executive Director)

3. Remuneration and Nomination Committee

Chairperson: Yuen Chi Wai (independent non-executive Director)
Members: Chang Junsheng (executive Director), Lu Benson Cheng (non-executive Director), Ning Jincheng (independent non-executive Director), Yu Xugang (independent non-executive Director)

4. Audit Committee

Chairperson: Zhang Dongming (independent non-executive Director)
Members: Yuen Chi Wai (independent non-executive Director), Tian Shengchun (non-executive Director)

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(II) Responsibilities of and meetings held by the specialized committees under the Board

1. Duty performance of the Development and Strategy Committee:

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

During the Reporting Period, the Development and Strategy Committee held four meetings with attendance by all members of the Development and Strategy Committee. The details of the meetings are as follows:

- (1) The Company convened the 2020 first meeting of the Development and Strategy Committee under the Sixth Session of the Board on 29 March 2020, and considered and approved the Proposal on Determining the 2020 External Donation Budget and External Donation, the Proposal on the Adjustment of the Plan of the Non-public Issuance of A Shares by the Company for the Year 2019, the Proposal on the Proposal of the Non-public Issuance of A Shares by the Company for the Year 2019, the Proposal on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company, the Proposal on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures, and the Proposal on the Extension of the Validity Period of the Authorization to the Board of Directors and its Authorized Persons to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares;
- (2) The Company convened the 2020 second meeting of the Development and Strategy Committee under the Sixth Session of the Board on 16 April 2020, and considered and approved the Proposal on the Business Scale and Size of Investment by Funds at the Disposal of the Company and Affordable Risk Limits in Asset Management for the Year of 2020, and the Proposal on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2020;
- (3) The Company convened the 2020 third meeting of the Development and Strategy Committee under the Sixth Session of the Board on 21 April 2020, and considered and approved the Work Report of the Board for the Year of 2019, the Work Report of the President for the Year of 2019, the Work Report of the Development and Strategy Committee of under Board for the Year of 2019, the 2019 Social Responsibility Report and ESG (Environment, Social and Governance) Report, the Proposal on the Provision of Guarantee for Central China International Financial Holdings Company Limited, and the Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2020;
- (4) The Company convened the 2020 fourth meeting of the Development and Strategy Committee under the Sixth Session of the Board on 29 October 2020, and considered and approved the Proposal on the Establishment, Change of Name, and Adjustment of Function of Certain Headquarters Departments, and the Proposal on the Change of Two Securities Branches to Branch Offices.

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2. Duty performance of the Risk Control Committee:

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

During the Reporting Period, the Risk Control Committee held two meetings with attendance by all members of the Risk Control Committee. The details of the meetings are as follows:

- (1) The Company convened the 2020 first meeting of the Risk Control Committee under the Sixth Session of the Board on 16 April 2020, and considered and approved the Proposal on Risk Preference and Tolerance for the Year of 2020;
- (2) The Company convened the 2020 second meeting of the Risk Control Committee under the Sixth Session of the Board on 21 April 2020, and considered and approved the Work Report of the Risk Control Committee under the Board for the Year of 2019, the 2019 Internal Control Assessment Report, the 2019 Compliance Report, the 2019 Risk Management Annual Report, and the Proposal on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2020.

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3. Duty performance of the Remuneration and Nomination Committee:

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

During the Reporting Period, the Remuneration and Nomination Committee held three meetings with attendance by all members of the Remuneration and Nomination Committee. The details of the meetings are as follows:

- (1) The Company convened the 2020 first meeting of the Remuneration and Nomination Committee under the Sixth Session of the Board on 8 January 2020, and considered and approved the Proposal on the Change of Representative of Securities Affairs;
- (2) The Company convened the 2020 second meeting of the Remuneration and Nomination Committee under the Sixth Session of the Board on 21 April 2020, and considered and approved the Work Report of the Remuneration and Nomination Committee under the Board for the Year of 2019, and the Evaluation and Remuneration of the Directors of the Company for the Year of 2019;
- (3) The Company convened the 2020 third meeting of the Remuneration and Nomination Committee under the Sixth Session of the Board on 27 August 2020, and considered and approved the Proposal on the Formulating of the Major Special Work Reward Management Measures of Central China Securities Co., Ltd.

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4. Duty performance of the Audit Committee:

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

During the Reporting Period, the Audit Committee had convened a total of eight meetings with attendance by all members of the Audit Committee. The details of the meetings are as follows:

- (1) The Company convened the 2020 first meeting of the Audit Committee under the Sixth Session of the Board on 29 March 2020, and considered and approved the Announcement of Unaudited Annual Results for the Year Ended 31 December 2019, the Proposal on Provision for Impairment on Assets, and the Proposal on the Estimated Ordinary Related Party/Continuing Connected Transactions for the Year of 2020;
- (2) The Company convened the 2020 second meeting of the Audit Committee under the Sixth Session of the Board on 16 April 2020, and considered and approved the Proposal on Provision for Impairment on Assets;
- (3) The Company convened the 2020 third meeting of the Audit Committee under the Sixth Session of the Board on 21 April 2020, and considered and approved the Annual Report for the Year of 2019, the Results Announcement for the Year Ended 31 December 2019, the Work Report of the Audit Committee under the Board for the Year of 2019, the 2019 Compliance Report, the Profit Distribution Plan for the Second Half of the Year of 2019, the Financial Statements for the Year of 2019, the Proposal on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited, and the Proposal on Increasing the Fees for Overseas Audits for the Year of 2019;
- (4) The Company convened the 2020 fourth meeting of the Audit Committee under the Sixth Session of the Board on 28 April 2020, and considered and approved the 2020 First Quarterly Report, the 2019 Audit Report, the Proposal on Capital Increase in Hong Kong Subsidiary, Central China International Financial Holdings Co., Ltd., and the Proposal on Provision for Impairment on Assets;
- (5) The Company convened the 2020 fifth meeting of the Audit Committee under the Sixth Session of the Board on 7 July 2020, and considered and approved the Proposal on Provision for Impairment on Assets;
- (6) The Company convened the 2020 sixth meeting of the Audit Committee under the Sixth Session of the Board on 12 August 2020, and considered and approved the Proposal on the Transfer of the Partial Equity Interest of Central China Micro-lending Held by CCBO;
- (7) The Company convened the 2020 seventh meeting of the Audit Committee under the Sixth Session of the Board on 26 August 2020, and considered and approved the Proposal on Consideration of the Half Year Report of 2020, the Interim Results Announcement for the Six Months Ended 30 June 2020 and the 2020 Interim Report;
- (8) The Company convened the 2020 eighth meeting of the Audit Committee under the Sixth Session of the Board on 29 October 2020, and considered and approved 2020 Third Quarterly Report.

During the Reporting Period, each of the members of specialized committees under the Board has attended all the meetings of their respective specialized committees.

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V. PERFORMANCE OF DUTIES BY SUPERVISORS

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

Name of Supervisors	Whether or not an independent Supervisor	Attendance at meetings of the Supervisory Committee					Whether unable to attend in person for two consecutive meetings	Attendance at general meetings
		Number of required attendances at meetings of the Supervisory Committee	Number of attendance in person	Number of attendance through communication	Number of attendance by proxy	Number of absence		
Lu Zhili	No	7	7	5			No	3
Cao Zongyuan	No	4	4	3			No	0
Zhang Qiuyun	No	3	3	2			No	0
Zhang Xiansheng	No	7	7	5			No	0
Xie Junsheng	No	7	7	5			No	0
Xiang Siying	Yes	7	7	5			No	3
Xia Xiaoning	Yes	7	7	5			No	3
Zhang Lu	No	7	7	5			No	3
Xiao Yichen	No	7	7	5			No	3
Zhang Huamin	No	7	7	5			No	0
Number of meetings of the Supervisory Committee held during the year								7
Among all: number of on-site meetings								2
Number of meetings held through communication								5

(II) Particulars of meetings of the Supervisory Committee

The Supervisory Committee organized and convened 7 meetings in total during the Reporting Period, and details of the meetings and resolutions are as follows:

- On 30 March 2020, the Company convened the tenth meeting of the Sixth Session of the Supervisory Committee and considered and approved the Announcement of Unaudited Annual Results for the Year Ended 31 December 2019, the Proposal on the Adjustments to the Plan of Non-public Issuance of A Shares by the Company, the Proposal on the Proposal of the Non-public Issuance of A Shares by the Company (Revised), the Proposal on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company (Revised), the Proposal on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures (Revised), the Proposal on Provision for Impairment on Assets, the Proposal on the Estimated Ordinary Related Party/Continuing Connected Transactions for the Year of 2020, and the Proposal on the Change of the Shareholder Representative Supervisor;



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2. On 22 April 2020, the Company convened the eleventh meeting of the Sixth Session of the Supervisory Committee and considered and approved the Work Report of the Supervisory Committee for the Year of 2019, the Work Report of the Financial Supervision Committee under the Supervisory Committee for the Year of 2019, the Work Report of the Performance Supervision and Evaluation Committee under the Supervisory Committee for the Year of 2019, the Profit Distribution Plan for the Second Half of 2019, the Financial Statements for the Year of 2019, the Annual Report for the Year of 2019 (A Shares), the Annual Report for the Year of 2019 (H Shares) and the Results Announcement for the Year Ended 31 December 2019, the Proposal on the Alignment in the Preparation of Financial Statements in Accordance with China Accounting Standards for Business Enterprises in Domestic and International Markets and the Appointment of the Auditing Firm for the Year of 2020, the 2019 Social Responsibility Report and ESG (Environment, Social and Governance) Report, the 2019 Compliance Report, the 2019 Internal Control Assessment Report, the Evaluations and Remuneration of the Supervisors for the Year of 2019, and received the 2019 Annual Risk Management Report and the 2019 Audit Report;
3. On 17 April 2020, the Company convened the twelfth meeting of the Sixth Session of the Supervisory Committee and considered and approved the Proposal on Provision for Impairment on Assets;
4. On 29 April 2020, the Company convened the thirteenth meeting of the Sixth Session of the Supervisory Committee and considered and approved the 2020 First Quarterly Report, and the Proposal on Provision for Impairment on Assets;
5. On 8 July 2020, the Company convened the fourteenth meeting of the Sixth Session of the Supervisory Committee and considered and approved the Proposal on Provision for Impairment on Assets;
6. On 27 August 2020, the Company convened the fifteenth meeting of the Sixth Session of the Supervisory Committee and considered and approved the Proposal on Consideration of the Half Year Report of 2020, the Interim Results Announcement for the Six Months Ended 30 June 2020 and the 2020 Interim Report;
7. On 30 October 2020, the Company convened the sixteenth meeting of the Sixth Session of the Supervisory Committee and considered and approved 2020 Third Quarterly Report, and the Proposal on Provision for Impairment on Assets.

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VI. THE COMPANY'S CORRESPONDING SOLUTIONS, WORK PROGRESS AND FOLLOW-UP PLAN TO COMPETITION

The Company entered into a non-competition agreement (the "Non-Competition Agreement") with Henan Investment Group on 10 March 2014, pursuant to which Henan Investment Group undertook that, except for completed or ongoing business transactions by the excluded business companies, neither itself nor its controlled entities (as defined under the Non-Competition Agreement) will, on its own account, or in conjunction with any third parties in or outside the PRC, in whatever manner, directly or indirectly, engage or participate in, or assist to engage or participate in, any business which competes or may compete with the Company's principal business. Henan Investment Group has confirmed that it complied with the terms of Non-Competition Agreement during the Reporting Period. During the Reporting Period, independent non-executive Directors have, in relation to the decision on observing and performing the Non-competition Agreement, conducted annual review over the Non-Competition Agreement to confirm that Henan Investment Group has fully complied with the Non-Competition Agreement and does not have any such breach.

VII. ESTABLISHMENT AND IMPLEMENTATION OF PERFORMANCE APPRAISAL AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Company adheres to the principle of giving both encouragement and restraints for senior management and has strictly implemented the performance appraisal for senior management, as well as improved the performance appraisal system and enriched the content of appraisal for cadre, so as to ensure the competitiveness of its cadre team. It has carried out comprehensive appraisal for cadre in terms of conduct, capability, diligence, performance and integrity through various means, including performance appraisal, democratic assessment, and individual conversation. With reference to the results of performance appraisal, the Company will promote and make good use of outstanding cadre and strictly put the relevant system of the Company into execution regarding those not meeting the requirements of their positions, with a view to adopting an appropriate talent employment mechanism based on merits. The Company will assess the achievement of performance goals by its senior management. For those failing to complete the operation goals and major work tasks, the Company will give comments and warnings, conduct conversations with admonition, assess and reduce bonus according to the completion progress of performance goals or propose for demotion to the Board and superior competent departments after assessment. The performance awards for senior management will be determined based on their completion progress of annual goals and results of performance appraisal, in accordance with the Implementation Plans for Awards Distribution of Central China Securities Co., Ltd., which was considered and approved by the Board. The Company will also strictly comply with relevant requirements regarding deferred payment of remuneration of senior management according to industry practice.

VIII. WHETHER TO DISCLOSE THE INTERNAL CONTROL SELF-EVALUATION REPORT

For details of the Internal Control Self-evaluation Report, please see the Internal Control Assessment Report of Central China Securities Co., Ltd. for the Year 2020 disclosed by the Company on the website of the SSE on 31 March 2021.

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IX. DESCRIPTION OF AUDIT REPORT ON INTERNAL CONTROL

The Company has engaged ShineWing Certified Public Accountants (Special General Partnership) as the auditors for internal control. ShineWing Certified Public Accountants (Special General Partnership) has issued the Audit Report on Internal Control of Central China Securities Co., Ltd.

For details of the Audit Report on Internal Control, please see the Audit Report on Internal Control of Central China Securities Co., Ltd. disclosed by the Company on the website of the SSE on 31 March 2021.

Opinion type of Audit Report on Internal Control: standard unmodified opinion

X. RESPONSIBILITY STATEMENT ON INTERNAL CONTROL AND ESTABLISHMENT OF INTERNAL CONTROL SYSTEM

(I) Responsibility statement on internal control

In accordance with the requirements of the Corporate Internal Control Standards and System, it is the responsibility of the Board to establish sound and effective internal control, assess its effectiveness, and truthfully disclose the assessment report on internal control. The Supervisory Committee oversees the establishment and implementation of internal control by the Board, while the operational management is responsible for organizing and steering the daily operation of internal control.

The internal control of the Company aims at providing reasonable assurance for the legal compliance of operation and management, safety of assets, true and complete financial report and relevant information, and improvement of operational efficiency and effectiveness so as to facilitate the implementation of development strategies. Due to its inherent limitations, internal control can only provide reasonable assurance for achievement of the above objectives. Moreover, changes in circumstances may render the internal control inappropriate or reduce the degree of control over the compliance with policies and procedures, and predicting effectiveness of internal control in future according to the appraisal results of internal control may involve certain risks.

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

The Board of Directors is responsible for continuously supervising on and for the risk management and internal control system of the Company, for reviewing the effectiveness of such risk management and internal control and for a sound, proper and effective internal control system to safeguard the assets of the Group. Such risk management and internal control system aims at managing instead of eliminating risk of failure in striking business and as far as avoiding major misstatement or loss is concerned, only reasonable instead of absolute guarantee can be made. The Board, through Audit Committee, reviews the effectiveness of the internal control system of the Group on an annual basis.

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

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(II) Basis of the establishment of internal control over financial reporting

A comprehensive internal control over financial reporting has been established by the Company, taking into account the actual conditions of the Company, in accordance with the Basic Standard for Enterprise Internal Control and Supporting Guidance for Enterprise Internal Control jointly promulgated by the Ministry of Finance, CSRC, National Audit Office of the PRC, China Banking Regulatory Commission, and China Insurance Regulatory Commission, as well as other documents, including Guidelines for the Internal Control of Securities Companies issued by CSRC and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies issued by the SSE.

According to the requirements for determining material defects, major defects, and general defects as defined in the Basic Standard for Enterprise Internal Control, Guidelines for the Internal Control of Securities Companies, and the Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies, taking into account its scale, industry-specific features, risk preference and tolerance, and other factors, the Company studied and defined the specific criteria for determination of the defects in the internal control of the Company.

During the Reporting Period, the sound system of internal control over financial reporting of the Company ran well and can ensure the quality of financial information and the annual financial report meeting the requirement of the accounting standards, giving a true, exact, and complete view of its financial position, operating results, and relevant information. According to the assessment of the significant defect in internal control over financial reporting of the Company, during the Reporting Period, the Company did not have any significant defect in internal control over financial reporting.

(III) Establishment of internal control system

Since its establishment, the Company has been attaching great importance to the development of internal rules and regulations and management system. From the level of corporate governance, it has strengthened the system control from top to bottom for various businesses and management work. Based on relevant laws and regulations and according to the actual situation, the Company has comprehensively considered its internal environment, risk assessment, control activities, information and communication, internal supervision, and other factors to develop a more comprehensive internal control system, and kept supplementing, revising, and improving the internal control system according to requirements in respect of industry regulation, business development, and risk management strengthening. Such internal control system has basically covered the operational management of the Company in different aspects and business segments at all levels, which has been implemented effectively. The Company always places the development of internal control throughout the operation and development of the Company, so as to ensure sustainable, sound and stable growth of the Company by continuously improving the system and strengthening the implementation thereof with effective supervision and inspection.

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

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

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2. Procedures remedying the defects of the internal control

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

3. Management rules on inside information

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

XI. ESTABLISHMENT OF COMPLIANCE MANAGEMENT SYSTEM OF THE COMPANY

(I) Establishment of compliance management system of the Company

The Board and management of the Company attach great importance to compliance management. Under the supervision and guidance of the regulatory authorities, the Company always regards compliance as the lifeline of business development, fully implements a compliance culture, with compliance risk control capabilities gradually strengthened, and the standardization of operation management and execution behavior gradually improved.

In accordance with the Regulation on the Supervision and Administration of Securities Companies, Guidelines for the Internal Control of Securities Companies, and the Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies and other regulatory requirements, the Company has established a comprehensive compliance management organization system with a clear division of labor, and established and continuously improved the four-level compliance management organizational structure composed of "Board, chief compliance officer, compliance management headquarters, and compliance officers", with clear responsibilities at all levels and smooth reporting paths. At the same time, the coordination of compliance management, risk control, auditing and other internal control functional departments has played an effective control role in the compliance operation of the Company's various units.

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In 2020, the Company further promoted various compliance management tasks. Firstly, based on system construction, we strengthened compliance review and control, and strengthened the Company's compliance risk defense line. A total of 18 compliance management related systems were organized and issued throughout the year. At the same time, we supervised all units of the Company to do a good job in system construction and improvement, embed compliance requirements into business processes, which ran through all links such as decision-making, execution, supervision, and feedback. We continued to strengthen the audit and consulting support for the business, implemented a multi-level audit mechanism, and strictly controlled the entry points and compliance risks. Secondly, we took supervision and inspection as the main focus, implemented a compliance risk monitoring and reporting mechanism, and improved professional compliance management capabilities. In accordance with the actual operation and management, the Company organized compliance inspection and monitoring of key businesses, key areas, and key dimensions, effectively preventing and resolving compliance risks and strengthening the Company's internal control management; we adopted technical means and technological empowerment to improve the level of informatization of compliance management; we took daily supervision and monitoring data as a base to regularly summarize reports, so that the management team could keep abreast of the Company's overall compliance status in a timely manner. Thirdly, guided by the construction of a compliance culture, we carried out regular and continuous promotion and training to further enhance the compliance awareness of all employees. We organized and compiled publicity materials such as industry regulatory trends, warning cases, compliance work newsletters, and regulatory express; we organized special training on compliance risk points, professional competence training and testing of compliance management personnel, and conducted activities such as compliance culture promotion month. We continued to convey the latest supervision spirit to managers and employees at all levels, promoted the construction of a compliance culture, and urged all employees to consciously become firm believers and practitioners of legal rules. Fourthly, we took legal compliance operations as the standard, strengthened compliance assessment and accountability, and enhanced the effectiveness of compliance management. We incorporated the effectiveness of compliance management and the compliance of practice behaviors into the scope of the annual assessment of the Company's units and staff, organized the establishment of an annual compliance assessment index system for the Company's senior managers, compliance managers, and units; we regularly organize a comprehensive evaluation of the effectiveness of compliance management of each unit, promptly supervise the implementation of rectification in response to evaluation issues, and continue to promote the positive cycle of self-evaluation and self-improvement. We organized the revision and issuance of compliance and accountability management measures, further improved the accountability organization system, optimized accountability measures, and standardized accountability procedures. We take serious accountability measures for violations of laws, regulations and standards, and give full play to the deterrence of accountability and the role of warning education.

(II) Inspections completed by the Compliance Management Department

In 2020, the Compliance Management Department organized or participated in a total of 26 internal inspections, including special inspections for information isolation of investment bank lines, routine compliance inspections for investment banking businesses, daily compliance management inspections of branches, customer suitability inspections, anti-money laundering obligations fulfillment inspections, special inspections of real-name securities account system, compliance inspections of proprietary business, compliance inspections of asset management business, inspections of implementation of information technology management measures of securities and fund management institutions, compliance inspections of intermediate introduction business, alternative subsidiary compliance management inspections, employee investment behavior self-examinations, product sales and marketing personnel practice management self-examinations, and investment consulting business self-examinations in combination with the actual operation and main areas of risk in the businesses according to the supervision and self-regulatory requirements. Through compliance inspection and self-examination, the Company effectively identified and defused compliance risks, screened potential compliance risks, and encouraged relevant units to strengthen their fundamental work and standardize their business management.

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(III) Work initiated by the Audit Department

During the Reporting Period, by closely monitoring the changes in business development trends and regulatory requirements, the Company's internal audit department, keeping being oriented by the risks, has performed the functions of internal audit by correcting and preventing mistakes, controlling risks and providing advice on management. The audit department of the Company completed 90 audits in total, including ordinary audits of principal business lines, headquarters departments, branches, and subsidiaries, and resigned audits to the economic responsibility of some key operation management members. It also organized and conducted annual assessment on internal control of the Company, assessment on comprehensive risk management and effectiveness valuation on internal control of the investment banking business.

Certain problems in the operational management of the Company were objectively reflected through supervision and inspection carried out by the auditors. The audit department paid attention to the rectification of the problems, for the purpose of continuously increasing the risk prevention awareness and active compliance awareness of the audited entities, and further improving the internal control of the Company.

(IV) Monitoring of risk control indicators and building of replenishment mechanism

The Company set up a dynamic monitoring and management model of risk control index system centering on net capital and liquidity according to a series of relevant regulations including Measures for the Management of the Risk Control Indexes of Securities Companies of the CSRC, and monitored, conducted warning for, and reported various indexes in strict accordance with the CSRC's regulations. It continuously optimized the functions of the dynamic monitoring system of net capital and liquidity to ensure that the dynamic monitoring system can effectively support the monitoring of risk control indicators such as net capital and liquidity. The Company established the complete stress test mechanism as required by the Guidelines on Securities Companies' Stress Test issued by Securities Association of China and conducted regular and irregular stress tests. In order to ensure that risk control indicators continue to meet regulatory requirements, the Company has established a dynamic replenishment mechanism for risk control indicators such as net capital. When the main risk control indicators such as net capital approached or met the early warning standards stipulated by the CSRC, the Company would replenish the net capital by controlling the business scale, adjusting the asset structure, issuing subordinated bonds, raising capital and so on, so as to effectively guarantee that the main risk control indicators such as net capital of the Company meet the standard. The Company continued to enhance the capital management capability to further improve capital's role in guiding and restricting the development of various businesses, guaranteed sustainable, healthy, and rapid development of business lines with sufficient capital, thus maximizing value for the shareholders.

During the Reporting Period, based on the monitoring and measurement of various indexes including net capital, the Company regularly analyzed and evaluated the support of net capital for the Company's business development, studied and tested rational and efficient allocation of net capital, reserved sufficient net capital support for carrying out major business, and built the dynamic linkage mechanism between business scale and net capital. The Company, based on the aforesaid risk management activities, regularly prepared Monthly Report on Risk Management to provide a comprehensive analysis and evaluation on the profile of the Company's financial and net capital risks, realizing effective control on financial and net capital risks. During the Reporting Period, in accordance with the Company's business development and capital replenishment plan, the Company issued long-term subordinated bonds of RMB1.5 billion, and the net proceeds from the non-public issuance of A shares were RMB3.6 billion, which greatly enhanced its capital strength.

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XII. OTHERS

(I) Shareholders' rights

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

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

Shareholders may convene extraordinary general meetings or class general meetings and put forward proposals at such meetings according to Article 81 of Articles of Association "Shareholder(s) severally holding 10% or more shares of the Company shall be entitled to request in writing the Board to convene an extraordinary general meeting or class general meeting of the Company. Two or more shareholders aggregately holding 10% or more shares with the voting right in the proposed meeting shall be entitled to sign a written requisition in one or more counterparts in the same form and content, requiring the Board to convene an extraordinary general meeting or class general meeting and state in such written requisition the matters to be discussed at the meeting. The aforesaid number of shares shall be calculated in accordance with the shares held on the day on which the written requisition is made by the shareholders. The Board shall, pursuant to relevant laws, administrative regulations and Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding no less than 10% shares of the Company shall be entitled to propose in writing to the Supervisory Committee to convene an extraordinary general meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Supervisory Committee fails to issue the notice for the general meeting within the specified time, the Supervisory Committee shall be deemed as failing to convene or preside the general meeting. The shareholder(s) severally or jointly holding no less than 10% shares of the Company for no less than 90 consecutive days may convene and preside over such meeting on his or their own.", Article 110 "Where the Company convenes a general meeting, the Board, Supervisory Committee, and shareholder(s) severally or jointly holding no less than 3% shares of the Company may make proposals to the Company." and Article 111 "Shareholder(s) severally or jointly holding no less than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other shareholders within two days after receipt of such proposal, and include the matters within the proposal on the agenda for the said meeting and submit for approval at the general meeting if the said matter falls within the functions and powers of general meetings. The contents of the provisional proposal shall fall within the functions and powers of general meetings and have specific discussion topic and specific matters to be resolved. Save as specified above, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice is served. The general meeting shall not vote or pass resolutions on proposals not listed in the notice of the general meeting or resolutions not in conformity with following article of the Articles of Association." Shareholders may convene an extraordinary general meeting or a class meeting based on the stated procedures and put forward proposals at the general meeting. The shareholders may attend general meetings and exercise voting rights either in person or by proxy. The minutes together with the attendance record of shareholders and the powers of attorney of the proxies shall be kept at the Company's premises. Shareholders may have access to copies of the minutes free of charge during the office hours of the Company. The Articles of Association have been disclosed on the website of the Company and the HKExnews website of the Hong Kong Stock Exchange.



SECTION 8 CORPORATE GOVERNANCE REPORT

(II) Company Secretary

The Company appointed Ms. Kwong Yin Ping, Yvonne, president of SWCS Corporate Services Group (Hong Kong) Limited, as the Company Secretary of the Company. The main contact person of Ms. Kwong Yin Ping, Yvonne in the Company is Mr. Zhu Qiben, the secretary to the Board. During the Reporting Period, Ms. Kwong Yin Ping, Yvonne received no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Hong Kong Listing Rules.

(III) Compliance with Model Code

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

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

(IV) Responsibilities of Directors concerning financial statements

The declarations of the responsibilities of Directors concerning financial statements set out hereinafter and the responsibilities of CPAs in the Independent Auditor's Report of this report shall be read jointly but understood independently.

All the Directors of the Company confirmed their responsibility of preparing the financial statements that can truly reflect the Company's operating results for each financial year. To the knowledge of the Directors, no event or circumstance that may cause material adverse impact on the Company's continuous operations needs to be reported.

(V) Communications with shareholders

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

The Articles of Association was amended for three times during the Reporting Period. For details, please see the Articles of Association dated 3 January 2020, 10 June 2020 and 13 August 2020, respectively, of the Company.

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

SECTION 8 CORPORATE GOVERNANCE REPORT

The Company set “Investor Relations” column in its website for publishing such information as announcements and financial data of the Company. Shareholders can also directly call the Company to inquire about relevant information, and the Company will deal with such inquiry in a timely and proper manner.

The Company welcomes all shareholders attending general meetings and facilitates their attendance in a permitted range. The Company’s Directors, Supervisors and senior management will attend general meetings. According to code provision E.1.2 of the Corporate Governance Code, the chairman and the chairpersons of the Audit Committee, Remuneration and Nomination Committee, and other specialized committees under the Board shall attend the annual general meeting and answer questions at the meeting. The management of the Company shall ensure that the external auditors can attend the annual general meeting and answer relevant questions put forward by shareholders.

(VI) Investor relation activities

Since its listing, the Company has been always attaching great importance to the investor relations. It maintains a good image in the capital market by establishing sound relationship between the Company and investors. The Company has formulated the information submission and disclosure measures in accordance with laws, rules, and department regulations such as the Company Law, the Securities Law, and the Administrative Measures for the Information Disclosure of the Listed Companies.

In terms of daily communication, the Company establishes the complete regular communication mechanism, reports the operation conditions of the Company to shareholders on a regular basis via mobile Internet and annual general meetings, and continuously recommends the investment value of the Company. In 2020, the Company browsed the E Interactive Platform of the SSE and investors’ emails and answered investors’ hotline on a daily basis, and gave prompt replies to questions concerned by investors. The Company participated in the Online Collective Reception Day of Henan listed companies and interacted on issues of concern to investors, such as corporate governance, development strategies, operating conditions and financing plans. The above methods effectively enhanced the degree of participation in the Company by shareholders and investors and guaranteed the open and transparent operation.

The Company focuses on reports on the Company on the public media and the transaction of its shares, verifies the authenticity of reports with related parties, promptly analyzes and judges the possible enterprise expectations of investors according to public opinions on the capital, and provides guidance for the development of investor relations.

SECTION 8 CORPORATE GOVERNANCE REPORT

(VII) Appointment and remuneration of auditors

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

(VIII) Review by the Audit Committee

The Audit Committee has reviewed the Company's 2020 Audit Report and 2020 Annual Results.

(IX) Board diversity policy

1. Board diversity policy

The Company has adopted the board diversity policy according to code provision A.5.6 of the Corporate Governance Code. The Company's board diversity policy can be summarized as follows: The Company knows and believes that the board diversity will be beneficial to the Company, and views it as an important element in maintaining its competitive edge. In designing the Board's composition, the Company considers board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service, etc. The appointment of the Directors will be based on meritocracy, and candidates will be considered with due regard for the capacity, skill, and experience required for the overall operation of the Board, so as to ensure the proper balance of the members of the Board. The Remuneration and Nomination Committee of the Company will review and assess the composition of the Board, and provide suggestions to the Board for the appointment of new directors. The Remuneration and Nomination Committee of the Company will discuss annually all the agreed measurable objectives for implementing the board diversity, and provide relevant suggestions on the objectives to the Board.

2. Reasons for adopting the Board diversity policy

The Company believes that diversity underpins the effective and successful operation on Board and helps the Remuneration and Nomination Committee and the Board to ensure that the Board has balanced skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. With a view to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The appointment of the Directors will be based on candidates' talents and capacities, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. When selecting candidates for Directors, the Company, as a financial enterprise, will take into consideration the education background and industry background related to economics, finance and management education for the sake of diversity.

SECTION 8 CORPORATE GOVERNANCE REPORT

3. Measurable objectives

Selection of candidates will be based on range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

4. Implementation and monitoring

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

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

- (1) Gender: Among the existing 11 Directors, one is female and the remaining ten are male;
- (2) Education background: Among the existing 11 Directors, 4 have doctor's degrees; 5 have master's degrees; and 2 have bachelor's degrees;
- (3) Age: Among the existing 11 Directors, 2 are aged 60 and over and 9 are under 60;
- (4) Positions: Among the existing 11 Directors, 2 are executive Directors, 5 are non-executive Directors, and 4 are independent non-executive Directors.

SECTION 9 INFORMATION ON CORPORATE BONDS ISSUED BY THE COMPANY

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
2018 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	18 Central China 01	150323	26 April 2018	27 April 2021	15	5.58	Simple interest on an annual basis	SSE
2019 Corporate Bonds Publicly Issued to Qualified Investors (Tranche 1) of Central China Securities Co., Ltd.	19 Central China 01	155259	25 March 2019	26 March 2022	20	3.9	Simple interest on an annual basis	SSE
2019 Non-public Issuance of Corporate Bonds (Tranche 1) of Central China Securities Co., Ltd.	19 Central China C1	162323	29 October 2019	30 October 2022	10	4.9	Simple interest on an annual basis	SSE
2020 Non-public Issuance of Corporate Bonds (Tranche 1) of Central China Securities Co., Ltd.	20 Central China C1	166631	22 April 2020	23 April 2023	15	4.08	Simple interest on an annual basis	SSE

Interest payment and due repayment of corporate bonds

During the Reporting Period, the Company paid the interest of "18 Central China 01", "19 Central China 01" and "19 Central China C1" in full as scheduled. The Company repaid the "17 Central China 01", "17 Central China 02" and "19 Central China F1" in full as scheduled. "20 Central China C1" has not reached the maturity date and interest payment date and no due repayment or interest payment occurred.

Other information on corporate bonds

Arrangement to ensure the suitability of investors: the target subscribers of "18 Central China 01", "19 Central China C1" and "20 Central China C1" are institutional investors in compliance with the requirement of the Provisions on the Administration of Subordinated Debts of Securities Companies (《證券公司次級債管理規定》). "19 Central China 01" was publicly issued to professional investors who shall have the ability to identify and bear respective risks. They shall be aware of and bear their own investment risks of the corporate bonds and qualified for respective conditions of the Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》) and the Administrative Measures of the Shanghai Stock Exchange for Suitability of Investors in the Bond Market (《上海證券交易所債券市場投資者適當性管理辦法》).

SECTION 9 INFORMATION ON CORPORATE BONDS ISSUED BY THE COMPANY

II. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

For “18 Central China 01”, the use of proceeds agreed in the offering circular is to satisfy the business operational needs of the Company, to adjust debt structures of the Company and to replenish the liquidity of the Company. The Company strictly complied with the use of proceeds agreed in the offering circular. All proceeds were applied to replenish the liquidity of the Company, with no remaining amount recorded as of the end of the Reporting Period. The use of proceeds set out in the offering circular of “19 Central China 01” is to repay due debts, to adjust and optimize debt structures and to reduce financial risks; such proceeds are otherwise used to replenish working capital and to satisfy the business operational needs of the Company. The Company strictly complied with the use of proceeds agreed in the offering circular, after deducting the issuance expenses, all proceeds were applied to repay principal and pay interest of matured debts, with no remaining amount recorded as of the end of the Reporting Period. The use of proceeds set out in the offering circular of each of “19 Central China C1” and “20 Central China C1” is to repay the matured or repurchased debt financing instruments. The Company strictly complied with the use of proceeds agreed in each of the offering circular. All proceeds were applied to repay principal and pay interest of matured debts, with no remaining amount recorded as of the end of the Reporting Period.

III. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS AS OF THE END OF THE REPORTING PERIOD

Unit: Yuan Currency: RMB

Major Indicators	2020	2019	Changes compared with the corresponding period of last year (%)	Reason for change
Current ratio	1.56	1.55	0.65	
Quick ratio	1.56	1.55	0.65	
Gearing ratio (%)	66.08	69.73	-5.23	
EBITDA to total debts ratio	3.96	4.87	-18.69	Mainly due to decrease in EBITDA and increase in total debts
Interest coverage ratio	1.18	1.13	4.42	
Cash interest coverage ratio	4.28	6.86	N/A	Mainly due to changes in net cash flows from operating activities
EBITDA interest coverage ratio	1.27	1.21	4.96	
Loan repayment ratio (%)	100	100	0.00	
Interest payment ratio (%)	100	100	0.00	



SECTION 9 INFORMATION ON CORPORATE BONDS ISSUED BY THE COMPANY

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

Other bonds and debt financing instruments of the Company mainly include beneficiary certificates and capital refinancing of CSF etc.. During the Reporting Period, the payment of interests and repayment of principal of bonds and debt financing instruments were settled in full as scheduled according to contract or relevant agreements and there was no default recorded.

V. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As of the end of the Reporting Period, the Company obtained total banking facilities amounting to RMB31.08 billion, in which RMB7.947 billion was utilized and in normal use. During the Reporting Period, various banking borrowings obtained by the Company have no breach or delay in principal repayment and interest payment.

VI. IMPLEMENTATION BY THE COMPANY OF COVENANTS OR COMMITMENTS SET OUT IN THE OFFERING CIRCULAR OF THE CORPORATE BONDS DURING THE REPORTING PERIOD

During the Reporting Period, the Company strictly implemented the covenants or commitments as specified in the above-mentioned offering circular of the corporate bonds. There was no breach of the covenants and commitments as specified in the offering circular.

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

During the Reporting Period, the Company has no other material events as prescribed in Article 45 of the Administrative Measures for the Issuance and Trading of Corporate Bonds.

SECTION 10 FINANCIAL REPORT

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Auditor's Report

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XYZH/2021BJAB10261

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

1 Opinion

We have audited the financial statements of Central China Securities Co., Ltd. (the "Company"), and its subsidiaries (the "Group"), which comprise the consolidated and the Company's balance sheet as at 31 December 2020, the consolidated and the Company's income statement, the consolidated and the Company's cash flow statement and the consolidated and the Company's statement of changes in shareholders' equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2020, the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2 Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

3 Key Audit Matters

Key audit matters are the items that, in our professional judgment, are the most significance in our audit of the current financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our audit opinion thereon, and we do not express a separate opinion on these matters. The key audit matters identified in our audit are as follows:

Auditor's Report

1. Consolidation of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group acted as an asset manager or equity for, or invested in, a number of asset management schemes, structured entities such as limited partnership. Those structured entities over which The management of the Group (hereinafter referred to as the "Management") has concluded the Group had control have been consolidated and their aggregated total book value of assets were RMB1.209 billion as at 31 December 2020. The management comprehensively evaluates the interests held by Company and the remuneration as the structured subject manager According to the interests held by company and the manager's remuneration impacting on variable returns, the management of the Group decide the consolidation scope. The determination of the consolidation scope of structured entities as a key audit area is mainly due to the significant judgments made by the management of the company in evaluating and determining whether the company as an investor controls the structured entities. Refer to Note VIII (I) consolidated financial statements.	Our procedures in relation to the determination of consolidated structured entities included: • By inquiring the management and checking the documents related to the judgment process made by the management on whether the structured entities are merged, we can evaluate whether the procedures established by the Company are complete; • We selected contracts of asset management plans and the limited partnerships to understand the purpose of the establishment of the structured subjects and the Company participation and impact on the governance of structured subject and to evaluate the rights and obligations of Group manager in the decision-making of structured entities; • Checking the structural design of risk and reward by the structured subject. We evaluate the judgment made by the management on the risk exposure and variable return of the structured entity due to its the calculation results of the proportion and variability of the economic benefits of the structured subject, we analyse the rationality of the judgment made by the management; • We examined the adequacy of disclosures being made in the consolidated financial statements and assessed whether it meets the requirement under Accounting Standards for Enterprises.

Auditor's Report

2. Impairment allowance of margin accounts receivable, financial assets held under resale agreements, financial assets measured at amortised costs, and financial assets at fair value through other comprehensive income

Key Audit Matter	How our audit addressed the Key Audit Matter
As of 31 December 2020, the Group recognized the following financial assets in its consolidated statement of financial position: Margin accounts receivable (book value was RMB 7.40 billion), Financial assets held under resale agreements(book value was RMB 2.06 billion), financial assets measured at amortised costs (book value was RMB 456.00 million), Financial assets at fair value through other comprehensive income(book value is RMB 2.09 billion). The total balance of the recognized impairment provision was RMB571.00 million. Management applied the Expected Loss Model to measure the expected credit losses ("ECL"). For the above-mentioned financial assets in Stages 1 and 2, Management used a measurement model that includes key parameters such as the probability of default, the rate of default loss, and the exposure to default risk to assess the impairment allowance. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration of forward looking factors. For these financial assets that have suffered credit impairment in stage 3, Management measures the impairment provision by estimating the future cash flows of the financial assets. For each type of product and investment, the measurement model for ECL involves significant management judgements and assumptions, primarily including the following: Determination of the criteria for significant increase in credit risk ("SICR"), definitions of defaults and credit impairment; Selection of the appropriate models and assumptions for measuring expected credit losses; Establishment of the number and relative weightings of forward-looking scenarios. Because the Group developed a number of complex models, adopted numerous parameters and data inputs, and applied significant management judgements and assumptions in measuring the ECL; and furthermore, the amounts involved were significant to the Group's financial statements, this matter was identified as a key audit matter. Please refer to Notes VI. 3、7、9、and 10 to the consolidated financial statements for details.	Our main audit procedures for management impairment assessment are as follows: • Realize the internal control related to the provision for expected credit impairment, and test the implementation effectiveness of the relevant internal control; • Select samples to perform review procedures, check the overdue information of relevant financial assets, the value of mortgaged assets, the credit status of financiers or issuers, and negative information, etc., and evaluate the rationality of the judgment made by Management whether the above financial asset credit risk has increased significantly since the initial confirmation and whether the credit impairment has occurred; • Check the reliability of the expected credit loss model and parameters used by the management in assessing the impairment provision, including the probability of default, the loss rate of default, the risk exposure of default and prospective adjustments, etc, and evaluate their consistency, accuracy and completeness; • Based on selecting samples, we evaluate the rationality of the default loss rate of financial assets that have suffered credit impairment; Check the financial information of the debtor and the guarantor, the collateral or the market value of the sealed asset, etc., and consider the recoverable amount of the financial asset. • Evaluate whether the disclosure of financial statements related to the impairment of financial assets meets the disclosure requirements of Accounting Standards for Enterprises.

Auditor's Report

4 Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's 2020 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact. We have nothing to report in this regard.

5 Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Auditor's Report

6 Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management;
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion.. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Yours faithfully,

ShineWing Certified Public Accountants LLP
Beijing, China

30 March 2021

CONSOLIDATED BALANCE SHEET

As at 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

	Note VI No.	31 December 2020	31 December 2019
Assets:			
Cash and bank balances	1	10,951,131,021.90	9,331,748,561.52
Including: Cash held for brokerage clients		8,193,682,554.76	6,581,561,810.40
Clearing settlement funds	2	2,379,100,088.00	2,518,049,515.84
Including: Clearing settlement funds held for brokerage clients		2,287,871,177.95	2,347,142,384.82
Margin accounts receivable	3	7,400,757,113.38	6,060,740,196.56
Derivative financial assets	4		11,384,115.93
Refundable deposits	5	744,878,747.69	395,169,735.95
Accounts receivable	6	169,323,523.34	153,912,302.37
Financial assets held under resale agreement	7	2,055,964,889.83	3,023,888,527.71
Financial Investment :			
Financial assets at fair value through profit or loss	8	22,592,572,498.77	17,227,018,646.76
Financial assets measured at amortised cost	9	456,168,931.89	676,389,859.29
Financial assets at fair value through other comprehensive income	10	2,088,805,149.07	664,695,346.48
Long-term equity investments	11	1,067,276,173.44	1,104,721,398.67
Investment properties	12	16,474,089.01	17,289,669.93
Fixed assets	13	179,004,039.77	193,032,226.69
Construction in progress	14	52,427,024.00	35,578,119.28
Right-of-use assets	15	163,033,163.26	184,977,696.07
Intangible assets	16	188,018,189.26	157,209,959.46
Deferred income tax assets	17	464,734,648.09	345,625,693.11
Goodwill	18	19,882,791.61	22,371,814.46
Other assets	19	1,387,323,474.69	1,446,099,029.69
Total Asset		52,376,875,557.00	43,569,902,415.77

CONSOLIDATED BALANCE SHEET

As at 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

	Note VI No.	31 December 2020	31 December 2019
Liabilities:			
Short-term loans	22	315,977,554.88	1,568,747,897.84
Short-term financing instruments payable	23	4,154,657,809.90	4,455,447,124.75
Due to banks and other financial institutions	24	3,694,418,222.23	2,361,159,583.32
Financial liabilities at fair value through profit or loss	25	1,356,226,583.04	1,114,552,379.16
Derivative financial liabilities	4	57,980.91	83,740.00
Financial assets sold under repurchase agreements	26	12,200,308,194.73	8,721,088,626.07
Accounts payable to brokerage clients	27	10,555,230,551.25	8,895,066,941.34
Employee benefits payable	28	561,932,538.17	478,666,321.83
Taxes payable	29	131,604,084.55	56,986,010.70
Accounts payable	30	65,874,572.60	183,081,131.54
Contract liabilities	31	26,495,681.41	20,444,852.57
Long-term borrowings	32	1,001,741.67	13,202,955.17
Bonds payable	33	4,610,250,342.02	4,623,940,375.96
Lease liabilities	34	157,698,672.45	177,837,189.74
Deferred income tax liabilities	17	14,241,536.99	8,258,284.47
Other liabilities	35	344,423,399.69	393,552,547.54
Total liabilities		38,190,399,466.49	33,072,115,962.00
Equity:			
Share capital	36	4,642,884,700.00	3,869,070,700.00
Capital reserve	37	6,330,622,817.68	3,487,237,785.96
Other comprehensive income	38	12,549,125.88	36,543,591.23
Surplus reserve	39	838,358,247.79	808,084,287.96
General risk reserve	40	1,441,518,813.40	1,382,038,921.28
Retained earnings	41	102,780,913.15	88,232,726.32
Total equity attributable to owners of the parent company		13,368,714,617.90	9,671,208,012.75
Non-controlling interests		817,761,472.61	826,578,441.02
Total equity		14,186,476,090.51	10,497,786,453.77
Total liabilities and equity		52,376,875,557.00	43,569,902,415.77

PARENT COMPANY'S BALANCE SHEET

As at 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

	Note XVII No.	31 December 2020	31 December 2019
Assets:			
Cash and bank balances		9,353,694,098.48	7,451,403,960.97
Including: Cash held for brokerage clients		7,812,001,585.50	6,147,210,572.10
Clearing settlement funds		2,165,049,237.07	2,401,197,144.82
Including: Clearing settlement funds held for brokerage clients		2,005,804,519.95	2,070,615,268.02
Margin accounts receivable		7,248,897,079.39	5,863,995,732.86
Refundable deposits		368,868,430.71	61,804,121.87
Accounts receivable		85,450,845.08	106,952,495.81
Financial assets held under resale agreement		2,055,165,080.52	3,016,788,527.71
Financial Investment :			
Financial assets at fair value through profit or loss		19,933,278,797.76	14,901,923,154.00
Financial assets at fair value through other comprehensive income		2,088,805,149.07	664,695,346.48
Long-term equity investments	1	4,126,432,553.95	4,126,432,553.95
Investment properties		25,858,938.87	26,976,776.32
Fixed assets		164,207,159.80	177,043,901.96
Construction in progress		52,427,024.00	35,578,119.28
Right-of-use assets		133,127,127.62	143,733,697.34
Intangible assets		181,335,531.53	152,488,987.20
Deferred income tax assets		301,081,560.09	210,510,337.00
Other assets		523,400,315.46	476,558,424.45
Total Asset		48,807,078,929.40	39,818,083,282.02

PARENT COMPANY'S BALANCE SHEET

As at 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

	Note XVII No.	31 December 2020	31 December 2019
Liabilities:			
Short-term financing instruments payable		3,425,939,961.92	4,455,447,124.75
Due to banks and other financial institutions		3,694,418,222.23	2,361,159,583.32
Financial liabilities at fair value through profit or loss		778,986,314.11	714,792,262.30
Derivative financial liabilities		57,980.91	
Financial assets sold under repurchase agreements		12,002,208,194.73	8,721,088,626.07
Accounts payable to brokerage clients		9,666,752,032.28	8,157,600,131.41
Employee benefits payable		517,314,154.75	430,174,300.20
Taxes payable		118,777,886.11	42,920,834.05
Accounts payable		60,063,783.40	175,101,509.70
Contract liabilities		10,997,000.07	7,911,220.55
Bonds payable		4,610,250,342.02	4,623,940,375.96
Lease liabilities		129,412,235.14	136,901,569.49
Deferred income tax liabilities			3,207,641.13
Other liabilities		47,982,898.50	56,052,632.96
Total liabilities		35,063,161,006.17	29,886,297,811.89
Equity:			
Share capital		4,642,884,700.00	3,869,070,700.00
Capital reserve		6,606,160,370.84	3,762,844,544.48
Other comprehensive income		-1,388,009.67	5,435,762.48
Surplus reserve		838,358,247.79	808,084,287.96
General risk reserve		1,371,112,556.76	1,315,470,752.11
Retained earnings		286,790,057.51	170,879,423.10
Total equity		13,743,917,923.23	9,931,785,470.13
Total liabilities and equity		48,807,078,929.40	39,818,083,282.02

CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	Note VI No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
I. Total operating income		3,103,301,696.87	2,372,526,991.25
Net interest income	42	101,097,703.29	28,497,623.04
Net fee and commission income	43	1,172,198,286.83	961,128,437.61
Including: brokerages business		790,645,044.22	517,788,467.73
Investment banking		206,756,722.44	246,803,568.01
Assets management		47,316,049.98	65,064,514.83
Investment income (or less: losses)	44	606,652,804.47	929,911,611.48
Including: Investment income from associates and joint ventures		53,783,145.31	41,652,088.18
Gains on changes in fair value(or less: losses)	45	-48,524,176.45	-165,217,911.98
Gains on foreign exchange (or less: losses)		-3,348,221.20	-2,411,060.48
Other operating income	46	1,264,503,482.85	588,755,236.72
Gains from assets disposal (or less: losses)	47	-20,777.16	22,972,242.66
Other income	48	10,742,594.24	8,890,812.20
II. Total operating cost		2,954,485,813.12	2,258,791,739.77
Taxes and surcharges	49	19,375,311.17	14,420,697.18
Business and administrative expenses	50	1,334,084,832.77	1,303,740,016.63
Expected credit losses	51	344,960,999.30	349,698,115.43
Other assets impairment losses	52	31,841,326.55	9,760,642.03
Other operating costs	53	1,224,223,343.33	581,172,268.50
III. Operating profit (or less: losses)		148,815,883.75	113,735,251.48
Add: non-operating income	54	5,860,453.04	9,408,024.38
Less: non-operating expenditures	55	10,645,944.64	7,025,663.04
IV. Profit before tax (or less: losses)		144,030,392.15	116,117,612.82
Less: income tax expenses	56	41,911,301.78	41,034,744.40
V. Net profit (or less: net loss)		102,119,090.37	75,082,868.42
(I) Classified by continuity of operations			
1. Net profit from continuing operations (or less: net losses)		102,119,090.37	75,082,868.42
2. Net profit from discontinued operations (or less: net losses)			
(II) Classified by ownership			
1. Net profit attributable to owners of parent company (or less: net losses)		104,302,038.78	58,222,745.44
2. Net Profit attributable to non-controlling interests (or less: net losses)		-2,182,948.41	16,860,122.98

CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	Note VI No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
VI. Other comprehensive income after tax		-23,994,465.35	12,417,598.13
Items attributable to shareholders of parent company		-23,994,465.35	8,336,699.89
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		-23,994,465.35	8,336,699.89
1. Items attributable to investees under equity method that will be reclassified to profit or loss		181,829.12	2,251,346.29
2. Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income		-59,904,500.70	2,249,077.30
3. Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		53,080,728.55	-45,081.55
4. Difference from translation of foreign currency financial statements		-17,352,522.32	3,881,357.85
Items attributable to non-controlling interests			4,080,898.24
VII. Total comprehensive income		78,124,625.02	87,500,466.55
Items attributable to shareholders of parent company		80,307,573.43	66,559,445.33
Items attributable to non-controlling interests		-2,182,948.41	20,941,021.22
VIII. Earnings per share (EPS):			
(I) Basic EPS	57	0.02	0.02
(II) Diluted EPS	57	0.02	0.02

PARENT COMPANY'S INCOME STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	Note XVII No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
I. Total operating income		1,653,607,413.99	1,685,978,616.31
Net interest income	2	46,243,250.79	-59,046,347.59
Net fee and commission income	3	1,038,150,743.24	815,940,086.36
Including: brokerages business		686,071,935.92	469,501,628.70
Investment banking		200,925,249.51	228,560,194.77
Assets management		39,325,418.37	45,206,688.55
Investment income (or less: losses)	4	631,253,436.58	777,548,614.50
Including: Investment income from associates and joint ventures			-773,551.12
Gains on changes in fair value(or less: losses)		-88,807,494.18	112,081,401.33
Gains on foreign exchange (or less: losses)		-646,160.05	30,847.35
Other operating income		18,079,232.10	8,043,332.18
Gains from assets disposal (or less: losses)		-20,667.36	22,973,320.57
Other income		9,355,072.87	8,407,361.61
II. Total operating cost		1,430,720,797.48	1,296,983,395.07
Taxes and surcharges		16,838,369.81	12,438,481.72
Business and administrative expenses	5	1,149,447,203.93	1,096,904,801.68
Expected credit losses		263,120,359.08	186,153,701.24
Other operating costs		1,314,864.66	1,486,410.43
III. Operating profit (or less: losses)		222,886,616.51	388,995,221.24
Add: non-operating income		2,410,755.63	8,155,586.34
Less: non-operating expenditures		7,004,959.37	6,778,135.54
IV. Profit before tax (or less: losses)		218,292,412.77	390,372,672.04
Less: income tax expenses		16,466,013.88	69,227,081.17
V. Net profit (or less: net loss)		201,826,398.89	321,145,590.87
(I) Classified by continuity of operations			
1. Net profit from continuing operations (or less: net losses)		201,826,398.89	321,145,590.87
2. Net profit from discontinued operations (or less: net losses)			
VI. Other comprehensive income after tax		-6,823,772.15	2,261,459.72
(I) Not to be reclassified subsequently to profit or loss			
(II) To be reclassified subsequently to profit or loss		-6,823,772.15	2,261,459.72
1. Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income		-59,904,500.70	2,249,077.29
2. Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income		53,080,728.55	12,382.43
VII. Total comprehensive income		195,002,626.74	323,407,050.59

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	Note VI No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
I. Cash flows from operating activities:			
Cash receipt from interests, fee and commissions		2,702,035,174.80	1,916,877,772.13
Net increase of due to banks and other financial institutions		1,330,000,000.00	120,000,000.00
Net increase of repurchase business		3,480,155,509.95	
Net decrease of resale business		700,025,363.10	5,680,048,334.81
Cash received from brokerage clients		1,660,163,609.91	2,334,006,955.20
Other cash receipts related to operating activities	58	1,506,857,134.57	775,420,722.91
Subtotal of cash inflows from operating activities		11,379,236,792.33	10,826,353,785.05
Net increase of financial assets at fair value through profit or loss		4,504,583,697.73	1,770,935,074.20
Net decrease of repurchase business			1,439,852,973.97
Net increase in advances to customers on margin financing		1,622,093,003.66	1,284,847,392.28
Cash payment to interests, fee charges and commissions		688,281,627.02	565,340,715.48
Cash payments to and on behalf of employees		850,448,240.88	748,006,626.60
Cash payments of taxes		244,373,933.87	314,710,691.29
Other cash payments related to operating activities	58	2,098,653,166.86	1,214,320,340.55
Subtotal of cash outflows from operating activities		10,008,433,670.02	7,338,013,814.37
Net cash flows from operating activities	58	1,370,803,122.31	3,488,339,970.68
II. Cash flows from investing activities:			
Cash received from investment income		60,584,894.64	103,301,122.28
Cash received from disposal of fixed assets, intangible assets and other long-term asset		219,869.46	41,811,328.73
Subtotal of cash inflows from investing activities		60,804,764.10	145,112,451.01
Cash payments to acquire investments		1,278,882,226.50	126,399,963.48
Cash payments to acquire fixed assets, intangible assets and other long-term assets		117,362,199.51	105,167,749.41
Subtotal of cash outflows from investing activities		1,396,244,426.01	231,567,712.89
Net cash flows from investing activities		-1,335,439,661.91	-86,455,261.88

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	Note VI No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
III. Cash flows from financing activities:			
Cash received by absorbing investments		3,644,663,940.00	
Including: Cash received by subsidiaries from absorbing minority shareholders' investment			
Cash received from loans		689,174,336.00	3,740,032,224.18
Cash received from issuing of bonds		6,117,939,031.63	8,525,253,892.34
Subtotal of cash inflows from financing activities		10,451,777,307.63	12,265,286,116.52
Cash repayments of borrowings		8,366,714,808.43	12,225,037,946.72
Cash payments for distribution of dividends or profit or interest expenses		476,776,544.21	651,455,777.88
Including: cash payments of subsidiaries to non-controlling shareholders as distribution of dividends or profit		6,634,020.00	33,927,012.20
Other cash payments related to financing activities	58	133,454,629.51	584,905,867.76
Subtotal of cash outflows from financing activities		8,976,945,982.15	13,461,399,592.36
Net cash flows from financing activities		1,474,831,325.48	-1,196,113,475.84
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-3,348,221.20	-2,411,060.48
V. Net increase/(decrease) in cash and cash equivalents	58	1,506,846,564.68	2,203,360,172.48
Add: Opening balance of cash and cash equivalents		11,805,475,726.56	9,602,115,554.08
VI. Closing balance of cash and cash equivalents		13,312,322,291.24	11,805,475,726.56

PARENT COMPANY'S CASH FLOW STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	Note XVII No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
I. Cash flows from operating activities:			
Cash receipt from interests, fee and commissions		2,447,542,230.21	1,564,495,346.34
Net increase of due to banks and other financial institutions		1,330,000,000.00	120,000,000.00
Net increase of repurchase business		3,282,055,509.95	
Net decrease of resale business		693,725,172.41	5,669,050,871.31
Cash received from brokerage clients		1,509,151,900.87	2,299,626,262.98
Other cash receipts related to operating activities		47,039,557.07	194,636,101.48
Subtotal of cash inflows from operating activities		9,309,514,370.51	9,847,808,582.11
Net increase of financial assets at fair value through profit or loss		4,424,200,415.64	3,082,895,332.00
Net decrease of repurchase business			1,439,852,973.97
Net increase in advances to customers on margin financing		1,665,197,871.00	1,450,440,993.74
Cash payment to interests, fee charges and commissions		645,952,818.64	517,801,713.38
Cash payments to and on behalf of employees		741,941,079.67	630,347,197.40
Cash payments of taxes		164,519,232.68	236,336,070.97
Other cash payments related to operating activities		708,719,319.40	792,812,762.93
Subtotal of cash outflows from operating activities		8,350,530,737.03	8,150,487,044.39
Net cash flows from operating activities	6	958,983,633.48	1,697,321,537.72
II. Cash flows from investing activities:			
Cash received from investment			134,787,756.07
Cash receipt from investment income		105,550,982.70	99,390,537.52
Cash receipt from disposal of fixed assets, intangible assets and other long-term asset		165,683.59	41,765,748.24
Subtotal of cash inflows from investing activities		105,716,666.29	275,944,041.83
Cash payments to acquire investments		1,427,522,815.54	
Cash payments to acquire fixed assets, intangible assets and other long-term assets		112,128,505.23	98,919,190.92
Subtotal of cash outflows from investing activities		1,539,651,320.77	98,919,190.92
Net cash flows from investing activities		-1,433,934,654.48	177,024,850.91

PARENT COMPANY'S CASH FLOW STATEMENT

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	Note XVII No.	For the year ended 31 December, 2020	For the year ended 31 December, 2019
III. Cash flows from financing activities:			
Cash received from absorbing investment		3,644,663,940.00	
Cash received from loans		300,000,000.00	
Cash received from issuing of bonds		5,400,203,000.00	8,525,253,892.34
Subtotal of cash inflows from financing activities		9,344,866,940.00	8,525,253,892.34
Cash repayments of borrowings		6,715,301,000.00	8,189,169,000.00
Cash payments for distribution of dividends or profit or interest expenses		418,420,136.68	542,228,264.55
Other cash payments related to financing activities		84,168,489.90	46,308,316.33
Subtotal of cash outflows from financing activities		7,217,889,626.58	8,777,705,580.88
Net cash flows from financing activities		2,126,977,313.42	-252,451,688.54
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-646,160.05	30,847.35
V. Net increase/(decrease) in cash and cash equivalents	6	1,651,380,132.37	1,621,925,547.44
Add: Opening balance of cash and cash equivalents		9,849,533,204.97	8,227,607,657.53
VI. Closing balance of cash and cash equivalents		11,500,913,337.34	9,849,533,204.97

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	For the year ended 31 December, 2020								
	Equity attributable to shareholders of parent company								Total equity
	Share capital/ Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Subtotal	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	9,671,208,012.75	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	9,671,208,012.75	826,578,441.02	10,497,786,453.77
III. Current period increase (or less: decrease)	773,814,000.00	2,843,385,031.72	-23,994,465.35	30,273,959.83	59,479,892.12	14,548,186.83	3,697,506,605.15	-8,816,968.41	3,688,689,636.74
(I) Total comprehensive income			-23,994,465.35			104,302,038.78	80,307,573.43	-2,182,948.41	78,124,625.02
(II) Capital contributed or withdrawn by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36		3,617,129,826.36
1. Capital contributed by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36		3,617,129,826.36
2. Capital contributed by holders of other equity instruments									
3. Amount of share-based payment included in equity									
4. Others									
(III) Profit distribution				30,273,959.83	59,479,892.12	-89,753,851.95		-6,634,020.00	-6,634,020.00
1. Appropriation to surplus reserve				30,273,959.83		-30,273,959.83			
2. Appropriation to general risk reserve					59,479,892.12	-59,479,892.12			
3. Cash dividend recognized as distribution								-6,634,020.00	-6,634,020.00
4. Others									
(IV) Internal carry-over within equity									
1. Transfer of capital reserve to capital									
2. Transfer of surplus reserve to capital									
3. Surplus reserve to cover losses									
4. Others									
(V) Others		69,205.36					69,205.36		69,205.36
IV. Balance at the end of current period	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	13,368,714,617.90	817,761,472.61	14,186,476,090.51

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2019 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	For the year ended 31 December, 2019								
	Equity attributable to shareholders of parent company								Total equity
	Share capital/ Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General risk reserve	Retained earnings	Subtotal	Non-controlling interest	
I. Balance at the end of prior year	3,869,070,700.00	3,756,106,523.53	28,206,891.34	759,912,449.33	1,298,870,167.26	238,731,987.53	9,950,898,718.99	1,324,140,998.47	11,275,039,717.46
Add: Changes of accounting policies									
Error correction of early stage									
Others									
II. Balance at the beginning of current year	3,869,070,700.00	3,756,106,523.53	28,206,891.34	759,912,449.33	1,298,870,167.26	238,731,987.53	9,950,898,718.99	1,324,140,998.47	11,275,039,717.46
III. Current period increase (or less: decrease)		-268,868,737.57	8,336,699.89	48,171,838.63	83,168,754.02	-150,499,261.21	-279,690,706.24	-497,562,557.45	-777,253,263.69
(I) Total comprehensive income			8,336,699.89			58,222,745.44	66,559,445.33	20,941,021.22	87,500,466.55
(II) Capital contributed or withdrawn by owners		-250,326,601.51					-250,326,601.51	-484,576,566.47	-734,903,167.98
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		-250,326,601.51					-250,326,601.51	-484,576,566.47	-734,903,167.98
(III) Profit distribution				48,171,838.63	83,168,754.02	-208,722,006.65	-77,381,414.00	-33,927,012.20	-111,308,426.20
1. Appropriation to surplus reserve				48,171,838.63		-48,171,838.63			
2. Appropriation to general risk reserve					83,168,754.02	-83,168,754.02			
3. Cash dividend recognized as distribution						-77,381,414.00	-77,381,414.00	-33,927,012.20	-111,308,426.20
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		-18,542,136.06					-18,542,136.06		-18,542,136.06
IV. Balance at the end of current period	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	9,671,208,012.75	826,578,441.02	10,497,786,453.77

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2020 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	For the year ended 31 December, 2020						
	Share capital/ Paid-in 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)	773,814,000.00	2,843,315,826.36	-6,823,772.15	30,273,959.83	55,641,804.65	115,910,634.41	3,812,132,453.10
(I) Total comprehensive income			-6,823,772.15			201,826,398.89	195,002,626.74
(II) Capital contributed or withdrawn by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36
1. Capital contributed by owners	773,814,000.00	2,843,315,826.36					3,617,129,826.36
2. Capital contributed by holders of other equity instruments							
3. Amount of share-based payment included in equity							
4. Others							
(III) Profit distribution				30,273,959.83	55,641,804.65	-85,915,764.48	
1. Appropriation to surplus reserve				30,273,959.83		-30,273,959.83	
2. Appropriation to general risk reserve					55,641,804.65	-55,641,804.65	
3. Cash dividend recognized as distribution							
4. Others							
(III) Profit distribution							
1. Appropriation to surplus reserve							
2. Appropriation to general risk reserve							
3. Cash dividend recognized as distribution							
4. Others							
(V) Others							
IV. Balance at the end of current period	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

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2019 CENTRAL CHINA SECURITIES CO., LTD.

(Expressed in RMB Yuan)

Item	For the year ended 31 December, 2019						
	Share capital/ Paid-in 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	3,781,398,714.65	3,174,302.76	759,912,449.33	1,248,030,178.03	42,727,658.94	9,704,314,003.71
Add: Changes of accounting policies							
Error correction of early stage							
Others							
II. Balance at the beginning of current year	3,869,070,700.00	3,781,398,714.65	3,174,302.76	759,912,449.33	1,248,030,178.03	42,727,658.94	9,704,314,003.71
III. Current period increase (or less: decrease)		-18,554,170.17	2,261,459.72	48,171,838.63	67,440,574.08	128,151,764.16	227,471,466.42
(I) Total comprehensive income			2,261,459.72			321,145,590.87	323,407,050.59
(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				48,171,838.63	67,440,574.08	-192,993,826.71	-77,381,414.00
1. Appropriation to surplus reserve				48,171,838.63		-48,171,838.63	
2. Appropriation to general risk reserve					67,440,574.08	-67,440,574.08	
3. Cash dividend recognized as distribution							
4. Others						-77,381,414.00	-77,381,414.00
(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		-18,554,170.17					-18,554,170.17
IV. Balance at the end of current period	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

I. COMPANY PROFILE

CENTRAL CHINA SECURITIES CO., LTD.(English abbreviation of the Company:CCSC) according to CSRC's "Reply Concerning Approval of Opening of Central China Securities Co., Ltd."(SFC number [2002] No.326), and "Henan Provincial Government's reply of Approval to Central China Securities Co.,Ltd."(ygpz [2002] No.31), Henan Finance Securities Company, and the Securities branch of Anyang Entrust Investment Company merged and reorganised into one, which later joined other qualified companies to form Central China Securities Co., Ltd. after increase in capital and share. The Company was registered with Henan Administration for Industry & Commerce on 8 November 2002 with a registered capital of RMB1,033,790,000.00. The structure of registered capital are as follow:

Company	Registered capital (in RMB)	Proportion of registered capital (%)
Xuji Group Co.,Ltd.	420,000,000.00	40.627
Henan Economic and Technological Development Company	363,618,400.00	35.173
Henan Construction Investment Corporation	100,000,000.00	9.673
Anyang Iron& Steel Group Co.,Ltd.	100,000,000.00	9.673
Anyang Economic Development Group Co.,Ltd.	16,980,800.00	1.643
Anyang Entrust Investment Company	10,522,500.00	1.018
Henan Shenhua Group Co.,Ltd	10,000,000.00	0.967
Jiaozuo Economic and Technological Development Co.,Ltd.	7,668,300.00	0.742
Hebi Construction& Investment Group Co.,Ltd.	5,000,000.00	0.484

On 31 December, 2002, according to CSRC's "Reply Concerning Approval of Opening of Central China Securities Co., Ltd."(SFC number [2002] No.326), and "Henan Provincial Government's Letter of Adjusting the Structure of Central China Securities Co.,Ltd."(Yu Zheng Han[2001] No.66), CCSC signed the Securities Asset Acquisition Agreement with Henan Securities Co., Ltd. to acquire the securities assets from the headquarter, 19 operating offices, and 11 servicing offices.

In January 2003, the CCSC signed the "Securities Asset Acquisition Agreement" with City Finance Bureau of Zhumadian, City Finance Bureau of Mengzhou and City Finance Bureau of Xuchang to acquire Zhumadian National Debt Service Department, Mengzhou National Debt Service Department and Xuchang National Debt Service Department.

On 4 January, 2007, People's Government of Anyang issued the "Reply Concerning Approval of Anyang Economic Development Group Co., Ltd."to make up for the CCSC's Capital insufficiency (An Zheng Wen [2007] No.3), transferring the 1,052,250,000.00 RMB of shares of CCSC held by the Anyang Entrust Investment Company to Anyang Economic and Technological Development Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

I. COMPANY PROFILE (CONTINUED)

In June 2008, according to the resolution of the Company's fifth general meeting of shareholders, with the approval of CSRC's "Reply on Approval of Change of Registered Capital of Central China Securities Co., Ltd." (zjxk [2008] No. 94), the registered capital of the Company increased by RMB999,725,700.00, among them: all the shareholders shall contribute RMB500,000,000.00 in currency, and the undistributed profits shall be converted into increased capital stock RMB499,725,700.00. On 10 June, 2008, according to CSRC's "Reply on Approval of Equity Alteration of Central China Securities Co., Ltd." (zjxk [2008] No. 781), Henan Investment Group was approved by the CSRC to receive 196,704,200 shares of the Company (9.673% of the registered capital) held by Henan Construction Investment General Company and 715,253,600.00 shares of the Company (35.173% of the registered capital) held by Henan Economic and Technological Development Co., Ltd. Henan Economy Technical Development Company, the Company's registered capital changed from RMB1,033,790,000.00 to RMB2,033,515,700.00. The capital increase was verified by Zhongrui Yuehua Certified Public Accountants on 16 June, 2018 with Zhongrui Yuehua Yanzi[2008] No.2141 capital verification report. The registered capital structure after the capital increase and equity change is as follows:

Company	Registered capital (in RMB)	Proportion of registered capital (%)
Henan Investment Group Co.,Ltd.	911,957,800.00	44.846
Xuji Group Co.,Ltd.	826,159,600.00	40.627
Anyang Iron & Steel Group Co., Ltd.	196,704,200.00	9.673
Anyang Economic Development Group Co., Ltd.	54,103,200.00	2.661
Henan Shenhua Group Co.,Ltd	19,668,900.00	0.967
Jiaozuo Economic and Technological Development Co., Ltd.	15,085,100.00	0.742
Hebi Economic Construction Investment Group Co., Ltd.	9,836,900.00	0.484

On 1 June, 2011, according to the Henan Securities Regulatory Bureau of the China Securities Regulatory Commission, "No Objection Letter Regarding the Approval of Central China Securities Co., Ltd. to Change the Shareholders Holding Less than 5%" (Yu Zhengjian Han [2011] No. 111), Jiangsu Province Silk Group Co., Ltd. (later renamed Jiangsu Soho Holding Group Co., Ltd.), Guangzhou Libai Investment Co., Ltd., Jiangsu Huiyou Sweater Co., Ltd., Shenzhen Guangsheng Investment Development Co., Ltd., Zhangjiagang Free-trade Science & Technology Co., Ltd., China Pingmei Shenma Energy Chemical Group Co., Ltd., Henan Jinlong Industrial Co., Ltd. and Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. were transferred equity to Xu Ji Group Co., Ltd. for RMB30.00 million, RMB20.00 million, RMB10.00 million, RMB10.00 million, RMB83,159,600.00, RMB16.00 million and RMB15.00 million respectively.

On 26 September, 2011, the CSRC approved that Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of Bohai Industrial Investment Fund) was qualified to hold more than 5% of equity of Central China Securities Co., Ltd. by "Reply on Approving the Change of Shareholders Holding More than 5% Equity of Central China Securities Co., Ltd." (zjxk [2011] No.1534) as a shareholder and to receive 608,000,000.00 shares of the Company held by Xuji Group Co., Ltd..

On April 6, 2012, According to "No Objection Letter Regarding the Approval of Central China Securities Co., Ltd. to Change Shareholders Holding Less than 5% Equity" (Yu Zhengjian Han[2012] No.41), the RMB24,000,000 shares which Xuji Group Co.,Ltd. hold transferred to Xuchang Superlift Building Materials Technology Co., Ltd..

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

I. COMPANY PROFILE (CONTINUED)

On 22 April, 2014, According to the CSRC's "Reply Concerning of Central China Securities Co., Ltd. to Issue Shares Overseas" (CSRC License[2014] No.438), CCSC were approved to issue no more than 598,100,000.00 overseas ordinary shares with par value of 1 RMB per share. On 24 June, 2014, the Stock Exchange of Hong Kong Ltd. (Hong Kong Stock Exchange) issued approval to allow CCSC to trade publicly the main board. On 25 June 2014, shares issued overseas by the Company were listed on the main board of Hong Kong Stock Exchange (stock code: 1375.HK). After the Completion of the H-share issue, the registered capital increased to RMB2,631,615,700.00.

On 15 June, 2015, the second extraordinary general meeting of the Company in 2015, the first meeting of shareholders of A-share and the first meeting of shareholders of H-share examined and approved the Proposal on the Additional Issuance of H-shares by Central China Securities Co., Ltd. and agreed that the Company would not issue more than 592,119,000 H-shares. On 21 July, 2015, the Company received the CSRC's "Reply on the Approval of The additional Issuance of Overseas Listed Foreign Capital Shares by Central China Securities Co., Ltd.", which approved the additional issuance of no more than 592,119,000 H-shares.

The non-public issuance of 592,119,000 H-Shares to at least 6 shareholders was completed by the Company on 3 August, 2015 with a par value of 1 RMB at an issue price of HK\$4.28 per share. On 14 August, 2015, The registered capital with the Henan Administration for Industry & Commerce, with the registered capital increased to RMB3,223,734,700.00.

On 18 November, 2016, The third extraordinary general meeting of shareholders, the second meeting of shareholders of A-share and the second meeting of shareholders of H-share of the Company in 2016 made the resolutions, On 25 November, 2016, the Company was approved by the CSRC for "Reply on the Approval of the Initial Public Offering of Shares of Central China Securities Co., Ltd." (zjxk [2016] No.2868), the Company was approved to issue no more than 700.00 million denominated ordinary shares, with a par value of 1.00 RMB each, after which the Company's registered capital has increased to RMB3,923,734,700.00. The Company has actually issued 700.00 million ordinary shares with a par value of 1.00 RMB per share. After the issuance, the registered capital increased to RMB3,973,734,700.00. On 3 January, 2017, the Company was listed on the Shanghai Stock Exchange. 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 Guozi Chanquan [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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

I. COMPANY PROFILE (CONTINUED)

On 22 May, 2017, 2016 annual general meeting of shareholders, the first time A-share shareholders' meeting and the first time H-share shareholders' meeting in 2017 examined and approved "The Proposal of Central China Securities Co., Ltd. on the Repurchase of the Company's H-Shares through Exchange Trading", the Company proposed by the court to buy back part H-shares in the form of share buybacks. On 24 January, 2018, "Reply on Approving the Change of Registered Capital of Central China Securities Co., Ltd." (zjxk[2018] No.144), the registered capital of the approved company was changed from RMB3,923,734,700.00 to not less than RMB3,798,731,800.00. The Company repurchased certain H-shares by means of on-market share buyback, which was completed on 18 May, 2018. The Company has repurchased 54,664,000 H-shares on a cumulative basis (accounting for 4.37% of the number of the shares and 1.39% of the capital stock, before the repurchasing). On 23 May, 2018, the Company completed the share repurchase write-off. On 11 July, 2018, the company completes the procedures of industrial and commercial change registration and obtained the business licence reissued by the Henan Administration for industry and commerce. The registered capital increased to RMB3,869,070,700.00.

Approved by the Company's general meeting of shareholders on 11 June, 2019 and 10 June, 2020, and the China Securities Regulatory Commission issued the document "Reply on the Approval of the Non-public Issuance of Shares of Central China Securities Co., Ltd." (zjxk[2020] No.1190), the Company is approved for non-public issuance of no more than 773,814,000 new shares, valid for 12 months from the date of approval of the issuance. The Company completed the non-public offering of A-shares in July 2020, the Company has actually issued 773,814,000 ordinary shares, after the issuance, the registered capital increased to RMB4,642,884,700.00. The capital increase was verified by Henan Xinghua certified public accountants Co., Ltd on 24 July, 2020 with Yu Xinghua Yanzi[2020] No.010 capital verification report.

Legal representative: Mingjun JIAN.

Address: 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province, China.

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, futures 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 (stock-pledged repurchases business, agreed repurchase type securities trading business, new OTC market making business, micro loan, innovation business, equity trading center, overseas business and research business).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

I. COMPANY PROFILE (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, Remuneration and Nomination Committee, Risk Management Committee and Audit 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, Transaction Settlement Headquarters, 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, Strategic Customer Department, Asset Custody Headquarters, Asset Management Headquarters, Financial Markets Department, Administration Department, Logistics Service Center, Construction Project Office, 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 the end of the Reporting Period, the Company had 86 securities branches and has approved the establishment of 28 branches. The Company directly owned 5 domestic 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 Venture Capital Private Equity Fund Management Co., Ltd. ("ZZKY", formerly name: Zhongding Kaiyuan Venture Capital 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 Investment Co., Ltd. ("Central China International Investment"), Central China International Securities Co., Ltd. ("Central China International Securities"), Central China International Futures Co., Ltd. ("Central China International Futures"), 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 forth level-holding subsidiaries of CCSC.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

II. THE RANGE OF CONSOLIDATED FINANCIAL STATEMENTS

The Group's Consolidated Financial Statements included directly or indirectly controlled subsidiaries and structured entities. For details, please refer to Note VIII of this report.

III. THE RULE OF ESTABLISHMENT

1. Preparation basis

On the basis of going concern, the Company's financial statements have adopted the Accounting Standards for Business Enterprises (ASBEs) and relevant provisions Issued by the Ministry of Finance and combined with actual transactions and events, China Securities Regulatory Commission rules for "The Preparation and Reporting of Corporate Information Disclosure of Public Securities No. 15 — General Provisions for Financial Statements", "Hong Kong Companies Ordinance and The Rules Governing the Listing on the Stock Exchange of Hong Kong Limited", the details of the Company's accounting policies and estimates can be found in "Note IV. Significant accounting policies and estimates".

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

Based on the Company's profit of recent years and supportive financial resources, it is reasonable to prepare the financial statements based on going concern.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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 and reverse repurchase business, income recognition, etc.

1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (ASBEs), and present truly and completely the financial position as at 31 December, 2020, results of operations and cash flows for the twelve months period ended of the Company and the Group.

2. Accounting period

The Company's accounting year starts on 1 January and ends on 31 December in Gregorian calendar.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

3. Functional currency

The Company's functional currency is Chinese Yuan (RMB).

4. Basis of accounting and pricing principles

The Company accounting is based on accrual basis. Except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial liabilities at fair value through profit and loss, etc., which are measured at fair value, historical cost is the pricing principle.

5. Accounting for business combination

Assets and liabilities arising from business combination under common control are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party on the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

For business combination under non-common control, the identifiable assets acquired and the liabilities assumed are recognized at their fair value on the acquisition date. The combination cost is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree (the cost of the combination through multiple transactions is the sum of the cost of each transaction). When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree on the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

6. Preparation method of consolidated financial statements

The scope of the Company's consolidated financial statements is consisted of the Company and its subsidiaries. Subsidiaries refer to the entities controlled by the Company, including companies, divisible part of the investees and structured entities under control, etc.

If the accounting policies or accounting periods of the subsidiaries are different from those of the Company, when preparing the consolidated financial statements, necessary adjustments to the financial statements of the subsidiaries based on its own accounting policies and accounting periods are made accordingly.

All significant inter-group accounts, transactions and unrealized profit between the Company and its subsidiaries are eliminated on consolidation. The portion of a subsidiary's net profit of the period, other comprehensive income and total comprehensive income that is not attributable to the parent is treated as minority interests and presented in the consolidated financial statement as "non-controlling interests, net profit attributable to non-controlling interests and total comprehensive income attributable to non-controlling interests".

For the subsidiary acquired under common control, its operating results and cash flow are incorporated into the consolidated financial statements at the beginning of the period. When compiling the comparable consolidated financial statements, the related items of the financial statements of the previous year are adjusted, as the reporting entity formed after the combination have existed since the ultimate controlling party began to control.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Preparation method of consolidated financial statements (continued)

For the subsidiary acquired under non-common control, the operating results and cash flows are incorporated into the consolidated financial statements from the date of the Company's control. In the preparation of consolidated financial statements, the financial statements of subsidiaries are adjusted on the basis of the fair value of identifiable assets, liabilities and contingent liabilities established on the date of purchase.

When preparing the consolidated financial statements that the Company partially disposes its subsidiaries without loss of control, the capital premium or the equity premium should be adjusted in accordance with the difference between the disposal consideration and the constant calculated share on net assets from the purchase date or the combination date of the disposed long-term equity investment. If the capital accumulation is insufficient, retained earnings should be adjusted.

When preparing the consolidated financial statements that the Company loses its control over the investors because of the disposal of some equity investment, the residual equity is re-measured in accordance with its fair value on the day of loss of control rights. The difference between the sum of the fair value of the right and residual equity and the constant calculated share on net assets from the purchase date or the combination date of the disposed long-term equity investment is recognized as profit and loss in the period of loss of control, while the goodwill is reduced at the same time. Other comprehensive income related to the equity investment of the original subsidiary is converted to the current investment profit and loss in the period of loss of control.

When the Company disposes of its subsidiaries until the loss of control through multiple transactions, if the multiple transactions of disposal belong to the package of transactions, the transactions should be treated as one transaction of disposal a subsidiary. The difference in the share of the net assets of each disposal price prior to the disposal of the investment, before loss of control, is recognized as other comprehensive income in the consolidated financial statements, and the loss of control is transferred to the investment gains and losses in the current period of loss of control.

7. Confirmation standard of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and demand deposits. Cash equivalents refer to short-term, highly liquid investments that are readily convertible into known amounts and which are subject to an insignificant risk of changes in value.

8. Foreign currency transaction and foreign currency statement translation

Transactions denominated in foreign currency are translated into RMB at the spot exchange rate on the transaction date at initial recognition. On the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate on the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in the profits or losses; non-cash items carried at historical costs are translated at the spot exchange rate on the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate on the date when the fair value was determined, with difference included in the profits or losses or other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities

Financial instruments refer to contracts that form the financial assets of an enterprise and form financial liabilities or equity instruments of other units.

(1) Initial recognition and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus any variance in the case of the fair value of a financial asset or financial liability changes in the future. Related transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability are recognized as profit and loss. Related transaction costs of other financial assets and financial liabilities are included in the initial recognized value.

(2) Classification of financial assets

Based on the Group'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:

- (i) Amortized cost assets ;
- (ii) Financial assets at fair value through other comprehensive income ;
- (iii) 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 instrument contract represents the cash flow characteristics that the financial instrument contracts agree and reflects 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, where the interest means the assessments of time value of money, credit risk, and other basic leading risks and a profit margin that is consistent with a basic lending arrangement. The characteristic of the contractual cash flow of the Group's financial assets that are amortized over the contractual period and the financial assets measured at fair value with the variance reflected in other comprehensive income or loss matches the basic lending agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(2) Classification of financial assets (continued)

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.

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

① *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 asset, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised 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 amortised cost.

Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, 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 amortised cost or FVOCI are measured at FVPL.

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

② *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:

- (a) contractual obligation to pay or exchange financial assets or liabilities with other parties under potentially adverse conditions;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(2) Classification of financial assets (continued)

② Equity instruments (continued)

- (b) 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 investment are all classified as financial assets measured at fair value and their changes are included in profit or loss, except for management financial assets that have been irrevocably designated as measured by fair value and the changes which 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, analyze it as a whole.

(3) Classification of financial liabilities

Financial liabilities are classified as and subsequently measured at amortised cost, except:

- (i) 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.
- (ii) financial liabilities are recognized because the financial assets transfer does not meet the derecognition condition. When the financial assets transfer does not meet the derecognition condition, the Group recognizes financial liabilities based on the consideration received from the transfer, and recognizes all expenses incurred due to the liabilities in subsequent period;
- (iii) financial guarantee contract and loan commitment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(4) Subsequent measurement of financial instruments

① *Amortised cost*

The amortised 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 amortisation using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) for financial assets, adjusted for any loss allowance (applies only 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 amortised 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 amortised 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.

② *Fair value through other comprehensive income*

Debt instruments: It is classified as the gain or loss of financial assets measured at fair value and included in other comprehensive income due to its changes. Except impairment loss or gain and exchange gain, it will be included in other comprehensive income until the financial asset is terminated for recognition or reclassified. But the interest income of instrument which are calculated by effective interest rate are taken through profit or loss. When the financial asset are derecognized, the cumulative profit or loss transferred from other comprehensive income to the current profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(4) Subsequent measurement of financial instruments (continued)

② Fair value through other comprehensive income (continued)

Equity instruments: The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when the Group's right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

③ Fair value through profit or loss

Movements in the carrying amount are taken through profit or loss, except: (i) it is part of the hedging relationship specified in "China Accounting Standards for Business Enterprises No. 24-Hedging Accounting"; (ii) according to the article 68 of "China Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments", the changing of fair value should be taken through other comprehensive income, which caused by changes in the Group's credit risk. When the financial liabilities are derecognized, the cumulative profit or loss transferred from other comprehensive income to the current profit and loss.

(5) 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:

- (i) Financial assets measured at amortized cost and debt investment measured at fair value with changes recognized in other comprehensive income;
- (ii) Lease receivable;
- (iii) Contract assets;
- (iv) Financial guarantee contracts and loan commitment except financial liabilities measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(5) Impairment of financial assets (continued)

ECL 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 (or credit-adjusted effective interest rate for POCI 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, but is not yet deemed to be credit-impaired.

Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(5) Impairment of financial assets (continued)

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

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

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

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

In the previous accounting period is according to the equivalent of financial instruments expectations throughout the duration of the amount of credit losses measuring the loss, but in the current balance sheet date, the financial instruments are no longer belongs to the credit risk increased significantly after initial recognition, the Group in the balance sheet date according to the current equal to the sum of the expected over the next 12 months credit loss measurement of the cost of this financial tool, the resulting loss to return amount as penalty gains recorded into the profits and losses.

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 increase in credit risk, the definition of credit impairment assets which have occurred, and assumptions of ECL. For details, please refer to Note X.2.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and financial liabilities (continued)

(6) Derecognition of Financial Instruments

A financial asset is derecognized, when one of the following criteria is satisfied: (i) the rights to receive cash flows from 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 risk and rewards and the Group has not given up control of 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, the sum of the consideration received as a result of the transfer and the cumulative amount of the change in fair value originally booked into other comprehensive income shall be booked into the current profit and loss.

The transfer of a financial asset part meet the recognition criteria of termination, will be the entire book value of the transferred financial asset, between the parts and not terminate qualification recognition has been stopped, apportion them according to their relative fair value, and will be received by transfer of value and share to terminate identified previously included in the other part of the sum of the changes in fair value of the accumulative amount of comprehensive income, and apportion the carrying amount of the balance into the profits and losses of the current period.

(7) Fair value of financial instruments

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 fair value of the liability. 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.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. 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, refer to the current fair value of other financial assets that are substantially the same, discounted cash flow method and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Margin trading & short selling business

Margin trading & short selling business refers to the business 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.

11. Asset management business

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.

12. 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. The payments actually paid for buying back of relevant assets are recorded and are listed under the item "Financial assets held under agreement" of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

Interest income and expenses arising from PRA and SRA transactions are recognized at the effective interest rate during the buying back or selling for 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.

The Company's stock-pledged repurchase business 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%.

- (1) Stage 1: the stock-pledged repurchase business that maintains a guarantee ratio greater than the closing position and is not overdue;
- (2) 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;
- (3) Stage 3: 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, 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 "Provision for impairment of other financial assets purchased and resale agreement", please refer to Notes IV (9).

13. Long-term equity investment

Long-term equity investment of the Group includes subsidiaries, associates and joint ventures.

The Group identified a joint control, if it is jointly held according the relevant agreement and the arrangement-related business must be consented by the participants who share the control right to make decisions.

When the Group directly or indirectly owns the voting rights of an investee of more than 20% (inclusive) and less than 50%, it is generally considered to have a significant impact on the investee. When the Group hold the voting right of an investee for less than 20%, the identification of significant impact should be make based on comprehensive consideration of multiple factors: whether the Group have the right to nominate a representative in the board or similar authority of the investee; whether the Group participate in the investee's process of shaping its financial and business policy; whether there is important transactions between the Group and the investee; whether the Group has the right to accredit managers to the investee; or whether the Group provides key technical information to the investee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Long-term equity investment (continued)

The investee who gets controlled by the Group can be defined as a subsidiary. For long-term equity investment acquired through a combination under common control, the carrying amount of the acquiree's net asset in the ultimate controller's consolidated financial statement on the combination date is used as its initial investment cost. If the book value of the acquiree's net asset on the combination date is negative, the cost is determined as 0. For long-term equity investment acquired through a combination under non-common control, the fair value of the consideration paid on the purchasing date is used as the initial investment cost.

If the investment is formed the approach other than the business combination: in the case of the cash, the actual purchase price is used as the initial investment cost; in the case of the issued equity securities, the fair value of the issued equity securities is used as the initial investment costs; in the case of the long-term equity investment invested by investors, the value stipulated in the investment contract or agreement is used as the initial investment costs.

The long-term equity investment in the investee is calculated by the cost method. The long-term equity investment in associates and joint ventures is calculated by using the equity method.

Under the cost method, the book value is adjusted according to the cost of additional investment and its related transaction fees. The cash dividend or profit declared by the investee is recognized in investment income in accordance with the share of the Group.

Under the equity method, investment gain or loss represents the Group's share of the net profits or losses made by the investee for the current period. The Group will recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets on the date of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. The unrealized gain or loss from internal transactions entered into between the Group and its associated companies and joint ventures is offset according to the shareholding attributable to the Group and accounted for as investment income and loss based on such basis.

For disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under the equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Group are transferred into profit and loss on investment for the period on disposal.

Where the Group has no longer joint control or significant influence in the investee company as a result of reduction of the investment, the residual of the investment will be recognized as available-for-sale financial assets. The difference between the fair value and the book value of the residual equity in the day of losing joint control or significant impact is recognized in profit and loss for the current period. The other comprehensive income recognized for the original investment using equity method is treated on the same basis for accounting treatment with the assets or liabilities of the investee directly disposed in the period of terminate using equity method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Long-term equity investment (continued)

Where Group has no longer control but remain joint control or significant influence over the investee company as results from such as partially disposal of the investment, the investment will be changed to be accounted for using equity method. The difference between the book value of the disposed part of the equity and the consideration of disposal is recognized in the investment income, and the residual of the equity is treated as using the equity method from acquisition. Where Group remains neither joint control nor significant influence over the investee as results from such as partially disposal of the investment, the residual shares will be treated as available-for-sale financial assets. The difference between the book value of the disposed part of the equity and the consideration of disposal is recognized in the investment income. The difference between the fair value and the book value of the residual equity is recognized in the profit and loss in current period.

If the multiple transactions of disposal the investee that lead to the Group to lose control over the investee do not belong to a package transaction, each transaction shall be separately accounted. In the case of a "package deal", the transactions are treated as one transaction of disposal and losing control of a subsidiary. However, before losing control, the difference between the consideration and the book value of the disposed part of equity is recognized in other comprehensive income and it will be transferred to current profit or loss collectively after losing control.

14. Investment property

Investment property includes buildings that have been leased out.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of the assets. 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 value rate 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 (%)
Building	40.00	5.00	2.38

When the use purpose of investment property is changed for self-use, the investment property 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 property from the date of change. When conversion occurs, the book value before conversion is converted into account value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Investment property (continued)

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

15. 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.

Fixed assets include premises used for business purposes, buildings, machinery and equipment, power equipment, transportation equipment, electronic equipment, communications equipment, electrical equipment, safety and defense equipment, and office equipment. The cost at the time of acquisition is regarded as the value recorded. Among them, the cost of outsourcing fixed assets includes the purchase price and import duties and other related taxes and fees, as well as the assets that can be directly attributed to the asset before it reaches the intended usable state. Other expenditures; the cost of self-built fixed assets is composed of the necessary expenditures incurred before the construction of the asset reaches the intended usable state; the fixed assets invested by investors shall be recorded at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, it shall be recorded at fair value.

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 and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Fixed assets (continued)

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

Categories	Estimated useful lives (years)	Estimated residual values (%)	yearly depreciation (%)
Business buildings	40.00	5.00	2.38
Non-business buildings	35.00	5.00	2.71
Makeshift house	5.00	5.00	19.00
Structures	20.00	5.00	4.75
Machinery equipment	10.00	5.00	9.50
Power equipment	15.00	5.00	6.33
Communication equipment	5.00	5.00	19.00
Electronic equipment	5.00	5.00	19.00
Electrical equipment	5.00	5.00	19.00
Security equipment	5.00	5.00	19.00
Office facilities	5.00	5.00	19.00
Other transport facilities	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 derecognised 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 recognised in the current profits and losses.

16. Construction in progress

Construction in progress is measured at actual cost. Self-operated construction projects are measured based on direct materials, direct wages, direct construction costs, etc.; outsourced construction projects are measured based on the project price payable, etc.; equipment installation projects are measured based on the value of the installed equipment, installation costs, project trial operation, etc. Expenses etc. determine the project cost. The cost of construction in progress also includes borrowing costs and exchange gains and losses that should be capitalized.

Depreciation will be calculated from next month. The original value difference of fixed assets shall be adjusted after completion of final settlement procedures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Borrowing costs

Borrowing costs include borrowing interest, amortization of discounts or premiums, ancillary expenses, exchange differences due to foreign currency borrowings, etc. Where the borrowing costs incurred to the Group can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, the asset disbursements have already incurred; the borrowing costs have already incurred; and the acquisition and construction or production business which are necessary to prepare the asset for its intended use or sale have already started, it is capitalized and included in the costs of relevant assets; when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased. Other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in the profits or losses.

Interest expenses of special borrowings actually incurred in the current period, capitalized shall be recognized by deducting the interest income of the borrowings that have not yet been used and deposited in the bank, or the income obtained from the temporary investment. Where the general borrowing is used for the acquisition, construction or production of the assets eligible for capitalization, the amount of interest that should be capitalized shall be recognized, by multiplying weighted average of the excess capital expenditures over the special borrowings by the capitalization rate of the general borrowings appropriated. The capitalization rate is calculated according to the weighted average interest rate of general borrowing.

The assets eligible for capitalization refer to the assets such as fixed assets, investment real estate and inventory that need to go through quite a long period of time (usually more than one year) to reach the predetermined state of usable or saleable.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, till the acquisition and construction or production of the asset restarts.

18. Intangible assets

Intangible assets, including land-use rights, trading seats and software, etc., which are measured at cost and amortised on a straight-line basis over their estimated useful lives.

The purchased intangible assets are based on the actual price paid and other related expenses as actual costs; 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 the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Impairment of long-term non-financial assets

Long-term equity investments, investment property, 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 recognised in accordance with the difference. The provision for the aforesaid assets is recognized, it shall not be reversed in subsequent accounting periods. The recoverable amount of an asset is the higher between the net value of the fair value of the asset minus the disposal expense and the present value of the expected future cash flow of the asset.

The signs of impairment are as follows:

- (1) The market price of assets has fallen sharply in the current period, and the decline is significantly higher than the expected decline due to the passage of time or normal use.
- (2) There are 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) There is evidence that the asset has become obsolete or its entity has been damaged.
- (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.

20. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Goodwill (continued)

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.

21. Long-term deferred expenses

Long-term deferred expenses of the Group are expenditures that have been incurred but shall be amortized over periods of more than one year (exclude one year). The expenditures are amortized evenly over the estimated beneficial 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.

22. Employee benefits

During the accounting period in which an employee provides services for the Group, the actual short-term employee benefits incurred shall be recognized as liabilities and included in the current profits and losses or the cost of related assets. The compensation given for the termination of the labor relationship with the employees shall be included in the current profit and loss.

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits, other long-term employee benefits and Expenditures related to access to services provided by employees.

Post-employment benefits refers to various forms of remuneration 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 remuneration and dismissal welfare. Post-employment benefits are divided into a defined contribution plan and a defined benefit plan. Post-employment benefits are 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 and losses or the cost of relating assets. Defined benefit plans are after-service benefit plans other than defined contribution plans.

Termination benefits mainly includes the compensation given by the Group to terminate the labor relationship with the employee before the expiration of the employee's labor contract, whether the employee is willing to do so or not, and the compensation given to the employee before the expiration of the employee's labor contract to encourage the employee to voluntarily accept the layoff. In accordance with the provisions of the dismissal plan, the Group reasonably anticipates and recognizes the employee compensation liabilities arising from the dismissal welfare, and records them into the current profits and losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Employee benefits (continued)

Other long-term employee benefits include long-term paid absences, long-term disability benefits, long-term profit-sharing plans, etc.

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.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. If the Group has formulated labor relationship cancellation plan, the Group cannot unilaterally withdraw the labor or reduction proposal. The estimated liabilities due to compensation for the termination of the labor relationship with the employee should be confirmed into the current profit and loss.

Regarding the internal retirement plan implemented by the Group, the dismissal benefit will be dealt same as termination benefit, because this part of employees no longer bring the economic benefit to the enterprise. 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.

23. Estimated liabilities

When the business related to external guarantee, trade acceptance bill discount, pending litigation or arbitration, product quality assurance and other contingencies meet the following conditions at the same time, the Company recognizes it as a liability: the obligation is the current obligation undertaken by the Company; the fulfillment of this obligation may lead to the outflow of economic benefits from the enterprise. The amount of the obligation can be measured reliably.

The estimated liabilities are initially measured in accordance with the best estimate of the expenditure required to perform the relevant current obligations, and factors such as risks, uncertainties and time value of money related to contingencies are considered comprehensively. If the time value of money has a significant impact, the best estimate can be determined by discounting the relevant future cash outflow. The book value of the estimated liabilities is reviewed at each balance sheet date and adjusted to reflect the current best estimate if there is any change.

24. 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 number [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.

The transaction risk reserve which is not less than 10% of after-tax profit (reducing make up losses) for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. General risk reserve and transaction risk reserve (continued)

In order to reduce the repayment risk of bonds, the 14th meeting of the 4th Board of Directors and the 6th Extraordinary General Meeting of 2013 reviewed and approved to increase the ratio of discretionary surplus reserve fund and general risk reserve ratio during the duration of the bond. Surplus reserve fund is 5% of the current profit after making up losses and the general risk reserve is 11% of the net profit of making up the losses. During the remaining duration of the bond, the discretionary surplus reserve is drawn at 10% of the current net profit after making up for the loss, and the general risk reserve is drawn at 12% of the current net profit after making up for the loss.

25. 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:

- (i) The customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs.
- (ii) The customer can control the goods that are under construction during the Group's contract execution.
- (iii) 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.

Where performance of a single service contract takes place over time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined. An entity that cannot reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred, should recognize revenue only to the extent of the cost until a reliable measure of progress can be made. An entity will recognize revenue at a point in time (when control transfers) for performance obligation that meet the criteria for recognition of revenue at a point in time.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Revenue (continued)

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

(1) Handling fee and commission income

Revenue from the securities and futures brokerage services is recognized on the date of the transaction.

Revenue from underwriting services is recognized when the control of the underwriting services is provided to the client. The revenue is usually recognized upon completion of the offering.

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.

Revenues from other businesses, including investment banking advisory and sponsoring services are recognized when the contractual obligations are fulfilled.

(2) 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 no expired financial asset in the current period, interest will be accrued on the accrual basis at the end of the period and recognized as interest income for the period. 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.

(3) 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 are calculated based on the net profit realized by the investee or adjusted net profit and are confirmed the investment income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Accounting method for the client asset management business

The client asset management business is divided into directional asset management business, collective asset management business, and special asset management business. The entrusted operations of collective asset management business, single asset management business and special asset management business are all based on custody customers or collective plans, with independent accounts and independent accounting, and they are not listed in the company's financial statements.

27. 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 (1 yuan).

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Government grants (continued)

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

- ① Where the carrying value of the underlying asset is reduced on initial recognition, the carrying value of the asset is adjusted.
- ② Where a related deferred gain exists, the carrying amount of the related deferred gain is reduced and the excess is recognized in profit or loss in the current period.
- ③ In other cases, they are recognized directly in profit or loss for the current period.

28. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. As at the statement of financial position date, deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The Group recognizes deferred income tax assets arising from deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be offset. Deferred income tax assets are written down to their carrying amount when it is probable that sufficient taxable income will not be available to offset the deferred income tax asset in a future period. The amount of the write-down is reversed when it is probable that sufficient taxable income will be obtained.

29. Leases (applicable as of 1 January 2019)

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

(1) As a lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Leases (applicable as of 1 January 2019) (continued)

(2) As a lessor

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

30. Income tax

The balance sheet liability method is used for income tax accounting. Income tax expense includes current income taxes and deferred income taxes. Current income tax and deferred income tax expense or gains are recognized in profit or loss except for current income tax and deferred income tax relating to transactions and events that are directly attributable to shareholders' equity and the carrying value of deferred income tax-adjusted goodwill arising from business combinations.

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.

31. 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.

32. Hold for sale and terminate operations

(1) Held-for sale assets

The Group classifies a non-current asset or disposal group as held for sale when it recovers its book value primarily through the sale, rather than ongoing use.

A disposal group is a group of assets that are disposed of as a whole in a transaction, whether by sale or otherwise, and liabilities directly related to those assets that are transferred in that transaction.

The Group divides non-current assets or disposal groups that meet the following conditions into categories held for sale:

- ① 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.
- ② 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Hold for sale and terminate operations (continued)

(1) Held-for sale assets (continued)

The Group according to the book value and the fair value minus the net after sale cost of residency is to hold non-current assets for sale (not including financial assets and deferred income tax assets) or to the disposition of the group to carry on the initial measurement and subsequent measurement, book value is higher than the fair value minus the difference between the net selling expenses after confirmation for asset impairment loss, included in the current profits and 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:

- ① The component represents a separate principal operation or a separate principal area of operation.
- ② The component is part of an associated plan to dispose of a separate principal operation or a separate principal area of operation.
- ③ 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 and losses is restated as the discontinued operation profits and losses of the comparable accounting period.

33. 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 FVPL, FOCI, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

33. Significant accounting judgments and estimates (continued)

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

Based on the classification and nature of the above financial assets, combined with its own risk management practices and the relevant requirements of the impairment guidelines, the Group establishes an expected credit loss model to measure impairment losses on the above financial instruments based on a probability-weighted average, taking into account the time value of money and reasonable and informed information about past events, current conditions and projected future economic conditions that can be obtained at the balance sheet date without unnecessary additional costs or effort. The assumptions, parameters, data sources and measurement procedures associated with the expected credit loss model require the Group's professional judgment, and changes in the assumptions of these relevant factors can affect the results of the expected credit loss calculations for 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.

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. For details, please refer to Notes X.(2) of this report.

(2) Impairment of goodwill

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

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

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

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

(3) Deferred income tax assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

33. Significant accounting judgments and estimates (continued)

(4) Useful life of intangible assets and property and equipment

At least once a 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

Management needs to make important judgments on whether to control and merge structured entities, confirming whether it will affect accounting methods and the financial situation and operating results of the Group. In assessing control, the Group needs to consider: 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 payable measured at fair value and recorded in current profit and loss.

34. Significant changes in accounting policies and accounting estimates

(1) Significant changes in accounting policies

The Group does not have any change in accounting policies for the period ended.

(2) Significant changes in accounting estimates

The Group does not have any change in accounting estimates for the period ended.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

V. TAXATION

Taxes	Tax bases	Tax rates
Income tax	Taxable income	16.5%、25%
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	3%~16%
Urban maintenance and construction taxes	Turnover tax payable	1%、5%、7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

(1) Income tax

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”, since 1 January, 2008, the company will apply a 25% corporate income tax rate; CCIFHC and its subsidiaries in Hong Kong are applicable to the comprehensive profits tax rate of 16.5% in accordance with the relevant regulations of the Hong Kong Special Administrative Region.

(2) Value-added tax (VAT)

According to Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36) the Company’s principal business income has been subject to VAT, with a tax rate of 6% since 1 May, 2016.

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

In accordance with the “Notice on adjustment of VAT rate” (Cai Shui [2018] NO.32), if the taxpayer has a VAT taxable sales activity or imported good, the taxpayer shall pay VAT at 16% and 10% after 1 May, 2018.

In accordance with the “Announcement on policies to deepen VAT reform” (Gong Gao 2019 No.39) if the taxpayer has a VAT taxable sales activity or imported good, the taxpayer shall pay VAT at 13% and 9% after 1 April, 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

VI. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

(1) Details

Item	31 December 2020			31 December 2019		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Cash on hand			185,324.40			249,129.05
RMB	111,968.17	1.0000	111,968.17	194,324.35	1.0000	194,324.35
HKD	82,535.06	0.8416	69,464.81	56,652.15	0.8958	50,747.86
CAD	760.00	5.1203	3,891.42	759.41	5.3421	4,056.84
Deposits in bank			10,941,803,014.08			9,321,697,310.89
deposit account			2,748,120,459.32			2,740,135,500.49
RMB	2,494,458,896.71	1.0000	2,494,458,896.71	2,295,083,952.56	1.0000	2,295,083,952.56
USD	20,547,255.32	6.5249	134,066,949.25	10,528,961.28	6.9762	73,452,139.68
HKD	141,461,731.71	0.8416	119,059,851.88	414,398,428.88	0.8958	371,209,824.53
AUD	47,229.09	5.0290	237,513.15	50,320.16	4.5787	230,400.92
EUR	29,609.31	8.0033	236,973.12	20,367.55	7.8155	159,182.59
CAD	0.04	5.1203	0.20	0.04	5.3421	0.21
THB	228,937.98	0.2174	49,779.75			
JPY	165,957.00	0.0632	10,495.26			
Client fund deposit			8,193,682,554.76			6,581,561,810.40
RMB	8,104,738,687.41	1.0000	8,104,738,687.41	6,497,262,589.77	1.0000	6,497,262,589.77
USD	4,610,580.22	6.5249	30,083,211.61	4,211,999.02	6.9762	29,383,747.56
HKD	67,293,174.96	0.8416	56,636,640.55	60,921,231.85	0.8958	54,572,021.16
EUR	276,838.87	8.0033	2,215,633.25	43,944.97	7.8155	343,451.91
JPY	132,540.00	0.0632	8,381.94			
Other cash and bank balances			9,142,683.42			9,802,121.58
RMB	9,142,683.42	1.0000	9,142,683.42	9,802,121.58	1.0000	9,802,121.58
Total			10,951,131,021.90			9,331,748,561.52

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

1. Cash and bank balances (continued)

(1) Details (continued)

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

Item	31 December 2020			31 December 2019		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate credit capital			70,219,206.05			47,834,623.14
RMB	2,379,906.55	1.0000	2,379,906.55	4,259,757.15	1.0000	4,259,757.15
HKD	80,603,701.70	0.8416	67,839,299.50	20,858,191.06	0.8958	18,684,350.39
USD				3,520,846.45	6.9762	24,562,129.00
EUR				42,017.35	7.8155	328,386.60
Client credit capital			582,961,261.74			476,131,648.81
RMB	528,880,625.85	1.0000	528,880,625.85	440,740,722.05	1.0000	440,740,722.05
USD	1,333,044.66	6.5249	8,697,857.34	25,551.58	6.9762	178,252.93
HKD	53,921,841.34	0.8416	45,382,778.55	39,309,511.07	0.8958	35,212,673.83
Total			653,180,467.79			523,966,271.95

(2) As of 31 December, 2020, the Company's cash which deposited overseas were RMB333,609,866.86, and mainly due to deposits made by Hong Kong subsidiaries.

(3) Cash and bank balances with restricted realization

Deposit bank	Bank account	For the year ended 2020	Reason for restriction
Bank of China Limited Henan Branch Business Department	262469587289	12,955,424.86	Risk reserve account for asset management business
Bank of China Limited Henan Branch Business Department	262469586944		Risk reserve account for asset management business

As of 31 December 2020, the Group has a restricted bank deposits totaling RMB12,955,424.86, mainly due to the Company to carry out asset management business and risk reserves deposited in banks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

2. Clearing settlement funds

Item	31 December 2020			31 December 2019		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Corporate reserve funds			91,228,910.05			170,907,131.02
RMB	82,146,097.14	1.0000	82,146,097.14	170,907,131.02	1.0000	170,907,131.02
HKD	10,234,072.57	0.8416	8,613,404.83			
USD	46,444.53	6.5249	303,041.53			
EUR	20,000.00	8.0033	160,066.63			
JPY	94,922.00	0.0632	6,002.95			
MYR	98.31	1.6185	159.11			
GBP	15.48	8.9057	137.86			
Client's ordinary reserve funds			1,975,873,287.75			2,184,595,530.37
RMB	1,972,225,042.98	1.0000	1,972,225,042.98	2,176,489,870.41	1.0000	2,176,489,870.41
USD	514,990.08	6.5249	3,360,258.77	968,157.31	6.9762	6,754,059.03
HKD	342,172.42	0.8416	287,986.00	1,508,853.66	0.8958	1,351,600.93
Client's credit reserve funds			311,997,890.20			162,546,854.45
RMB	311,997,890.20	1.0000	311,997,890.20	162,546,854.45	1.0000	162,546,854.45
Total			2,379,100,088.00			2,518,049,515.84

3. Margin accounts receivable

(1) By categories

Item	31 December 2020	31 December 2019
Within borders		
Individual client	7,161,431,516.25	5,634,401,621.21
Institutional client	109,194,134.07	244,875,805.15
Less: provision for impairment	21,728,570.93	15,281,693.50
Subtotal	7,248,897,079.39	5,863,995,732.86
Overseas		
Individual client	157,193,911.35	186,388,556.91
Institutional client	48,511,514.39	66,070,903.40
Less: provision for impairment	53,845,391.75	55,714,996.61
Subtotal	151,860,033.99	196,744,463.70
Total	7,400,757,113.38	6,060,740,196.56

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

3. Margin accounts receivable (continued)

(1) By categories (continued)

On 31 December 2019, the Company conducted a pledge-type repurchase of the right of income proceeds of RMB1,152,922,141.97 in the above margin trading and short selling business (refer to Note VI, 26). This business has ended in 2020.

(2) Details of collateral

Collateral type	31 December 2020	31 December 2019
Cash	732,150,639.06	712,533,596.87
Bonds	34,564,682.12	32,515,067.85
Stocks	22,251,473,685.92	17,413,349,206.33
Funds	94,132,329.50	92,631,047.75
Total	23,112,321,336.60	18,251,028,918.80

4. Derivative financial assets and liabilities

(1) 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

4. Derivative financial assets and liabilities (continued)

(2) 31 December, 2019

Item	Contractual value	Hedging instruments		Contractual value	Non-hedging instruments	
		Fair value Asset	Liability		Fair value Asset	Liability
Commodity futures				152,923,405.00	1,728,975.00	
Less: Offsetting with temporary receipts and payments					1,663,900.00	
National debt futures				1,234,738,750.00	577,393.51	
Less: Offsetting with temporary receipts and payments					577,393.51	
Commodity options				948,820.00	53,190.00	83,740.00
Forwards				253,887,517.81	11,265,850.93	
Total				1,642,498,492.81	11,384,115.93	83,740.00

Under the non-debt settlement system on the current day, settlement reserve fund includes the company's holdings of commodity futures, interest rate swaps and government bond futures held by the company on 31 December, 2020 and 31 December, 2019. Derivative instruments such as commodity futures, interest rate swap, national debt futures under derivative financial assets/liability are listed as the net amount of RMB after offsetting with temporary receipts and payments (position profit and loss from settlement).

5. Refundable deposits

Item	31 December 2020			31 December 2019		
	Amount of original currency	Exchange rate	RMB amount	Amount of original currency	Exchange rate	RMB amount
Trading margin			539,543,098.45			385,892,047.09
RMB	538,665,535.45	1.0000	538,665,535.45	381,395,763.06	1.0000	381,395,763.06
HKD	500,000.00	0.8416	420,820.00	4,099,055.64	0.8958	3,671,852.00
USD	70,000.00	6.5249	456,743.00	115,651.44	6.9762	806,807.58
EUR				16.41	7.8155	128.25
JPY				273,011.27	0.0641	17,496.20
Credit margin			10,618,496.40			7,010,153.46
RMB	10,618,496.40	1.0000	10,618,496.40	7,010,153.46	1.0000	7,010,153.46
Performance bonds			194,717,152.84			2,267,535.40
RMB	194,717,152.84	1.0000	194,717,152.84	2,267,535.40	1.0000	2,267,535.40
Total			744,878,747.69			395,169,735.95

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

6. Accounts receivable

(1) By categories

Item	31 December 2020	31 December 2019
Stock-pledged repurchase receivable	309,607,600.00	
Bond interest receivable	54,079,800.00	45,528,000.00
Settlement receivable	43,148,113.18	15,315,160.75
Asset management fee receivable	33,462,467.93	57,249,098.30
Fees and commission receivable	45,840,692.93	35,813,072.18
Margin trading & short selling payment receivable	7,963,368.74	9,177,327.68
Others	1,004,903.94	4,419,075.69
Less: Provision for bad debts (According to the simplified model)	325,783,423.38	13,589,432.23
Book value of accounts receivable	169,323,523.34	153,912,302.37

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 receivable budget. As of 31 December, 2020, the balance of the stock-pledged repurchase receivable is RMB309,607,600.00, and the bad debt provision has been fully accrued.

(2) By evaluation methods

Item	31 December 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	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

6. Accounts receivable (continued)

(2) By evaluation methods (continued)

Item	31 December 2019			
	Book value of accounts receivable		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Single provision for bad debts	25,822,823.17	15.42	10,034,816.67	38.86
Subtotal	25,822,823.17	15.42	10,034,816.67	
Combination provision for bad debts				
within 1 year	105,040,653.25	62.70	525,203.26	0.50
1-2 years	26,090,887.21	15.58	1,304,544.36	5.00
2-3 years	3,846,577.64	2.30	384,657.76	10.00
3-4 years	6,700,278.16	4.00	1,340,055.63	20.00
4-5 years	515.17		154.55	30.00
Subtotal	141,678,911.43	84.58	3,554,615.56	
Total	167,501,734.60	100.00	13,589,432.23	

(3) Among the balance of accounts receivable at the end of the year, the amount receivable from shareholder units holding more than 5% (including 5%) of the voting shares of the Company was RMB1,309,786.65.

7. Financial assets held under resale agreement

(1) By business

Item	31 December 2020	31 December 2019
Agreed repurchase securities	9,847,902.11	12,829,661.10
Stock-pledged repurchase	1,707,498,529.86	2,035,425,405.12
Bonds outright repurchase	40,292,940.00	1,164,604,789.02
Bond-pledged repurchase	565,267,829.32	214,517,707.39
Less: provision for asset impairment	266,942,311.46	403,489,034.92
Total	2,055,964,889.83	3,023,888,527.71

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

7. Financial assets held under resale agreement (continued)

(2) By subjects

Item	31 December 2020	31 December 2019
Stocks	1,717,346,431.97	2,048,255,066.22
Bonds	605,560,769.32	1,379,122,496.41
Less: provision for asset impairment	266,942,311.46	403,489,034.92
Book Value	2,055,964,889.83	3,023,888,527.71

(3) Details of collateral

Collateral type	Fair value on 31 December 2020	Fair value on 31 December 2019
Stocks	2,792,479,921.43	2,914,932,993.06
Bonds	736,501,927.71	1,380,791,342.00
Total	3,528,981,849.14	4,295,724,335.06
Include: Collateral that can be sold or re-collateralized	40,542,360.00	1,163,992,480.00
Collateral that has been sold or has been pledged again	40,542,360.00	966,923,000.00

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

Remaining period	31 December 2020	31 December 2019
Within 1 month	10,002,274.03	
1–3 months		153,632,876.69
3 months–1 year	735,430,249.94	450,806,989.83
More than 1 year	50,267,123.29	13,222,856.95
Past due	911,798,882.60	1,417,762,681.65
Total	1,707,498,529.86	2,035,425,405.12

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

7. Financial assets held under resale agreement (continued)

(5) Stock-pledged repurchase by stage of impairment

Item	31 December 2020			Total
	Expected credit losses in the next 12 months	No credit impairment	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

Item	31 December 2019			Total
	Expected credit losses in the next 12 months	No credit impairment	Credit impairment	
Book balance	617,662,723.47	150,000,000.00	1,267,762,681.65	2,035,425,405.12
Impairment allowance	987,204.26	541,515.64	401,952,176.28	403,480,896.18
Book value	616,675,519.21	149,458,484.36	865,810,505.37	1,631,944,508.94
The value of Collateral	1,688,168,350.68	164,160,000.00	1,021,073,955.18	2,873,402,305.86

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

8. Financial assets at fair value through profit or loss

(1) By categories

Item	31 December 2020			
	Classified into FVTPL	Fair value Designated as FVTPL	Total	Initial cost Designated as FVTPL
Bonds	19,006,086,088.17	19,006,086,088.17	18,963,514,100.97	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
Financial products	120,306,652.05	120,306,652.05	120,000,000.00	120,000,000.00
Asset management products	10,319,370.53	10,319,370.53	10,901,958.05	10,901,958.05
Private equity 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

Item	31 December 2019			
	Classified into FVTPL	Fair value Designated as FVTPL	Total	Initial cost Designated as FVTPL
Bonds	13,810,266,165.45	13,810,266,165.45	13,729,609,266.85	13,729,609,266.85
Public Offering of Fund	792,478,949.57	792,478,949.57	789,646,056.89	789,646,056.89
Stocks	1,448,376,173.97	1,448,376,173.97	1,512,863,535.94	1,512,863,535.94
Financial products	163,533,291.76	163,533,291.76	161,000,000.00	161,000,000.00
Asset management products	17,062,550.00	17,062,550.00	20,900,000.00	20,900,000.00
Private equity and partnerships	898,601,516.01	898,601,516.01	1,021,560,520.40	1,021,560,520.40
Others	96,700,000.00	96,700,000.00	100,000,000.00	100,000,000.00
Total	17,227,018,646.76	17,227,018,646.76	17,335,579,380.08	17,335,579,380.08

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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)

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

As of 31 December, 2020 and 31 December, 2019, the balance of the Group's financial assets at fair value through profit or loss included RMB6,015,764.80 and RMB5,410,131.09 in securities financing, respectively.

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

Item	Reasons for restriction	Book value on 31 December 2020	Book value at the beginning of the year
Bonds	Outright sale or pledge for repurchase financing	11,241,083,913.94	6,276,173,261.05
Bonds	Pledged for bond lending	1,981,780,898.06	952,842,604.73
Bonds	Freeze due to resale declaration period	193,466,175.35	
Public offered funds	Financing out securities	6,015,764.80	5,410,131.09
Stocks	Restricted by share reduction	220,030,319.58	
Stocks	Restrictions on bulk trading	18,849,600.00	16,940,000.00
Financial product	Pledge for short-term borrowing		51,926,438.36

9. Financial assets measured at amortized costs

(1) Details

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 plan	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

Item	31 December 2019			
	Initial cost	Interest	Impairment allowance	Book value
Trust plans	413,351,533.53	2,879,308.14	2,182,385.91	414,048,455.76
Private placement bonds	155,098,508.88	1,791,560.00	90,059,105.35	66,830,963.53
Assets management plan	244,388,050.00		48,877,610.00	195,510,440.00
Total	812,838,092.41	4,670,868.14	141,119,101.26	676,389,859.29

Asset management plan include "Zhong Jing No.1" and "Lian Meng No.17", for details refer VI. 35.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

9. Financial assets measured at amortized costs (continued)

(2) Financial assets measured at amortized costs-ECL

Item	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit losses in lifetime	Stage 3 Expected credit losses in lifetime (Credit impairment)	Total
1 January 2020	709,880.59		140,409,220.67	141,119,101.26
Book value	—	—	—	—
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Current period			22,162,607.50	22,162,607.50
Transfer back	-686,838.78			-686,838.78
Write off				
Difference from foreign currency translation			-4,870,239.31	-4,870,239.31
31 December 2020	23,041.81		157,701,588.86	157,724,630.67

10. Financial assets at fair value through other comprehensive income

(1) By categories

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

Item	31 December 2019				Accumulated impairment of allowance
	Initial cost	Interest	Changes in fair value	Book value	
Government debt	250,038,528.94	4,451,328.78	540,798.21	255,030,655.93	
Corporate debt	390,000,000.00	13,158,460.55	6,506,230.00	409,664,690.55	200,655.09
Total	640,038,528.94	17,609,789.33	7,047,028.21	664,695,346.48	200,655.09

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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)

(2) Financial assets 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	Stage3 Expected credit losses in lifetime (Credit impairment)	Total
1 January 2020	200,655.09			200,655.09
Book value	—	—	—	—
— transfer to stage 2				
— transfer to stage 3				
— transfer back to stage 2				
— transfer back to stage 1				
Current period	1,065,904.74		69,708,400.00	70,774,304.74
Transfer back				
Write off				
31 December 2020	1,266,559.83		69,708,400.00	70,974,959.83

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

Item	Reasons for restriction	Book value on 31 December 2020	Book value at the beginning of the year
Corporate debt	Pledged for bond lending	30,822,180.41	105,446,965.57
Corporate debt	pledge for repurchase financing	132,078,473.98	304,217,724.98
Local government debt	pledge for repurchase financing	516,192,382.20	
National debt	Pledge for refinancing operations	295,212,638.37	

11. Long-term equity investments

(1) By categories

Item	31 December 2020	31 December 2019
Long-term equity investment based on equity method	1,097,430,290.95	1,133,435,870.73
Total	1,097,430,290.95	1,133,435,870.73
Less: Impairment loss	30,154,117.51	28,714,472.06
Net long-term equity investment	1,067,276,173.44	1,104,721,398.67

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

11. Long-term equity investments (continued)

(2) Investment in associated enterprises

Investee	Opening balance	Additional investment	Reducing investment	Investment gains and losses recognized under the equity method	Increase/Decrease Other comprehensive income adjustment	Other changes in equity	Declare cash dividends or profits	Provision for impairment	others	Closing balance	Impairment provision year-end balance
Henan Huatai Grain and Oil Machinery Co., Ltd.	5,579,735.71			361,533.05						5,941,268.76	
Henan Zhongping Financing Guarantee Co., Ltd.	52,200,889.90			1,384,830.59						53,585,720.49	
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	17,519,254.85			3,061,536.15						20,580,791.00	
Zhengzhou Nongtao E-commerce Co., Ltd.	1,274,705.60									1,274,705.60	12,204,617.53
CSI Jiaotong Fund Management Co., Ltd.	19,835,305.24			424,225.41						20,259,530.65	
Henan Investment Realistic Communication Co., Ltd.	992,080.16			-49,454.25						942,625.91	
Henan Shengtong Juyuan Venture Capital Fund (Limited Partnership)	80,998,741.81			-4,770,730.38		1,009,624.42				77,237,635.85	
Xiping Zhongdong Brilliant Zhiyuan Investment Center (Limited Partnership)	3,812,049.50		3,745,251.58	-66,797.92						1,809,940.63	
Puyang Chuangying Industrial Investment Fund Co., Ltd.	1,992,281.38			-182,340.75						2,425,115.24	
Shangca Zhongdong Industrial Development Investment Fund (Limited Partnership)	2,468,612.19			-43,496.95						2,425,115.24	
Xinxiang Zhongdong Technology Achievement Transformation Fund (Limited Partnership)	19,943,316.40			167,704.29						20,111,020.69	
Luoyang Guohong CSI Industry Development Investment Fund (Limited Partnership)	12,318,282.64			-389,366.39						11,928,916.25	
Henan Jinding Shengyuan Equity Investment Fund (Limited Partnership)	58,116,367.08			-4,146,773.71						53,969,593.37	
Luoyang CSI Technology Innovation Venture Capital Fund (Limited Partnership)	11,042,157.20			-28,609.73						11,013,547.47	
Luohu Huaiui 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.	19,937,646.79			-1,040,628.86						18,897,017.93	
Zhongyuan Environmental Capital Technology Co., Ltd.	16,730,192.94			-331,519.74						16,398,673.20	
Henan Carat Diamond Co., Ltd.	17,304,512.43		17,304,512.43								

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

11. Long-term equity investments (continued)

(2) Investment in associated enterprises (continued)

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 year-end balance
Henan Jiaoliang Rongmedia Cultural Communication Co., Ltd.	3,848,632.97			44,711.27						3,893,344.24	5,059,488.46
Henan Ruida Pharmaceutical Technology Co., Ltd.											3,476,571.60
Zhengzhou IKEA Anhao Software Technology Co., Ltd.											
Zhengzhou Meets Network Technology Co., Ltd.	3,504,183.50		3,518,592.59	14,409.09							
Zhengzhou Eran Computer Technology Co., Ltd.			4,091,051.74								
Zhengzhou Dahai Zhixin Technology Co., Ltd.	11,384,068.78		4,292,973.59	189,019.73					4,091,051.74	11,573,088.51	
Nanyang Fuxinte Optoelectronics Technology Co., Ltd.	4,292,973.59										
Henan Ruifeng Diamond Products Co., Ltd.	6,714,646.13			554,709.28						7,269,355.41	
Zhengzhou Majia Agricultural Technology Co., Ltd.	1,627,082.17			-223,256.08						1,403,826.09	
Henan Linying Environmental Protection Technology Co., Ltd.	22,567,319.13			2,008,256.84						24,575,575.97	
Henan Dudu Computer Technology Co., Ltd.	240,000.00									240,000.00	492,987.23
Tangyin County Innovation Industry Investment Fund (Limited Partnership)	1,424,491.30			-224,344.08						1,200,147.22	
Minquan County Innovation Industry Investment Fund (Limited Partnership)	21,824,940.16			18,238,875.69						40,063,815.85	
Qingdao Zhongzhou Lanhai Beisheng Investment Management Center (Limited Partnership)	12,184,510.60			-4,148,955.95						8,035,554.65	
Henan Zhongyuan Big Data Trading Center	1,905,707.21			126,800.11						2,032,507.32	
Henan Asset Management Co., Ltd.	562,337,674.45			43,115,866.39	181,829.12		-15,106,290.38			590,529,079.58	
Henan Dahecai Cube Media Holdings Co., Ltd.	30,789,285.43			1,200,451.41						31,989,736.84	
Hebei Magnesium Trading Center Co., Ltd.	10,046,758.18			-305,527.56						9,741,230.62	
Shangcai Fengtuo Agriculture and Forestry Technology Co., Ltd.	4,989,454.94			-13,323.71						4,976,131.23	
2242257OntarioInc	8,040,501.72			-1,046,223.04				-5,530,697.19	-76,496.75	446,665.68	5,530,697.19
Luoyang Jianlong Weina New Material Co., Ltd.	41,904,590.51					-940,419.06	-2,257,900.00				
Luoyang Desheng Biotechnology Co., Ltd.	11,528,446.08			-98,434.89				-39,646,690.51		11,430,011.19	
Total	1,104,721,398.67		32,952,381.93	53,783,145.31	181,829.12	69,205.36	-17,364,190.38	-5,530,697.19	-35,632,135.52	1,067,276,173.44	30,154,117.51

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

11. Long-term equity investments (continued)

(2) Investment in associated enterprises (continued)

On 31 December, 2020, the Group inspected the book long-term equity investment, combined with the operating conditions, financial status and other factors of the investee, assessed the extent of impairment, and implemented impairment tests on this basis. For long-term equity investments whose book value exceeds the recoverable amount, impairment losses are recognized based on the difference. The total amount of impairment losses recognized in 2020 is 5,530,697.19 yuan.

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	16,592,728.52	16,592,728.52
2. Increase	815,580.92	815,580.92
(1) Accrual or amortization	815,580.92	815,580.92
3. Decrease		
4. Closing balance	17,408,309.44	17,408,309.44
Provision for impairment		
1. Opening balance		
2. Increase		
3. Decrease		
4. Closing balance		
Book value		
1. Closing book value	16,474,089.01	16,474,089.01
2. Opening book value	17,289,669.93	17,289,669.93

On 31 December, 2020 and 31 December, 2019, the company determined that investment real estate does not require provision for impairment.

On 31 December, 2020 and 31 December, 2019, the company's investment real estate did not have a property right certificate yet to be completed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

13. Fixed assets

(1) Book Value

Item	31 December 2020	31 December 2019
Original value of fixed assets	518,939,792.67	529,779,821.41
Less: Accumulative depreciation	339,935,752.90	336,747,594.72
Less: Provision for asset impairments		
Total	179,004,039.77	193,032,226.69

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

Item	Buildings and structures	Electronic equipment	Transport facilities	Others	Total
Original book value					
1. Opening balance	158,278,328.85	327,231,474.94	24,812,322.59	19,457,695.03	529,779,821.41
2. Increase		18,837,126.24	188,840.36	1,584,163.94	20,610,130.54
(1) Acquisition		18,837,126.24	188,840.36	1,584,163.94	20,610,130.54
(2) Transferred in from investment properties					
3. decrease		29,699,769.76	960,819.28	594,959.12	31,255,548.16
(1) Disposal or scrap		29,699,769.76	960,819.28	594,959.12	31,255,548.16
4. Difference by foreign currency		-102,273.67	-85,189.67	-7,147.78	-194,611.12
5. Closing balance	158,278,328.85	316,266,557.75	23,955,154.00	20,439,752.07	518,939,792.67
Accumulative depreciation					
1. Opening balance	53,520,896.87	248,099,802.88	19,399,453.69	15,727,441.28	336,747,594.72
2. Increase	4,159,345.00	26,794,720.36	1,120,017.92	848,484.91	32,922,568.19
(1) Accrual	4,159,345.00	26,794,720.36	1,120,017.92	848,484.91	32,922,568.19
(2) Transferred in from investment properties					
3. Decrease		28,259,112.08	813,630.57	527,995.23	29,600,737.88
(1) Disposal or scrap		28,259,112.08	813,630.57	527,995.23	29,600,737.88
4. Difference from foreign currency translation		-76,065.46	-51,919.37	-5,687.30	-133,672.13
5. Closing balance	57,680,241.87	246,559,345.70	19,653,921.67	16,042,243.66	339,935,752.90
Provision for impairment					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Closing book value	100,598,086.98	69,707,212.05	4,301,232.33	4,397,508.41	179,004,039.77
2. Opening book value	104,757,431.98	79,131,672.06	5,412,868.90	3,730,253.75	193,032,226.69

(3) The depreciation of the fixed asset is RMB32,922,568.19.

(4) On 31 December, 2020, the Group has no fixed assets that have not completed the title certificate.

(5) On 31 December, 2020, the Group has no fixed assets temporarily idle.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

14. Construction in progress

Item	31 December 2020			31 December 2019		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Office building construction	52,427,024.00		52,427,024.00	35,578,119.28		35,578,119.28
Total	52,427,024.00		52,427,024.00	35,578,119.28		35,578,119.28

15. Right-of-use assets

Item	Buildings and structures	Total
Original book value		
1. Opening balance	242,281,992.72	242,281,992.72
2. Increase	54,926,385.49	54,926,385.49
(1) Rent in	54,926,385.49	54,926,385.49
3. Decrease	18,860,731.14	18,860,731.14
(1) lease expires	18,860,731.14	18,860,731.14
4. Difference by foreign currency	-2,463,371.86	-2,463,371.86
5. Closing balance	275,884,275.21	275,884,275.21
Accumulative depreciation		
1. Opening balance	57,304,296.65	57,304,296.65
2. Increase	75,348,822.39	75,348,822.39
(1) Accrual	75,348,822.39	75,348,822.39
3. Decrease	18,860,731.14	18,860,731.14
(1) lease expires	18,860,731.14	18,860,731.14
4. Difference by foreign currency	-941,275.95	-941,275.95
5. Closing balance	112,851,111.95	112,851,111.95
Book value		
1. Opening balance	163,033,163.26	163,033,163.26
2. Closing balance	184,977,696.07	184,977,696.07

On 31 December, 2020 and 31 December, 2019, the Group determined that the right-of-use asset does not require provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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	223,802,533.75	32,670,730.00	105,480,246.53	2,444,000.00	364,397,510.28
2. Increase	62,007,721.22				62,007,721.22
3. Decrease	714,866.47				714,866.47
4. Difference by foreign currency	-15,886.98	-54,140.00			-70,026.98
5. Closing balance	285,079,501.52	32,616,590.00	105,480,246.53	2,444,000.00	425,620,338.05
Accumulative depreciation					
1. Opening balance	158,027,648.53	31,558,283.56	15,162,785.22	2,438,833.51	207,187,550.82
2. Increase	28,453,178.89	49,999.92	2,637,006.12	5,166.49	31,145,351.42
3. Decrease	714,866.47				714,866.47
4. Difference by foreign currency	-15,886.98				-15,886.98
5. Closing balance	185,750,073.97	31,608,283.48	17,799,791.34	2,444,000.00	237,602,148.79
Impairment allowance					
1. Opening balance					
2. Increase					
3. Decrease					
4. Closing balance					
Book value					
1. Opening balance	99,329,427.55	1,008,306.52	87,680,455.19		188,018,189.26
2. Closing balance	65,774,885.22	1,112,446.44	90,317,461.31	5,166.49	157,209,959.46

(2) The amortization amount of intangible assets was RMB31,145,351.42 for the period ended 31 December, 2020.

(3) On 31 December, 2020 and 31 December, 2019, the Group has no significant intangible assets used as collateral or guarantee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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, 2019	Amortized or transferred	Accumulated amortization or roll-out	Difference by foreign currency	31 Dec 2020
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	216,666.44	49,999.92	333,333.48		166,666.52
Hong Kong Stock Exchange	876,200.00	895,780.00			-54,140.00	841,640.00
Total	32,651,150.00	1,112,446.44	49,999.92	31,608,283.48	-54,140.00	1,008,306.52

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

17. Deferred income tax assets and deferred income tax liabilities

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

Item	31 December 2020	31 December 2019
Deferred income tax assets		
Provision for asset impairment	243,561,201.63	177,525,697.93
Employee benefits payable	76,885,445.52	73,607,160.80
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	100,789,341.05	81,599,266.52
To be carried forward underwriting income and expenditure	3,045,778.89	2,924,615.32
Accrued expenses	2,507,002.68	2,743,228.44
Change in fair value of financial assets at fair value through other comprehensive income	18,206,409.85	
Changes in fair value of financial liabilities at fair value through profit or loss	1,524,273.16	
Futures risk reserve	105,574.86	105,574.86
Others	18,109,620.45	7,120,149.24
Total	464,734,648.09	345,625,693.11
Deferred income tax liabilities		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	7,102,318.65	5,499,688.98
Changes in fair value of financial assets at fair value through other comprehensive income		1,761,757.05
Changes in fair value of financial liabilities at fair value through profit or loss		779,484.35
Others	7,139,218.34	217,354.09
Total	14,241,536.99	8,258,284.47

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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	31 December 2020	31 December 2019
Deductible temporary differences		
Provision for asset impairment	1,019,083,812.61	754,884,181.04
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	456,839,987.56	400,855,489.22
Employee benefits payable	307,541,782.10	294,428,643.20
To be carried forward underwriting income and expenditure	12,183,115.56	11,698,461.28
Accrued expenses	10,028,010.72	10,972,913.76
Change in fair value of financial assets at fair value through other comprehensive income	72,825,639.39	
Changes in fair value of financial liabilities measured at fair value through profit or loss	6,097,092.66	
Futures risk reserve	422,299.44	422,299.44
Others	89,776,909.66	28,480,596.96
Total	1,974,798,649.70	1,501,742,584.90
Taxable temporary difference		
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	28,409,274.59	21,998,755.92
Changes in fair value of financial assets at fair value through other comprehensive income		7,047,028.21
Changes in fair value of financial liabilities measured at fair value through profit or loss		3,117,937.40
Others	28,556,873.36	869,416.36
Total	56,966,147.95	33,033,137.89

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

18. Goodwill

Investee	31 December 2019	Generated from business combination in the current period	Difference from foreign currency translation	31 December 2020	31 December 2020 Impairment loss
Central China Futures Co., Ltd.	7,268,756.37			7,268,756.37	
Central China Financing International Co., Ltd.	15,103,058.09		-912,812.92	12,614,035.24	1,576,209.93
Total	22,371,814.46		-912,812.92	19,882,791.61	1,576,209.93

- (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 Finance Co., Ltd.) in 2016 with a merger consideration HKD24,416,272.00. The recognition of fair value is HKD7,556,040.59 and the difference is HKD16,860,231.41, which is converted into goodwill at the exchange rate on 31 December, 2020.
- (3) The main cash flow generated by the above invested unit is independent of the other subsidiaries, and the Company separately manages the above subsidiaries. Therefore, each subsidiary is an asset group and the goodwill formed by the business combination with separately impairment test. The recoverable amount of the Company's goodwill is determined by the method of estimating the present value of future cash flows. The discount of cash flow is calculated using an appropriate discount rate and reflects the specific risks of the relevant asset group. As of 31 December 2020, the Company's carrying amount of the goodwill through an impairment test, an impairment provision of RMB1,576,209.93 was made based on the estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

19. Other assets

(1) Details

Item	31 December 2020	31 December 2019
Other receivable	208,187,453.87	165,575,875.56
Deferred expenses	8,724,860.09	9,218,414.91
Long-term deferred expenses	29,304,787.78	29,329,480.40
Pending underwriting expenses	758,196.90	415,675.06
Entrusted Loan	4,000,000.00	13,828,588.41
Loan	875,830,915.70	1,074,197,140.31
Commodity inventory	197,278,287.50	120,615,640.34
Temporary payment	40,088,770.06	10,123,099.45
Clearing margin receivable	10,053,020.30	10,056,957.85
Pending deduct VAT on purchase	3,763,992.39	5,509,223.08
Futures membership	1,400,000.00	1,400,000.00
Interest receivable	1,262,539.54	3,107,002.04
Others	6,670,650.56	2,721,932.28
Total	1,387,323,474.69	1,446,099,029.69

(2) Other receivable

1) Details

Item	31 December 2020	31 December 2019
Prepayments	37,802,104.67	40,042,809.83
Cash pledge	18,457,262.12	27,208,048.47
Equity transfer fund	28,000,000.00	40,000,000.00
Debt receivable	14,584,450.53	20,561,469.28
Margins	107,692,585.42	34,175,791.81
Withhold and remit Tax	193,064.03	116,438.31
Others	19,267,087.49	24,662,526.39
Less: Provision for bad debt	17,809,100.39	21,191,208.53
Book value	208,187,453.87	165,575,875.56

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

19. Other assets (continued)

(2) Other receivable (continued)

2) By evaluation methods

Item	31 December 2020			31 December 2019		
	Book balance	Provision for bad debts	Proportion (%)	Book balance	Provision for bad debts	Proportion (%)
Separate provision for bad debts	133,831,876.43	12,785,582.57	9.55	81,267,704.86	16,592,568.75	20.42
Subtotal	133,831,876.43	12,785,582.57		81,267,704.86	16,592,568.75	
Combination provision for bad debts						
Within 1 year	56,469,157.79	282,345.90	0.50	81,113,192.09	405,566.08	0.50
1-2 years	18,713,083.99	935,654.20	5.00	13,902,884.24	695,144.21	5.00
2-3 years	9,355,826.17	935,582.62	10.00	2,924,366.68	292,436.67	10.00
3-4 years	2,391,853.82	478,370.76	20.00	1,178,726.47	235,745.29	20.00
4-5 years	1,129,068.48	338,720.54	30.00	1,101,786.73	330,536.02	30.00
More than 5 years	4,105,687.58	2,052,843.80	50.00	5,278,423.02	2,639,211.51	50.00
Subtotal	92,164,677.83	5,023,517.82		105,499,379.23	4,598,639.78	
Total	225,996,554.26	17,809,100.39		186,767,084.09	21,191,208.53	

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

(3) Long-term deferred expenses

Item	31 December 2019	Increase	Deferred	Decrease	31 December 2020
Decoration expense.etc.	29,329,480.40	13,591,599.68	13,585,931.11	30,361.19	29,304,787.78
Total	29,329,480.40	13,591,599.68	13,585,931.11	30,361.19	29,304,787.78

(4) Entrusted loans

Item	31 December 2020	31 December 2019
Entrusted loans	34,416,951.35	34,633,051.35
Less: Provision for impairment of assets	30,416,951.35	20,804,462.94
Book value	4,000,000.00	13,828,588.41

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

19. Other assets (continued)

(5) Loan

1) By categories

Item	31 December 2020	31 December 2019
Individual	40,841,156.74	51,830,380.83
Agency	977,539,981.74	1,105,263,879.41
Less: Provision for asset impairments	142,550,222.78	82,897,119.93
Book value	875,830,915.70	1,074,197,140.31

Henan Central China Micro-lending Co., Ltd. a subsidiary of the Company, has started its loan business in 2017, the Company 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	31 December 2020	31 December 2019
Mortgage loan	165,098,079.70	33,511,383.51
Pledge loan	69,537,966.67	73,270,550.00
Guaranteed loan	771,612,802.11	1,033,539,382.84
Credit loan	12,132,290.00	16,772,943.89
Less: Provision for asset impairments	142,550,222.78	82,897,119.93
Book value	875,830,915.70	1,074,197,140.31

3) Changes in loan impairment provision

Item	31 December 2019	Accrual	31 December 2020
Impairment loss of loan	82,897,119.93	59,653,102.85	142,550,222.78
Total	82,897,119.93	59,653,102.85	142,550,222.78

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

20. Securities lending

Item	31 December 2020	31 December 2019
Securities lending	6,015,764.80	5,410,131.09
— Financial assets at fair value through profit or loss	6,015,764.80	5,410,131.09

As of 31 December, 2020 and 31 December, 2019, the Company has no significant margin trading business contracts overdue.

21. Detailed statement of provision for impairment of assets

(1) By changing details

Item	31 December 2019	Increase	Decrease			Difference from foreign currency translation	31 December 2020
			Turn back	Transfer out	Others		
Provision for impairment of margin account receivable	70,996,690.11	8,226,439.80				-3,649,167.23	75,573,962.68
Provision for bad debts	34,780,640.76	11,540,277.08	5,098,747.23	451,350.04	302,915,200.00	-93,496.80	343,592,523.77
Provision for impairment of financial assets held under resale agreement	403,489,034.92	166,368,476.54			-302,915,200.00		266,942,311.46
Provision for impairment of financial assets at amortized costs	141,119,101.26	22,162,607.50	686,838.78			-4,870,239.31	157,724,630.67
Provision for impairment of financial assets at fair value through other comprehensive income	200,655.09	70,774,304.74					70,974,959.83
Provision for impairment of other assets	7,558,888.38	2,408,888.39					9,967,776.77
Provision for impairment of loan	82,897,119.93	59,653,102.85					142,550,222.78
Provision for impairment of entrusted loan	20,804,462.94	9,828,588.41	216,100.00				30,416,951.35
Subtotal	761,846,593.39	350,962,685.31	6,001,686.01	451,350.04		-8,612,903.34	1,097,743,339.31
Provision for impairment of long-term equity investments	28,714,472.06	5,530,697.19		4,091,051.74			30,154,117.51
Provision for impairment of inventory	65,078.02	24,645,128.84		24,710,206.86			
Provision for impairment of goodwill		1,665,500.52				-89,290.59	1,576,209.93
Subtotal	28,779,550.08	31,841,326.55		28,801,258.60		-89,290.59	31,730,327.44
Total	790,626,143.47	382,804,011.86	6,001,686.01	29,252,608.64		-8,702,193.93	1,129,473,666.75

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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	31 December 2020			
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (No credit impairment)	Credit impairment	Total
Provision for impairment of margin account 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 agreement	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

Item	31 December 2019			
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (No credit impairment)	Credit impairment	Total
Provision for impairment of margin account receivable	15,285,375.88		55,711,314.23	70,996,690.11
Provision for bad debts		8,153,255.34	26,627,385.42	34,780,640.76
Provision for impairment of financial assets held under resale agreement	995,343.00	541,515.64	401,952,176.28	403,489,034.92
Provision for impairment of financial assets at amortized costs	709,880.59		140,409,220.67	141,119,101.26
Provision for impairment of financial assets at fair value through other comprehensive income	200,655.09			200,655.09
Provision for impairment of other assets			7,558,888.38	7,558,888.38
Provision for impairment of loan	7,501,815.14		75,395,304.79	82,897,119.93
Provision for impairment of entrusted loan			20,804,462.94	20,804,462.94
Total	24,693,069.70	8,694,770.98	728,458,752.71	761,846,593.39

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

22. Short-term loans

Item	31 December 2020	31 December 2019
Credit borrowing (note 1)	42,082,000.00	1,067,700,654.19
Pledge borrowing		85,811,114.11
Guaranteed borrowing (note 2)	273,895,554.88	415,236,129.54
Total	315,977,554.88	1,568,747,897.84

Note 1: As of 31 December, 2020, 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 borrowing does not exceed one year, and the annual interest rate of the loan is approximately Hibor+2.4%.

Note 2: As of 31 December, 2020, guaranteed loans are loans 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%.

23. Short-term financing instruments payable

Item	Par value	Start Date	Maturity	Issuing amount	Coupon rate	Book balance of 31 Dec. 2019	Increase	Decrease	Book balance of 30 Jun. 2020
17Central China 01 (note1)	1,500,000,000.00	26 July 2017	3 years	1,500,000,000.00	5.15%	1,533,651,369.85	43,598,630.15	1,577,250,000.00	
17Central China 02 (note1)	1,000,000,000.00	17 November 2017	3 years	1,000,000,000.00	5.49%	1,006,768,493.23	48,131,506.77	1,054,900,000.00	
18Central China 01 (note1)	1,500,000,000.00	27 April 2018	3 years	1,500,000,000.00	5.58%		1,557,328,766.98		1,557,328,766.98
19Central China F1 (note2)	1,500,000,000.00	16 April 2019	1 year	1,500,000,000.00	3.80%	1,540,446,575.35	16,553,424.65	1,557,000,000.00	
		From 10 July to 31 December							
Income certificates (note 3)	1,856,258,000.00	2020	14-241 days	1,856,258,000.00	2.60%-6.00%	374,580,686.32	3,927,221,835.31	2,433,191,326.69	1,868,611,194.94
US\$110,000,000 5.2 percent. Guaranteed Bonds due		15 September		110,000,000.00					
2021 (note4)	110,000,000.00 (USD)	2020	363 days	(USD)	5.20%		728,717,847.98		728,717,847.98
Total						4,455,447,124.75	6,321,552,011.84	6,622,341,326.69	4,154,657,809.90

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, the Shanghai Stock Exchange "Letter on 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%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

23. Short-term financing instruments payable (continued)

Note 2: According to the resolution of the Company's 2015 third interim shareholders' meeting and the Shanghai Stock Exchange "Letter on Objection to the Non-Public Issuance of Corporate Bonds of Central China securities Co.,Ltd.," (Shangzheng Han [2019] No. 132), the Company can non-public issue corporate bonds with a total amount of less than RMB5 billion to qualified investors. On 15 April, 2019, the Company issued RM1.5 billion of bonds with maturity of one year and a coupon rate of 3.80%.

Note 3: As of 31 December 2020, the Company's existing proofs of income include Xinyi series proof of income of 28,989,000.00 yuan, Jinyi series proof of income of 119,853,000.00 yuan, Zunyi series proof of income of 157,416,000.00 yuan and Rongyi series proof of income of 1,550,000,000.00 yuan, with a period of 14~ 241 days, the interest rate range is 2.60%~6.00%.

Note 4: 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, Wending Zhongyuan Company Limited, a subsidiary of the Company, issued 363 days of 110 million US dollars 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 5: On 31 December, 2020, short-term financing instruments payable include subordinated debt, proofs of income which period less than 1year (include1 year).

24. Due to banks and other financial institutions

(1) Details

Item	31 December 2020	31 December 2019
Due to banks	1,990,620,444.45	2,361,159,583.32
Capital from refinancing	1,703,797,777.78	
Total	3,694,418,222.23	2,361,159,583.32

(2) Residual maturity of capital from refinancing

Item	31 December 2020		31 December 2019	
	Balance	Rate	Balance	Rate
Within 1 month	503,004,444.45	2.80%		
1-3 months	1,200,793,333.33	2.80%		
Total	1,703,797,777.78			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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	31 December 2020		Total
	Classified into FVTPL	Fair value Designated as FVTPL	
Bonds (note1)	778,986,314.11		778,986,314.11
Included in the scope of consolidation and classified as financial liabilities at fair value through profit or loss (note2)	577,240,268.93		577,240,268.93
Total	1,356,226,583.04		1,356,226,583.04

Item	31 December 2019		Total
	Classified into FVTPL	Fair value Designated as FVTPL	
Bonds (note1)	714,792,262.30		714,792,262.30
Included in the scope of consolidation and classified as financial liabilities at fair value through profit or loss (note2)	399,760,116.86		399,760,116.86
Total	1,114,552,379.16		1,114,552,379.16

Note 1: As of 31 December, 2020 and 31 December, 2019, the Group sold outright bonds to other financial institutions for financing business.

Note 2: In the consolidated financial statements, since the Group is obliged to pay other investors on the maturity date of the structured entity in accordance with the net book value and the relevant terms of the structured entity, the Group classifies the financial liabilities arising from the consolidated structured entity as financial liabilities at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

26. Financial assets sold under repurchase agreements

(1) By categories

Item	31 December 2020	31 December 2019
Outright repurchase	170,134,478.47	357,042,328.08
Pledge-style repurchase	12,030,173,716.26	7,362,059,631.32
Income right repurchase for margin trading and short selling		1,001,986,666.67
Total	12,200,308,194.73	8,721,088,626.07

(2) By subject categories

Item	31 December 2020	31 December 2019
Bond	12,200,308,194.73	7,719,101,959.40
Income right from margin trading and short selling		1,001,986,666.67
Total	12,200,308,194.73	8,721,088,626.07

(3) Collateral information of financial assets sold under repurchase agreements

Item	Fair value on 31 December 2020	Fair value on 31 December 2019
Bond	13,375,777,049.15	8,602,600,556.80
Income right from margin trading and short selling		1,152,922,141.97
Total	13,375,777,049.15	9,755,522,698.77

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

27. Accounts payable to brokerage clients

(1) Details

Item	31 December 2020	31 December 2019
General brokerage business		
Individual	9,183,094,149.35	7,786,190,760.54
Institution	594,826,211.62	359,523,577.32
Subtotal	9,777,920,360.97	8,145,714,337.86
Credit business		
Individual	758,296,288.57	726,216,894.89
Institution	19,013,901.71	23,135,708.59
Subtotal	777,310,190.28	749,352,603.48
Total	10,555,230,551.25	8,895,066,941.34

28. Employee benefits payable

(1) Details

Item	31 December 2019	Increase	Decrease	31 December 2020
Short-term bonus	451,722,664.96	875,769,932.83	769,131,280.73	558,361,317.06
Post-employment benefit — defined contribution plans	26,110,079.86	57,581,378.00	80,679,101.14	3,012,356.72
Dismissal benefit	833,577.01	363,146.39	637,859.01	558,864.39
Total	478,666,321.83	933,714,457.22	850,448,240.88	561,932,538.17

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

28. Employee benefits payable (continued)

(2) Short-term benefits

Item	31 December 2019	Increase	Decrease	31 December 2020
Wages, bonuses, allowances and subsidies,	366,173,608.87	755,608,080.25	665,484,191.52	456,297,497.60
Welfare		17,066,554.31	17,032,341.64	34,212.67
Social insurance contribution	3,860.97	25,883,717.34	25,886,283.31	1,295.00
Include: Medical insurance	3,626.87	25,044,481.52	25,047,598.04	510.35
Work-related injury insurance	39.00	71,133.22	70,837.67	334.55
Maternity insurance	195.10	684,217.92	684,217.92	195.10
Supplementary medical insurance		79,330.38	79,075.38	255.00
Others		4,554.30	4,554.30	
Housing funds	1,680.00	44,350,178.91	44,351,858.91	
Labor union and employee education funds	85,543,515.12	32,861,402.02	16,376,605.35	102,028,311.79
Total	451,722,664.96	875,769,932.83	769,131,280.73	558,361,317.06

(3) Post-employment benefit — defined contribution plans

Item	31 December 2019	Increase	Decrease	31 December 2020
Basic pension	3,902.40	7,115,328.14	7,035,232.25	83,998.29
Unemployment insurance	97.50	320,954.66	316,442.38	4,609.78
Enterprise annuity payment	26,106,079.96	50,145,095.20	73,327,426.51	2,923,748.65
Total	26,110,079.86	57,581,378.00	80,679,101.14	3,012,356.72

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

29. Taxes payable

Item	31 December 2020	31 December 2019
Business income tax	114,101,377.09	48,599,122.69
Individual income tax	9,375,343.19	4,573,376.31
VAT	5,327,159.86	3,102,504.44
Urban maintenance and construction tax	1,262,668.74	280,019.95
Educational surcharge	899,695.79	198,177.40
Property tax	396,512.17	107,588.35
Land holding tax	59,419.92	6,823.78
Others	181,907.79	118,397.78
Total	131,604,084.55	56,986,010.70

30. Accounts payable

Item	31 December 2020	31 December 2019
Open-end fund liquidation	52,036,482.97	112,837,882.61
Securities liquidation	1,584,687.23	54,069,595.58
Bank custody fee	4,289,034.57	4,701,892.05
Others	7,964,367.83	11,471,761.30
Total	65,874,572.60	183,081,131.54

31. Contract liabilities

Item	31 December 2020	31 December 2019
Fee and commission advance payment	13,434,590.75	16,421,359.42
Pre-trade receivable	13,061,090.66	563,000.00
Others		3,460,493.15
Total	26,495,681.41	20,444,852.57

Contract liabilities mainly related to the Group's pre-payment of management fees and sales of goods received advance payment. Pre-payment charge at the time of signing the contract, contract-related income in the Group's fulfillment confirm compliance obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

32. Long-term borrowings

Item	31 December 2020	31 December 2019
Credit borrowing	1,001,741.67	13,202,955.17
Total	1,001,741.67	13,202,955.17

Note: As of 31 December, 2020, credit loans are loans 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 loan is 20% higher than the pricing base interest rate on the actual withdrawal date of the loan.

33. Bonds payable

Item	Face value	Start Date	Maturity	Issuing amount	Coupon rate	31 December 2019 book balance	Increase	Decrease	31 December 2020 book balance
18 Central China 01 (note 1)	1,500,000,000.00	27 April 2018	3years	1,500,000,000.00	5.58%	1,557,099,451.95	26,600,548.05	1,583,700,000.00	
19 Central China C1 (note 1)	1,000,000,000.00	30 October 2019	3years	1,000,000,000.00	4.90%	1,008,457,534.25	49,134,246.60	49,000,000.00	1,008,591,780.85
19 Central China 01 (note 2)	2,000,000,000.00	26 March 2019	3years	2,000,000,000.00	3.90%	2,058,383,389.76	78,858,249.48	78,003,900.00	2,059,237,739.24
20 Central China C1 (note 3)	1,500,000,000.00	23 April 2020	3years	1,500,000,000.00	4.08%		1,542,420,821.93		1,542,420,821.93
Total	6,000,000,000.00			6,000,000,000.00		4,623,940,375.96	1,697,013,866.06	1,710,703,900.00	4,610,250,342.02

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 by the third interim shareholders' meeting in 2015. On 26 April, 2018, the Company issued the first subordinated debt, with a face value of RMB1.5 billion, the maturity of 3 years, and coupon rate of 5.58%; 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 April 22, 2020, the company issued RMB1.5billion of bonds with a maturity of 3 years and a coupon rate of 4.08%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

34. Lease liabilities

Item	31 December 2020	31 December 2019
Lease liabilities	157,698,672.45	177,837,189.74
Include: less than 1 year	63,101,382.10	86,390,791.78
Total	157,698,672.45	177,837,189.74

Note: The products 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. Others liabilities

(1) Details

Item	31 December 2020	31 December 2019
Others payable	249,046,172.59	342,539,563.07
Prepaid fee	60,275,715.32	22,274,226.00
Investor protection fund	25,085,590.18	22,454,322.10
Futures risk reserve	4,346,572.63	4,110,068.54
Others	5,669,348.97	2,174,367.83
Total	344,423,399.69	393,552,547.54

(2) Other payable

Item	31 December 2020	31 December 2019
Equity transfer payable	105,205,000.00	111,972,500.00
Warranty Deposit (note1)	92,651,296.00	61,884,600.00
With holding supervision fees, rent, utilities, etc	14,063,675.84	11,973,830.85
Asset management plan share transfer payable (note2)	2,562,500.00	89,549,125.00
Others	34,563,700.75	67,159,507.22
Total	249,046,172.59	342,539,563.07

Note 1: The book value of the pledged bulk commodity inventory set by the subsidiary of the Company for carrying out the warehouse receipt pledge financing business is 115,814,120.00 yuan.

Note 2: As of 31 December, 2020, the asset management plans of Lianmeng No.17 and Zhongjing No.1 managed by the company were overdue. Due to contract fraud by the underlying financiers, the public security organs have filed a case for investigation and seized related assets. The Company included 244 million yuan in assets corresponding to the above-mentioned asset management plan shares into debt investment, and included the remaining 3 million yuan in the transfer of assets payable to the asset management plan into other payable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

35. Others 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	Opening balance	Issued	Bonus shares	Increase/Decrease Shares transferred from housing fund	Other	subtotal	Closing balance
Total share capital	3,869,070,700.00	773,814,000.00				773,814,000.00	4,642,884,700.00

Note: The Company completed the non-public issuance of A-shares in July 2020, and actually issued 773,814,000.00 RMB ordinary shares. The total amount of funds raised was RMB3,644,663,940.00, deducting various issuance expenses (excluding taxes) of RMB27,534,113.67, and the actual net amount of funds raised was RMB3,617,129,826.33 yuan. Among them, the newly-increased registered capital was RMB773,814,000.00, and the capital reserve was increased by RMB2,843,315,826.33.

37. Capital reserve

Item	31 December 2019	Increase	Decrease	31 December 2020
Premium on capital stock	3,731,847,252.71	2,843,315,826.36		6,575,163,079.07
Others	-244,609,466.75	69,205.36		-244,540,261.39
Total	3,487,237,785.96	2,843,385,031.72		6,330,622,817.68

Note: Please refer to Note VI. 36 for details of the changes in "Capital Reserve/Share Capital Premium".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

38. Other comprehensive income

Item	Balance at the beginning of the year attributable to other comprehensive income of the parent company shareholders	Current Amount before income tax	Less: OCI carried forward transferred to profit or loss	Less: Income tax	Total	Attributable to the parent company after tax	Attributable to minority shareholder after tax	Current amount Balance at the end of the year attributable to other comprehensive income of the parent company shareholders
OCI to be reclassified subsequently to profit or loss	36,543,591.23	-19,596,289.76	6,672,766.30	-2,274,590.71	-23,994,465.35	-23,994,465.35		12,549,125.88
Include: the change of the fair value of OCI	5,285,271.17	-73,374,826.91	6,497,840.69	-19,968,166.90	-59,904,500.70	-59,904,500.70		-54,619,229.53
Credit impairment allowance of OCI	150,491.31	70,949,230.35	174,925.61	17,693,576.19	53,080,728.55	53,080,728.55		53,231,219.86
Other comprehensive income convertible to profit or loss under the equity method	2,251,346.29	181,829.12			181,829.12	181,829.12		2,433,175.41
Difference by foreign currency	28,856,482.46	-17,352,522.32			-17,352,522.32	-17,352,522.32		11,503,960.14
Total	36,543,591.23	-19,596,289.76	6,672,766.30	-2,274,590.71	-23,994,465.35	-23,994,465.35		12,549,125.88

39. Surplus reserve

Item	31 December 2019	Increase	Decrease	31 December 2020
Statutory reserve	643,670,942.57	20,182,639.89		663,853,582.46
Discretionary reserve	164,413,345.39	10,091,319.94		174,504,665.33
Total	808,084,287.96	30,273,959.83		838,358,247.79

40. General risk preparation

Item	31 December 2019	Increase	Decrease	31 December 2020
The funds for general risk provision	743,121,780.81	39,297,252.23		782,419,033.04
The funds for transactional risk provision	638,917,140.47	20,182,639.89		659,099,780.36
Total	1,382,038,921.28	59,479,892.12		1,441,518,813.40

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 (24).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

41. Retained earnings

Item	For the year ended 2020	For the year ended 2019
Retained earnings at the closing of prior year	88,232,726.32	238,731,987.53
Adjusted		
Retained earnings at the beginning of the period	88,232,726.32	238,731,987.53
Add: Net profit attributable to owners of the parent company	104,302,038.78	58,222,745.44
Less: Statutory reserve	20,182,639.89	32,114,559.08
Discretionary reserve	10,091,319.94	16,057,279.55
General risk reserve	39,297,252.23	51,054,194.94
Transaction risk reserve	20,182,639.89	32,114,559.08
Distribution of common Stock dividends		77,381,414.00
Balance at the end of current period	102,780,913.15	88,232,726.32

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

42. Net interest income

Item	For the year ended 2020	For the year ended 2019
Interest income	959,869,249.40	979,725,596.57
Include: Interest income from monetary funds and settlement reserves	246,792,924.19	211,952,556.47
Interest income on margin account receivable	477,557,852.19	389,238,284.21
interest income from financial assets held under resale agreement	82,777,504.62	193,981,433.50
Include: interest income from agreed repurchase	996,809.98	1,357,301.47
interest income from stock-pledged repurchase	46,354,779.03	90,493,451.12
interest income from instruments measured at amortized cost	15,031,439.52	38,947,751.77
interest income from instruments at fair value through other comprehensive income	54,322,352.87	45,066,651.47
interest income from loan	81,401,501.07	100,239,865.58
interest income from entrusted loans	496,861.31	299,053.57
Others	1,488,813.63	
Interest expense	858,771,546.11	951,227,973.53
Interest: expense of borrowing	46,006,968.10	92,392,451.55
expense of short-term financing instruments	40,983,987.06	23,261,913.30
expense of loans from other financial institutions	77,148,662.74	69,320,167.80
Including: expense of refinancing interest	30,440,555.57	21,440,277.79
expense of financial assets sold under repurchase agreement	263,724,123.51	316,813,543.22
expense of accounts payable to brokerage clients	37,816,799.16	30,923,572.88
expense of bond payable interest	363,302,104.60	390,376,765.11
Including: expense of subordinated bond interest	267,812,580.47	257,700,161.29
Bond loan	15,528,329.95	19,668,356.14
Others	14,260,570.99	8,471,203.53
Net interest income	101,097,703.29	28,497,623.04

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

43. Net fee and commission income

(1) Details

Item	For the year ended 2020	For the year ended 2019
Securities brokerage services net income	702,390,449.73	471,791,181.63
— Securities brokerage services income	901,944,748.51	613,891,393.02
— Funds received as agent of stock exchange	849,557,071.59	598,933,438.01
Leasing of trading unit seats	489,128.51	594,228.47
Sales agent of financial products	51,559,606.38	13,535,896.80
— Securities brokerage services expense	199,554,298.78	142,100,211.39
— Funds received as agent of stock exchange	199,399,805.52	141,943,401.39
Sales agent of financial products	30,611.75	35,293.17
Futures brokerage business net income	88,254,594.49	45,997,286.10
— Futures brokerage business income	125,000,223.60	81,472,414.37
— Futures brokerage business expense	36,745,629.11	35,475,128.27
Investment bank business net income	206,756,722.44	246,803,568.01
— Investment bank business income	217,653,553.36	253,523,790.14
— Securities underwriting business	114,957,161.13	124,461,462.98
Sponsor business of securities	29,729,145.23	19,273,584.90
Financial advisory business	72,967,247.00	109,788,742.26
— Investment bank business expenses	10,896,830.92	6,720,222.13
— Securities underwriting business	9,313,489.57	4,402,514.95
Sponsor business of securities	567,107.20	1,217,735.85
Financial advisory business	1,016,234.15	1,099,971.33
Asset management business net income	47,316,049.98	65,064,514.83
— Asset management business income	47,758,408.04	65,246,188.37
— Asset management business expense	442,358.06	181,673.54
Fund management business net income	13,254,217.54	17,737,008.90
— Fund management business income	13,254,217.54	17,737,008.90
— Fund management business expense		
Investment consulting business net income	81,561,242.32	78,187,327.07
— Investment consulting business income	81,561,242.32	78,740,546.79
— Investment consulting business expense		553,219.72
Other fee and commission net income	32,665,010.33	35,547,551.07
— Other fee and commission income	32,811,519.76	35,547,551.07
— Other fee and commission expense	146,509.43	
Total	1,172,198,286.83	961,128,437.61
Include: total fee and commission income	1,419,983,913.13	1,146,158,892.66
total fee and commission expense	247,785,626.30	185,030,455.05

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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	For the year ended 2020	For the year ended 2019
Net income from mergers and acquisitions financial advisory business — Domestic listed company	18,537,735.84	34,759,695.25
Net income from mergers and acquisitions financial advisory business — others	1,499,999.99	2,148,243.42
others	51,913,277.02	71,780,832.26
Total	71,951,012.85	108,688,770.93

(3) Income from agency sales of financial assets

Item	For the year ended 2020		For the year ended 2019	
	Total sales	Total income	Total sales	Total income
Funds	6,506,725,198.64	51,559,606.38	2,479,659,165.48	12,605,351.24
Others			240,483,226.64	930,545.56
Total	6,506,725,198.64	51,559,606.38	2,720,142,392.12	13,535,896.80

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

44. Investment income

(1) By categories

Item	For the year ended 2020	For the year ended 2019
Long-term equity investment income calculated by equity method	53,783,145.31	41,652,088.18
Depose long-term equity investment income	135,461,265.95	54,248,623.19
Financial instrument investment income	417,408,393.21	834,010,900.11
Include: Proceeds generated during holding period	552,723,899.77	648,157,866.18
Include: Financial assets at fair value through profit or loss	764,610,338.43	676,471,744.55
Financial liabilities at fair value through profit or loss	-211,886,438.66	-28,313,878.37
Depose financial instrument income	-135,315,506.56	185,853,033.93
Include: Financial assets at fair value through profit or loss	-74,667,012.96	174,590,020.29
Financial assets at fair value through other comprehensive income	10,380,784.48	11,813,248.18
Derivative financial instruments	-118,841,465.29	-17,351,199.25
Financial liabilities at fair value through profit or loss	47,812,187.21	16,800,964.71
Total	606,652,804.47	929,911,611.48

(2) Detailed statement of transactional financial instruments

Financial instruments measured at their fair values through profit or loss		For the year ended 2020
Classified into financial assets measured at their fair values through profit or loss	Holding period income	764,610,338.43
	Income from disposal of assets	-74,667,012.96
Designated as financial assets measured at their fair values through profit or loss	Holding period income	
	Income from disposal of assets	
Classified into financial liabilities measured at their fair values through profit or loss	Holding period income	-211,886,438.66
	Income from disposal of assets	47,812,187.21
Designated as financial liabilities measured at their fair values through profit or loss	Holding period income	
	Income from disposal of assets	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

45. Gains on changes in fair value

Item	For the year ended 2020	For the year ended 2019
Financial assets at fair value through profit or loss Include: Designated as financial assets measured at their fair values through profit or loss	-30,313,666.81	-149,122,498.35
Financial liabilities at fair value through profit or loss Include: Designated as financial liabilities measured at their fair values through profit or loss	-9,215,030.06	3,117,937.41
Derivative financial instruments	-8,995,479.58	-19,213,351.04
Total	-48,524,176.45	-165,217,911.98

46. Other business income

Item	For the year ended 2020	For the year ended 2019
Commodity sales income	1,244,565,859.25	580,702,845.64
Penalty interest income from stock pledge business	13,747,986.54	865.55
Rental income	2,872,125.98	3,050,820.99
Others	3,317,511.08	5,000,704.54
Total	1,264,503,482.85	588,755,236.72

47. Gains from assets disposal

Item	For the year ended 2020	For the year ended 2019
Non-current asset disposal income	-20,777.16	22,972,242.66
Include: fixed asset	-20,777.16	22,972,242.66
Total	-20,777.16	22,972,242.66

48. Other income

Item	For the year ended 2020	For the year ended 2019
Government grants	10,742,594.24	8,890,812.20
Total	10,742,594.24	8,890,812.20

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

49. Taxes and surcharges

Item	For the year ended 2020	For the year ended 2019
Urban maintenance and construction tax	9,175,747.94	6,957,110.71
Educational surcharges	6,576,545.43	4,840,161.99
Others	3,623,017.80	2,623,424.48
Total	19,375,311.17	14,420,697.18

50. Business and administrative expenses

Item	For the year ended 2020	For the year ended 2019
Employee benefits	933,714,457.22	889,462,860.58
Depreciation of right-of-use assets	75,348,822.39	57,294,120.55
Depreciation of fixed assets	45,233,347.00	33,181,272.42
Amortization of intangible assets	32,922,568.19	34,672,954.29
Electronic equipment operating fees	31,145,351.42	27,566,690.33
Communication fees	18,440,320.11	17,266,991.34
Consulting fees	17,212,389.01	12,617,541.17
Member fees	15,984,081.27	27,870,736.32
Amortization of long-term deferred expenses	15,615,489.85	9,804,717.04
Service fees	13,585,931.11	13,366,023.41
Property fees	13,465,692.06	11,932,388.27
Securities investors protection funds	12,623,148.95	20,247,376.99
Auditing expenses	12,038,255.41	13,820,260.79
Utilities fees	9,774,349.91	10,523,517.62
Traveling expenses	9,357,560.60	8,506,501.92
Business entertainment expenses	7,811,652.08	9,151,165.23
Advertising cost	7,438,607.12	7,613,850.60
Exchange facility usage fee	7,385,292.59	7,705,240.63
Rental fee	4,295,111.18	5,406,103.52
Safety fees	4,138,119.92	30,066,689.53
Public miscellaneous fees	3,447,133.34	11,542,284.15
Vehicle operating fees	3,253,313.15	3,225,634.18
Litigation fees	2,631,268.08	2,007,151.08
Printing fees	2,571,894.81	3,681,585.58
Withdrawal of futures risk reserves	2,491,878.70	1,992,447.32
Others	32,158,797.30	33,213,911.77
Total	1,334,084,832.77	1,303,740,016.63

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

51. Expected credit losses

Item	For the year ended 2020	For the year ended 2019
Provision for bad debts	6,441,529.85	3,116,185.10
Provision for impairment for financial assets at amortized costs	21,475,768.72	121,925,646.33
Provision for impairment for financial assets at fair value through other comprehensive income	70,774,304.74	16,635.67
Loan loss provision	59,653,102.85	39,353,036.58
Entrusted loan loss provision	9,612,488.41	49,029.43
Provision for impairment for margin account receivable	8,226,439.80	5,408,220.13
Provision for impairment for financial assets held under resale agreement interest income	166,368,476.54	177,420,473.81
Others	2,408,888.39	2,408,888.38
Total	344,960,999.30	349,698,115.43

52. Other assets impairment losses

Item	For the year ended 2020	For the year ended 2019
Provision for impairment for inventory	24,645,128.84	9,760,642.03
Provision for impairment for long-term equity investment	5,530,697.19	
Provision for impairment for credit loss	1,665,500.52	
Total	31,841,326.55	9,760,642.03

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

53. Other operating costs

Item	For the year ended 2020	For the year ended 2019
Investment property depreciation	1,223,165,735.20	579,988,114.62
Cost of commodity sold	815,580.92	815,549.69
Others	242,027.21	368,604.19
Total	1,224,223,343.33	581,172,268.50

54. Non-operating income

(1) Details

Item	For the year ended 2020	For the year ended 2019	Amount included in non-recurring profit or loss
Gains on non-current assets disposal	2,516.80	31,713.40	2,516.80
Government grants	4,446,320.46	8,824,864.58	4,446,320.46
Others	1,411,615.78	551,446.40	1,411,615.78
Total	5,860,453.04	9,408,024.38	5,860,453.04

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

54. Non-operating income (continued)

(2) Details of government grants

Item	For the year ended 2020	Source and basis	Related to assets or income
Employment Support Scheme (ESS)	2,286,059.51	42nd Meeting of the Business Facilitation Advisory Committee of the Hong Kong Government	Related to income
Provincial financial industry development special award supplement	1,000,000.00	Notice from the Department of Finance of Henan Province and the Local Financial Supervision and Administration Bureau of Henan Province on the Appropriation of Special Awards and Supplementary Funds for Provincial Financial Industry Development in 2019 (Yucaijin [2020] No. 28)	Related to income
Special funds for industrial development	1,000,000.00	"Futian District's Several Policies and Guidelines for Supporting Investment Promotion (2020-2022)", "Futian District Industrial Capital Joint Review Committee Financial Sub-Fund Approval Task Force Meeting Minutes of the Fourth Meeting in 2020"	Related to income
Government (Anti-epidemic Fund) Securities Industry Subsidy Program	88,931.80	The Government of the Hong Kong Second round of Anti-epidemic Fund Subsidy Program	Related to income
Government support funds	60,000.00	Notice of the Municipal Government on the Implementation Measures for Comprehensively Supporting the Development of Nanjing (Hexi) Financial Cluster (Ning Zhengfa [2014] No. 192)	Related to income
Kaifeng Demonstration Zone Government Advanced Unit and Advanced Individual Award	1,341.67	The Kaifeng City Demonstration Zone Working Committee of the Communist Party of China Kaifeng City Demonstration Zone Management Committee on commending the demonstration zone's 2019 industrial strong area and technological innovation, opening to the outside world and investment promotion, key project construction, service key projects, and service industrial enterprises advanced units and advanced individuals Decision [Bian Model Text [2020] No. 11]	Related to asset
Kaifeng Demonstration Zone Government Advanced Unit and Advanced Individual Award	9,987.48	Decision of the advanced unit and advanced individual rewards of 2018 Industrial Zone's promotion of Investment and technology innovation key Project by Kaifeng Municipal Demonstration Zone Management Committee (Bian shi fan wen [2019] No.6)	Related to asset
Total	4,446,320.46		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

55. Non-operating expenditures

Item	For the year ended 2020	For the year ended 2019	Amount included in non-recurring profit or loss
Losses on non-current assets disposal	1,416,680.46	507,934.53	1,416,680.46
Donations and sponsorship expenditures	5,548,811.00	6,067,504.00	5,548,811.00
Others	3,680,453.18	450,224.51	3,680,453.18
Total	10,645,944.64	7,025,663.04	10,645,944.64

56. Income tax expenses

(1) Income tax expenses

Item	For the year ended 2020	For the year ended 2019
Current period income tax expenses	156,173,707.05	130,796,090.05
Deferred income tax expenses	-114,262,405.27	-89,761,345.65
Total	41,911,301.78	41,034,744.40

(2) Reconciliation of accounting profit to income tax expenses

Item	For the year ended 2020	For the year ended 2019
Profit before income tax	144,030,392.15	116,117,612.82
Tax at the statutory/applicable tax rate	36,007,598.04	29,029,403.21
Effect of different tax rates applicable to subsidiaries	18,685,407.94	29,271,593.76
Effect of prior income tax reconciliation	14,446,146.23	1,102,140.93
Effect of non-taxable incomes	-45,656,625.82	-38,861,477.11
Effect of non-deductible costs, expenses and losses	13,104,133.40	5,084,391.71
Effect of utilization of deductible losses not previously recognized		
Others	5,324,641.99	15,408,691.90
Income tax expenses	41,911,301.78	41,034,744.40

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

57. Earnings per share

Item	For the year ended 2020	For the year ended 2019
Net profit attributable to owners of the parent company	104,302,038.78	58,222,745.44
Non-recurring net profit and loss attributable to owners of the parent company	8,579,668.46	39,064,768.02
Net profit attributable to shareholders of parent company after deducting non-recurring gains and losses	95,722,370.32	19,157,977.42
Weighted average number of ordinary shares outstanding	4,191,493,200.00	3,869,070,700.00
Basic earnings per share	0.02	0.02
Basic earnings per share after deducting non-recurring gains and losses	0.02	0.005

As of 31 December, 2020 and 31 December, 2019, the Company has no dilutive potential 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 business

1) Other cash received related to operating business

Item	For the year ended 2020	For the year ended 2019
Government grants	15,188,914.70	17,715,676.82
Other business incomes	1,264,503,482.85	588,755,236.72
Loans	219,464,346.95	114,811,999.50
Others	7,700,390.07	54,137,809.87
Total	1,506,857,134.57	775,420,722.91

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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 business (continued)

2) Other cash paid related to operating business

Item	For the year ended 2020	For the year ended 2019
Liquidation funds	113,286,307.99	185,071,577.77
Increase in deposit margin	349,703,814.84	112,458,376.68
Payment of operating and administrative expenses	247,367,702.44	280,761,817.68
Other business cost	1,223,407,762.41	581,172,268.50
Others	164,887,579.18	54,856,299.92
Total	2,098,653,166.86	1,214,320,340.55

3) Other cash paid related to financing business

Item	For the year ended 2020	For the year ended 2019
Cash paid for acquiring minority shareholders' equity	28,000,000.00	534,697,894.20
Cash paid to repay lease liabilities	77,920,515.87	50,207,973.56
Issuance fee paid for non-public offering of A-shares	27,534,113.64	
Total	133,454,629.51	584,905,867.76

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

58. Items of the cash flow statement (continued)

(2) Supplementary information on consolidated cash flow statement

Item	For the year ended 2020	For the year ended 2019
1. Reconciliation of net profit to cash flow from operating business:		
Net profit	102,119,090.37	75,082,868.42
Add: Provision for impairment of assets	376,802,325.85	359,458,757.46
Depreciation of investment Properties and fixed assets	33,738,149.11	35,488,504.00
Right-of-use asset depreciation	75,348,822.39	57,294,120.55
Amortization amount of intangible assets	31,145,351.42	27,566,690.33
Amortization of long-term deferred expenses	13,585,931.11	13,166,023.49
Losses on disposal of fixed assets, intangible assets and other long-term assets (or revenue: "-")	1,434,940.82	-22,496,021.53
Gains and losses from changes in fair value (or revenue: "-")	48,524,176.45	165,217,911.98
Interest expenses	459,039,225.10	514,502,333.94
Exchange losses (or revenue: "-")	3,348,221.20	2,411,060.48
Investment losses (or revenue: "-")	-268,978,988.13	-141,520,340.07
Decrease in deferred income tax assets (or increase: "-")	-120,245,657.79	-94,558,474.14
Increase in deferred income tax liabilities (or decrease: "-")	5,983,252.52	4,797,128.49
Decrease of operating receivable (or increase: "-")	892,744,752.34	2,440,370,122.42
Increase of operating receivable (or decrease "-")	-283,786,470.45	51,559,284.86
Net cash flow from operating business	1,370,803,122.31	3,488,339,970.68
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	13,312,322,291.24	11,805,475,726.56
Less: Opening balance of cash	11,805,475,726.56	9,602,115,554.08
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash equivalent and cash	1,506,846,564.68	2,203,360,172.48

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are 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	For the year ended 2020	For the year ended 2019
Cash	13,312,322,291.24	11,805,475,726.56
Include: Cash in stock	185,324.40	249,129.05
Bank deposits available for payment	10,924,832,764.95	9,278,007,670.48
Other cash	9,142,683.42	9,802,121.58
Clearing settlement funds	2,378,161,518.47	2,517,416,805.45
Cash equivalent		
Include: bond investment maturing within three months		
Cash and cash equivalent at the end of the period	13,312,322,291.24	11,805,475,726.56

59. Assets with restricted ownership or use rights

Item	Book value as of 31 December 2020	Reasons
Cash and bank balances	12,955,424.86	Risk reserve account for asset management business
Financial assets at fair value through profit or loss	11,241,083,913.94	Sell outright or pledge for repurchase financing
	1,981,780,898.06	Pledge for bond lending
	193,466,175.35	Freeze due to resale declaration period
	220,030,319.58	Restricted by share reduction
	18,849,600.00	Restricted by block trading
	6,015,764.80	Securities loaned for shorting selling
Financial assets at fair value through other comprehensive income	295,212,638.37	Pledge for refinancing
	30,822,180.41	Pledge for bond lending
	648,270,856.18	Pledge for repurchase financing
Inventory	115,814,120.00	Pledge for warehouse financing

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

60. Entrusted asset management business

Item	Collective asset management business	Directional asset management business	Special asset management business
Entrusted funds at the beginning of the period	5,062,520,235.23	1,842,188,218.67	718,502,484.57
Including: Own capital investment	16,800,000.00		359,400,384.57
Individual clients	2,378,494,304.26		
Institutional clients	2,667,225,930.97	1,842,188,218.67	359,102,100.00
Entrusted funds at the end 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
Initial cost of main entrusted assets at the end of the period	3,494,443,598.14	1,072,061,504.89	576,009,294.23
Including: Stocks	9,436,849.90	45,061,504.89	
National debt			
Other bonds	571,928,500.00		
Funds	232,327,650.72		69,294.23
Trust plans	2,638,990,000.00		
Others	41,760,597.52	1,027,000,000.00	575,940,000.00
Net income of asset management business in the current period	34,599,364.85	4,576,646.08	149,407.44

61. Foreign currency

Item	Amount of original currency as of 31 December 2020	Exchange rate	RMB amount as of 31 December 2020
Cash and bank balances	—	—	
Included: USD	25,157,835.54	6.5249	164,150,160.85
EUR	306,448.18	8.0033	2,452,606.37
HKD	208,837,441.73	0.8416	175,765,957.24
CAD	760.04	5.1203	3,891.63
AUD	47,229.09	5.0290	237,513.15
JPY	298,497.00	0.0632	18,877.20
THB	228,937.98	0.2174	49,779.75
Clearing settlement funds	—	—	
Included: USD	561,434.61	6.5249	3,663,300.30
HKD	10,576,244.99	0.8416	8,901,390.83
JPY	94,922.00	0.0632	6,002.95
MYR	98.31	1.6185	159.11
GBP	15.48	8.9057	137.86
EUR	20,000.00	8.0033	160,066.63
Refundable deposits	—	—	
Included: USD	70,000.00	6.5249	456,743.00
HKD	500,000.00	0.8416	420,820.00
Accounts receivable	—	—	
Included: HKD	52,023,500.01	0.8416	43,785,058.55
Other receivable	—	—	
Included: HKD	18,802,530.60	0.8416	15,824,961.85
Accounts payable to brokerage clients	—	—	
Included: USD	1,255,710.17	6.5249	8,193,383.29
HKD	146,553,031.54	0.8416	123,344,893.47
Short-term loans	—	—	
Included: HKD	375,430,771.92	0.8416	315,977,554.88
Other payable	—	—	
Included: HKD	129,821,483.15	0.8416	109,262,953.08

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

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

62. Overseas business entities

The consolidated statements of the Company in 2020 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 \$: 0.8416 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 year is 1HK \$: 0.8893). The differences arising from the above exchanging of foreign currency statements shall be separately presented under the item of owners' equity. Foreign currency cash flows are exchanged using the approximate exchange rate of the spot exchange rate on the date of cash flow. The impact of exchange rate changes on cash shall be separately presented in the cash flow statement.

VII. CHANGES IN THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENT

1. Consolidation of structured entities

On 29 April, 2020, CCIFHC, the subsidiary of the Company, invested US\$1 to establish Wending Zhongyuan Company Limited, a special purpose company in the British Virgin Islands, which was included in the scope of consolidation of the Group this year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in significant subsidiaries

The name of the Company	Type of company	Registered	Nature of business	The registered capital	Scope of business	The investment amount on 31 December, 2020	Shareholding ratio (%) Direct Indirect	Whether included in consolidated statements
A subsidiary acquired through a merger of an enterprise not under the same control								
Central China Futures Co., Ltd.	Company limited by shares	Zhengzhou	Futures brokerages in Mainland China	RMB330million	Commodity futures brokerage, financial futures brokerage, futures investment consulting, asset management	RMB188 million	51.36	Yes
Central China International Financing Co. Ltd.	Limited liability company	Hong Kong	Investment bank	HKD20 million	Sponsor underwriting, financial advisers	HKD344 million	100.00	Yes
A subsidiary acquired by means of establishment or investment								
Zhongdong Kaiyuan Venture Capital Management Co., Ltd (note)	Limited liability company	Beijing	Equity investment, etc	RMB680million	Using its own funds or setting up direct investment funds to make equity investment or debt investment in enterprises or to invest in other investment funds related to equity investment or debt investment; To provide clients with equity investment, debt investment related financial advisory services	RMB701 million	100.00	Yes
Henan Zhongzheng Kaiyuan Venture Capital Private Equity Fund Management Co., Ltd.	Limited liability company	Luoyang	Equity investment	RMB100 million	Manage or be entrusted to manage non-securities equity investments and related advisory services	RMB60 million	60.00	Yes
Yuxin Investment Management (Shanghai) Co. Ltd	Limited liability company	Shanghai	Investment management	RMB100 million	Licensed projects: Hazardous chemicals management; Carry out risk management and other related businesses	RMB100 million	51.36	Yes
Central China Equity Exchange Co., Ltd. (Note)	Company limited by shares	Zhengzhou	Regional equity market	RMB350 million	To provide enterprises with such services as registration, custody, listing, transfer and financing of equity, creditor's rights and other equity assets; investment and asset management; Financial consultant, corporate presentation, corporate presentation, training and consulting services	RMB122.5 million	35.00	Yes

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in significant subsidiaries (continued)

The name of the Company	Type of company	Registered	Nature of business	The registered capital	Scope of business	The investment amount on 31 December, 2020	Shareholding ratio (%) Direct Indirect	Whether included in consolidated statements
Central China Blue Ocean Investment Management Co., Ltd.	Limited liability company	Xuchang	Alternative investment	RMB3 billion	Investment in financial products, securities and equity with its own funds	RMB2.3 billion	100.00	Yes
Henan Central China Micro-lending Co., Ltd.	Limited liability company	Kaifeng	Microfinance	RMB1 billion	In the administrative area of Henan Province: to handle various small loans; To provide consulting services for the development, management and finance of small and medium-sized enterprises; investment of its own funds in accordance with the regulations	RMB650 million	65.00	Yes
Central China International Financial Holdings Co., Ltd.	Limited liability company	Hong Kong	Investment holding	HKD1 billion	Investment holding	HKD1 billion	100.00	Yes
Central China International Holdings Co., Ltd.	Limited liability company	British Virgin Islands	Holdings inc.	USD50,000	Investment holding	USD50,000	100.00	Yes
Central China International Financial Group Ltd.	Company limited by shares	The Cayman Islands	Investment holding	HKD1 billion	Investment holding	HKD1.3 billion	100.00	Yes
Central China International Securities Co., Ltd.	Limited liability company	Hong Kong	Securities brokerage	HKD600 million	Securities brokerage, margin financing, proprietary bonds	HKD600 million	100.00	Yes
Central China International Investment Co., Ltd.	Limited liability company	Hong Kong	The securities investment	HKD10 million	Proprietary investment	HKD10 million	100.00	Yes
Central China International Futures Co., Ltd.	Limited liability company	Hong Kong	Futures brokerages in Mainland China	HKD20 million	Futures brokers	HKD20 million	100.00	Yes
Wending Zhongyuan Co., Ltd.	Limited liability company	British Virgin Islands	Others	USD1	Special purpose company	USD1	100.00	Yes

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in significant subsidiaries (continued)

The name of the structured principal	Total share/ registered capital	Share held by the Company as of 31 December, 2020	Direct/ indirect investment
Huimin 1 collective asset management plan	48,288,169.54	50.00%	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	10,000,133.33	50.00%	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

Note 1: Central China Equity Exchange Co., Ltd. was established in 2015. The Company has signed a consensus action agreement with three other investors, through which the Company can control 51% of the equity of Central China Equity Exchange Co., Ltd.

Note 2: As of 31 December, 2020, Central China Blue Ocean Investment Management Co., Ltd. has a registered capital of 3 billion yuan and a paid-in capital of 2.256 billion yuan.

2. Significant non-wholly owned subsidiaries

Name of subsidiary	Minority shareholders' shareholding ratio	Profit and loss of minority interests for the year ended 2020	Dividends distributed to minority shareholders for the year ended 2020	Minority interests at 31 December 2020
Central China Futures Co., Ltd.	48.64%	8,814,867.44		213,805,165.49
Central China Equity Exchange Co., Ltd.	65.00%	17,595,031.69	5,434,020.00	227,840,893.64

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Key financial information of significant non-wholly owned subsidiaries

Name of subsidiary	31 December 2020			For the year ended 2020		
	Total Asset	Total liabilities	Operating revenue	Net profit	Total comprehensive income	Net cash flows from operating business
Central China Futures Co., Ltd.	1,909,882,870.38	1,480,481,319.14	1,354,079,151.89	18,121,553.88	18,121,553.88	-107,950,595.16
Central China Equity Exchange Co., Ltd.	383,792,372.43	29,948,274.86	86,890,028.71	27,069,279.52	27,069,279.52	-39,512,190.67

4. Unconsolidated structured entities

Unconsolidated structured entities of the Company mainly include collective, targeted and special asset management plans, and limited partnership.

The total assets of unconsolidated collective, targeted and special asset management plans and limited partnership managed by the Group amounted to RMB6,064,571,388.61, RMB2,131,224,712.68, RMB626,623,695.41, and RMB1,078,780,244.78 as of 31 December 2020, respectively.

As of 31 December, 2020 the Group's interests in structured subjects not included in the consolidated financial statements are classified as transactional financial asset, debt investment, management fee and commission receivable included in accounts receivable, the relevant book value and maximum risk exposure are as follows:

Item	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss	1,328,580,602.71	1,178,746,268.72
Financial assets at amortized costs and receivable	487,750,503.80	668,788,140.85
Total	1,816,331,106.51	1,847,534,409.57

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IX. RELATED PARITIES AND RELATED PARTY TRANSACTIONS

1. Related parties

(1) Controlling shareholder and the ultimate controller

1) Controlling shareholder and the ultimate controller

As of 31 December 2020, Henan Investment Group Co., Ltd.. Referred as “Henan Investment Group”) directly holds 17.73% of the Company’s voting shares, as controlling shareholder of the Company. The basic information of Henan investment group is as follows:

The controlling shareholder	The enterprise type	registered	Nature of business	Legal representative	Unified social credit code
Henan Investment Group	State-owned enterprises	Zhengzhou	Investment management	Xinyong Liu	914100001699542485

2) The registered capital of the controlling shareholder and its changes

The controlling shareholder	31 December 2019	Increase	Decrease	31 December 2020
Henan Investment Group	12,000,000,000.00			12,000,000,000.00

3) The shares directly held by the controlling shareholder and their changes

The controlling shareholder	Shareholding amount (ten thousand yuan)		Shareholding ratio (%)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Henan Investment Group	82,298.38	82,298.38	17.73	21.271

4) The Controlling shareholders hold voting rights

As of the end of the reporting period, Henan Investment Group held 822,983,847 A-shares of the Company, directly held 46,733,300 H-shares of the Company through its wholly-owned subsidiary Dahe Paper (Hong Kong) Co., Ltd., and 83,454,400 H-shares of the Company through Hong Kong Stock Connect. Henan Investment Group holds a total of 953,170,800 shares of the Company and owns 20.53% of the Company’s voting rights.

(2) The subsidiary

Please refer to VIII.1 “1. Interests in subsidiaries” in this note for details of the situation of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

1. Related parties (continued)

(3) The associate company

The conditions of associated enterprises having related transactions with the Company in the current period are as follows:

Name	Relationship
Zhongzheng Jiaotong Fund Management Co., Ltd.	The associate invested by the subsidiary of the Company
Henan Dahe Cai Cube Media Holding Co., Ltd.	The associate invested by the subsidiary of the Company
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	The associate invested by the subsidiary of the Company
Henan Toushi Culture Communication Co., Ltd.	The associate invested by the subsidiary of the Company
Luoyang Desheng Biotechnology Co., Ltd.	The associate invested by the subsidiary of the Company

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

1. Related parties (continued)

(4) Main related parties in the non-control relationship

Name	Relationship	Unified social credit code/organization code
Zhongyuan Trust Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000169953018F
Henan Asset Management Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000MA448PJU6H
Henan Tiandi Hotel Co. LTD	Under the control of the same controlling shareholder and ultimate controller	91410100594892586U
Henan Huirong Human Resources Management Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410105MA3X6PQ842
Henan Science and Technology Investment Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000169955769X
Henan Chengfa Environment Co., Ltd.	Under the control of the same controlling shareholder and ultimate controller	91410000711291895J
Bohai Industry Investment Fund Management Co., Ltd.	The Company is a shareholder holding more than 5% of the shares	911200007178678241
Angang Group International Trade Co., Ltd.	Subsidiaries of non-controlling shareholders	91410500172267086K
Henan Yicheng New Energy Co., Ltd.	The associate invested by the Company	914102002681294387
Zhongyuan Bank Co., Ltd.	The associate invested by the Company	9141000031741675X6
Zhongyuan Environmental Protection Co., Ltd.	The associate invested by the Company	9141000016996944XD
Zhengzhou Bank Co., Ltd.	The associate invested by the Company	914100001699995779
Henan Huaqi Energy Conservation and Environmental Protection Venture Capital Co., Ltd.	The associate invested by the Company	91410000071384697T

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions

(1) Commission income from securities agency services

Name of related party	For the year ended 2020	For the year ended 2019
Bohai Industry Investment Fund Management Co., Ltd.	170,704.58	124,803.44
Henan Investment Group and its subsidiaries and associated enterprises	246,038.79	20,724.87
Angang Group International Trade Co., Ltd.	4,202.49	
The Company and Henan Investment Group directors, supervisors, senior managers and their close relationship with family members	36,496.87	41,505.06

(2) Purchase of Trust Products

Name of related party	Related transaction content	Purchase trust balance 31 December 2020	31 December 2019
Central China Trust Co., Ltd.	Purchase trust of products	103,037,790.26	236,537,790.26

(3) Loans to related parties

Name of related party	31 December 2020/ For the year ended 2020		31 December 2019/ For the year ended 2019	
	Loan balance	Interest income	Loan balance	Interest income
Henan Longfengshan Agriculture and Animal Husbandry Co., Ltd.	45,000,000.00	5,075,164.97	45,000,000.00	5,018,772.40

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(4) Associated current balance

Name of related party	Subject	Trading content	31 December 2020	31 December 2019
Henan Investment Group	Accounts receivable	Income from asset management business	1,309,786.65	287,809.94
Luoyang Desheng Biotechnology Co., Ltd.	Accounts receivable	Income from financial advisory business	450,000.00	

(Continue)

Name of related party	Subject	Trading content	31 December 2020
Associated company of investment group	Financial assets at fair value through profit or loss	Bank financing	7,000,000.00
Associated company of investment group	Bank balances	Bank balance	377,648,985.84
Associated company of investment group	Financial assets held under resale agreement	Outright repurchase	40,292,940.03
Associated company of subsidiary	Other assets	Expenses	302,672.95

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(5) Other related transactions

Name	Related transaction content	For the year ended 2020	For the year ended 2019
Luoyang Jianlong Micro-Nano New Materials Co., Ltd.	Income from underwriting business		13,284,101.89
Henan Investment Group	Income from financial advisory business and asset management business	1,435,827.08	864,797.58
Henan Dahe Cai Cube Media Holding Co., Ltd.	Expenses	546,383.63	545,754.70
Henan Huirong Human Resources Management Co., Ltd.	Expenses	89,067.58	
Zhongzheng Jiaotong Fund Management Co., Ltd.	Expenses	97,000.00	
Henan Tiandi Hotel Co., Ltd.	Expenses	40,321.58	223,441.46
Henan Toudi Culture Communication Co., Ltd.	Expenses	19,801.98	194,174.76
Luoyang Desheng Biotechnology Co., Ltd.	Income from investment banking supervision services and financial advisory business	141,509.43	141,509.43
Zhumadian Baiyun Paper Industry Co., Ltd.	Income from financial advisory business		37,735.85
Central China Trust Co., Ltd.	Income from financial advisory business and asset management business		1,821,063.85
Henan Asset Management Co., Ltd.	Income from underwriting business		437,735.85
Bohai Industry Investment Fund Management Co., Ltd.	Income from financial advisory business	372,539.60	
Zhengzhou Dahe Zhixin Technology Co., Ltd.	Income from trusteeship business	9,749.92	
Henan Chengfa Environment Co., Ltd.	Income from underwriting business	3,628,661.86	

(Continue)

Name of related party	Related transaction content	For the year ended 2020
Associated company of investment group	Interest income on bank savings	3,947,913.14
Associated company of investment group	Financial advisory fee income	3,773,584.90
Associated company of investment group	Bond investment income	1,498,186.40
Associated company of investment group	Pledged repurchase interest expense	434,840.05
Associated company of investment group	Outright repurchase interest income	163,908.08
Associated company of investment group	Interest expense on bank loans	67,534.46

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(6) Counter guarantee provided to the subsidiary

As of 31 December, 2020, the Company provided a counter-guarantee for CCIFHC to China Merchants Bank Co., Ltd. Zhengzhou Zhengdong New District Ring Road Sub-branch. The cumulative counter-guarantee amount was HKD335,000,000.00 (equivalent to RMB281,949,400.00). The period of counter-guarantee shall not exceed 12 months.

(7) Key management personnel

1) Remuneration of key management personnel

Key management personnel include members of the board of directors and the board of supervisors and other senior management personnel. In 2020, the remuneration (after tax) paid and payable by the Company to the key management personnel are as follows:

Expressed in RMB'0000

Item	For the year ended 2020	For the year ended 2019
Remuneration of key management personnel (after tax)	1,809.12	1,089.44

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(7) Key management personnel (continued)

2) Remuneration of directors and supervisors

The remuneration (after tax) paid and payable by the Company to directors and supervisors in 2020 is as follows:

Name	Remuneration	Wages, allowances and other subsidies	Pension	Discretionary bonus	Total
Executive director					
Mingjun JIAN		508,685.81	39,626.40	241,410.00	789,722.21
Junsheng CHANG		945,392.14	39,626.40	974,596.18	1,959,614.72
Non-Executive Director					
Zhiwei YUAN	226,920.00				226,920.00
Jincheng NING	210,000.00				210,000.00
Xugang YU	210,000.00				210,000.00
Dongming ZHANG	210,000.00				210,000.00
Zhengxin LU	35,136.00				35,136.00
Lixin WANG	30,720.00				30,720.00
Xiaoqi ZHANG	30,720.00				30,720.00
Supervisor					
Zhili LU		391,065.35	37,171.20	532,934.65	961,171.20
Yichen XIAO		354,677.42	16,447.20	108,210.00	479,334.62
Lu ZHANG		463,367.20	29,832.00	162,750.00	655,949.20
Huamin ZHANG		35,994.41		217,410.00	253,404.41
Siyang XIANG	100,800.00				100,800.00
Xiaoning XIA	112,920.00				112,920.00

Note: The 2020 remuneration of the aforementioned directors and supervisors has not been finalized, but it is expected that the unappropriated remuneration will not have a significant impact on the Group's 2020 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

IX. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Related party transactions (continued)

(7) Key management personnel (continued)

3) Top 5 highest paid individuals

In 2020, the five highest paid persons of the Company have no directors and supervisors. The remuneration (after tax) paid and payable are as follows:

	For the year ended 2020	For the year ended 2019
Wages, allowances and other subsidies	2,237,985.88	2,931,588.66
Pension	147,787.20	165,372.25
Discretionary bonus	11,532,816.66	9,520,849.74
Total	13,918,589.74	12,617,810.65

4) Loans and advances from key management personnel

At the end of the reporting period, the Company did not issue loans or advances to members of the board of directors, the board of supervisors and other senior management personnel.

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

1. Overview

The Group's risk management objective is to uphold the risk management philosophy of matching capital, risks and returns, to take appropriate risks, to achieve the optimal balance of business scale, profitability and risk tolerance, and to bring sustainable and stable returns to shareholders. The Group's risk management strategy is to identify and assess a variety of risks to which the Group is exposed to, set an appropriate risk tolerance level, measure and supervise risks in a timely and reliably to ensure that risks are controlled within acceptable limits.

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

The financial risk management framework is structured into four levels consisting of (i) Board of Directors and Board of Supervisors; (ii) Risk Control Committee, Audit Committee and Managers; (iii) Compliance Management Headquarters, Legal Affairs Headquarters, Risk Management Headquarters, Internal Auditing Headquarters; and (iv) Business and management departments, branch outlets and subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

1. Overview (continued)

Level 1: Board of Directors and Board of Supervisors

The Board of Directors is at the highest level of the Company's risk control framework and has the ultimate responsibility for establishing a compliant and effective risk control environment. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the governance structure and tiered authority delegation system, and specifying the direction and scope of the Company's risk control work, and 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

1. Overview (continued)

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.

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 organising comprehensive audits across the Company, monitoring the implementation of and compliance with internal control rules and procedures, minimizing ethical and policy risks and assisting the investigation of emergencies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

1. Overview (continued)

Level 4: Business and management departments, branch outlets and subsidiaries

The fourth level of risk control is the front-line risk control systems by business departments branch outlets and subsidiaries, which are responsible for developing their own internal control system and risk control measures, ensuring proper risk control within their jurisdiction, and reporting risk issues in a timely manner to the Risk Management Department or Compliance Management Department.

The Group adopts the above risk management framework and continuously improves its risk control to ensure that the risks are measurable and controlled within acceptable limits.

2. Credit risk

Credit risk refers to the risk of losses due to defaults by financing parties, counterparties or issuers. The Company's credit risks mainly come from financial assets which include bank balances, clearing settlement funds, financial assets at fair value through other comprehensive income, financial assets held under resale agreements, financial assets at amortized costs, margin accounts receivable, entrusted loans, other current assets and refundable deposits.

The Group's bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks, while clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited, with a relatively low level of credit risk.

In terms of proprietary trading, if the transaction is through a stock exchange or China Securities Depository and Clearing Corporation Limited the default risk of counterparty is low, but for inter-bank market transactions, the Group will assess the counterparties and only select those with an accepted credit rating. The Company invests in debt securities with acceptable credit ratings and monitors the operations and credit ratings of the issuers.

Margin financing assets include advances to margin customers and securities lent to customers. Credit risks associated with these financial assets mainly relate to customers' inability to repay the principal, interest or securities borrowed. The Group supervises finance trading accounts on an individual customer basis, and would require additional margin, cash collateral or securities if necessary. Margin accounts receivable are monitored based on collateral rates to ensure that the value of collateral assets is sufficient to cover the advance. The collateral value of the Group's customers is sufficient to cover the credit risk of margin financing assets on 31 December, 2020 and 31 December, 2019.

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 authorised approvers. The Group constantly monitors the entrusted funds. Key negative indications that may have impact on the borrowers' solvency are reported timely, and the Group takes action accordingly to control the risks

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

The Group invests in financial product, trust plan, asset management plan 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.

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 behaviour (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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

Expected credit loss measurement (continued)

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.

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

The criteria of significant increase in credit risk (continued)

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 for the year ended 31 December, 2020 and no longer compared whether the credit risk on the balance sheet date increased significantly compared with that at the time of initial recognition.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

Forward-looking information (continued)

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 31 December, 2019 and 31 December, 2020, for all portfolios the Company concluded that three scenarios appropriately captured non-linearities of economic variable. The scenario weightings are determined by a combination of statistical analysis and 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.

Sensitivity analysis

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

Collateral and other credit enhancements

The Company employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantees. The Company determined the type and amount of collaterals according to the credit risk evaluation of counterparties. The collaterals under margin financing and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

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	31 December 2020	31 December 2019
Cash and bank balances	1,095,113.10	933,174.86
Clearing settlement funds	237,910.01	251,804.95
Margin accounts receivable	740,075.71	606,074.02
Derivative financial assets		1,138.41
Refundable deposits	74,487.87	39,516.97
Accounts receivable	16,932.35	15,391.23
Financial assets held under resale agreement	205,596.49	302,388.85
Financial assets at fair value through profit or loss	2,029,715.88	1,399,492.25
Financial instruments at amortized costs	45,616.89	67,638.99
Financial instruments at fair value through other comprehensive income	208,880.51	66,469.53
Other assets	132,664.80	141,676.95
Total	4,786,993.61	3,824,767.01

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (continued)

Credit quality

The credit quality of each financial asset item is as follows on 31 December, 2020

Expressed in RMB'0000

Item	Stage 1	Stage 2	Stage 3	Total
Loans and entrusted loans	70,759.82	4,946.78	29,573.21	105,279.81
Margin accounts receivable	733,079.93	8,619.48	5,933.70	747,633.11
Financial assets at fair value through other comprehensive income	197,339.60		11,540.91	208,880.51
Financial instruments at amortized costs	2,121.56		59,267.80	61,389.36
Financial instruments held under resale agreement	141,110.83		91,179.89	232,290.72
Subtotal	1,144,411.74	13,566.26	197,495.51	1,355,473.51
Less: Provision for impairment	2,931.41	225.59	71,261.30	74,418.30
Total	1,141,480.33	13,340.67	126,234.21	1,281,055.21

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) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the financial status and cash flow of the Group due to changes in market interest rates. The interest-earning assets of the Group affected by changes in market interest rates are mainly bank deposits, clearing settlement funds, refundable deposits, and debt investments.

The Group utilizes sensitivity analysis as the main tool for monitoring interest rate risk. Under the assumption that other variables remain unchanged, sensitivity analysis is adopted to measure the possible impact on total profits and shareholder equity when changes in interest rates occur. The Group's bond investment is mainly based on a steady buy-and-hold strategy and a spread arbitrage strategy. The proprietary business magnification, bond rating and duration are controlled to prevent and reduce interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(1) Interest rate risk (continued)

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

Expressed in RMB'0000

Item	31 December 2020						Total
	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 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 agreement	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
Financial assets subtotal	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
Loans from 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
Bond 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
Financial liability subtotal	2,536,162.88	219,091.25	327,622.08	518,849.23		119,014.19	3,720,739.63
Interest rate sensitivity gap	-930,433.43	28,737.46	914,594.48	647,425.69	298,402.45	317,340.87	958,726.65

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(1) Interest rate risk (continued)

(continued)

Item	31 December 2019						Total
	Within 1 month	1–3 months	3 months to 1 year	1–5 years	Above 5 years	Non-interest bearing	
Cash and bank balances	925,150.04		7,000.00	1,000.00		24.82	933,174.86
Clearing settlement funds	251,804.95						251,804.95
Margin accounts receivable	28,289.12	145,001.72	432,783.18				606,074.02
Derivative financial assets						1,138.41	1,138.41
Refundable deposits						39,516.97	39,516.97
Accounts receivable						15,391.23	15,391.23
Financial assets held under resale agreement	237,398.98	18,136.71	45,532.17	1,320.99			302,388.85
Financial assets at fair value through profit or loss	30,902.88	60,129.91	285,344.95	806,213.58	225,724.04	314,386.50	1,722,701.86
Financial assets at amortized costs	47,999.22	12,444.84	6,170.13	1,024.79			67,638.98
Financial assets at fair value through other comprehensive income			20,400.07	25,134.41	20,935.05		66,469.53
Other assets	29,462.24	10,008.15	59,991.70	7,824.10	1,516.39	20,391.26	129,193.84
Financial assets subtotal	1,551,007.43	245,721.33	857,222.20	842,517.87	248,175.48	390,849.19	4,135,493.50
Short-term loans	8,581.11	29,934.68	118,359.00				156,874.79
Short-term financing instruments payable	18,781.88	13,384.63	413,378.20				445,544.71
Loans from other financial institutions	236,115.96						236,115.96
Financial liabilities at fair value through profit or loss	74,315.30			37,139.94			111,455.24
Financial assets sold under repurchase agreements	771,910.20	40,079.47	60,119.20				872,108.87
Accounts payable to brokerage clients	797,590.10					91,916.59	889,506.69
Derivative financial liabilities						8.37	8.37
Bond payable				462,394.04			462,394.04
Accounts payable						19,099.24	19,099.24
Long-term borrowings				1,320.30			1,320.30
Other liabilities						34,601.60	34,601.60
Financial liability subtotal	1,907,294.55	83,398.78	591,856.40	500,854.28		145,625.80	3,229,029.81
Interest rate sensitivity gap	-356,287.12	162,322.55	265,365.80	341,663.59	248,175.48	245,223.39	661,240.30

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

3. Market risk (continued)

(2) 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 manages price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

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	31 December 2020		31 December 2019	
	Profit before income tax	Other comprehensive income before income tax	Profit before income tax	Other comprehensive income before income tax
Increase by 10%	23,385.33	20,888.05	25,576.09	6,470.86
Decrease by 10%	-23,385.33	-20,888.05	-25,576.09	-6,470.86

(3) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Group's foreign currency asset conversion ratio to the total assets is 2.97%, and the foreign currency liability conversion ratio to the total liabilities is 3.40%. Due to the low proportion of foreign currency in the Group's assets and liabilities and income structure, the exchange rate risk has little impact on the Group's current operation as of 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

4. Liquidity risk

Liquidity risk refers to the risk that the Group cannot obtain sufficient funds in time at a reasonable cost to meet the maturing debts, fulfill other payment obligations and meet the capital needs of normal business.

The Group has established an internal risk reporting system to enable the company to keep abreast of the liquidity risk situation in the company's operations and take measures to promote the company's safe and stable continuous operations.

Since most of the Group's current assets are bank deposits and clearing settlement funds, it has a strong ability to pay for financing commitments or customer withdrawal needs. The Company always adheres to the unified operation and management of funds, and continuously strengthens the construction of the fund management system. The fundraising and use of funds need to be approved by the authorized manager and the fund operation headquarters. Large-scale fund operations require the company's shareholders meeting and board of directors to make decisions. For business development and debt repayment, real-time monitoring and management of large amounts of funds will be strengthened to achieve centralized fund allocation and coordination. Through entering the inter-bank market and capital market, the difference in fund lending, bond repurchase, refinancing, obtaining bank credit, issuing short-term financing bills, short-term securities company bonds, corporate bonds, subordinated bonds, refinancing, and developing other different sources of liquidity to meet liquidity needs in a timely manner. The Company adopts a risk monitoring system centered on net capital and liquidity to monitor risk control indicators, and uses stress tests to evaluate the impact of business on risk control indicators such as net capital, liquidity coverage ratio, and net stable capital ratio.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

4. Liquidity risk (continued)

The financial liabilities held by the Company are analyzed based on the undiscounted remaining contractual obligations due period as follows:

Expressed in RMB'0000

Non-derivative financial liabilities	31 December 2020						Undated	Total
	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 5 years		
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
Loans from 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
Bond 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

(continued)

Non-derivative financial liabilities	31 December 2019						Undated	Total
	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	Above 5 years		
Short-term loans		8,589.55	30,155.62	125,482.52				164,227.69
Short-term financing instruments payable		6,119.56	6,312.71	452,474.33				464,906.60
Loans from other financial institutions		236,138.37						236,138.37
Financial liabilities at fair value through profit or loss		74,315.30			37,139.94			111,455.24
Financial assets sold under repurchase agreements		771,908.44	40,265.10	62,958.90				875,132.44
Accounts payable to brokerage clients	91,916.59	797,590.10						889,506.69
Bond payable					483,770.00			483,770.00
Accounts payable							19,099.24	19,099.24
Long-term borrowings					1,471.34			1,471.34
Other liabilities							34,601.60	34,601.60
Total	91,916.59	1,894,661.32	76,733.43	640,915.75	522,381.28		53,700.84	3,280,309.21

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

5. 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. Through strengthening the internal control mechanism, the operation risk under the given business income is minimized.

During the reporting period, the Group optimized and upgraded its operational risk management system, and formed a specific management plan for combing and evaluating operational risk processes, key risk control indicators, and collection of operational risk loss events, focus on the process of credit risk business and market risk business of the company and its subsidiaries, and set key risk control indicators, and through operational risk management, promote 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; At the same time, the Company adopted a relatively complete internal control environment construction and compliance effectiveness management and evaluation as the basis for operational risk prevention, strengthen the supervision and inspection of various businesses, and effectively avoid some operational risks caused by irregular operations, non-standards, or lack of coordination mechanisms between departments. During the reporting period, the Group had no major operational risk events.

6. Compliance risk

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

The Company's compliance risks include the risk of illegal operations in the brokerage business, such as accepting clients' full entrustment, hiring personnel without securities qualifications to engage in marketing business, etc., and the proportion of single holdings in the proprietary business and asset management business exceeding the regulatory requirements, etc., the sponsor in the investment banking business failed to perform due diligence obligations, etc., and the foreign investment consulting business in the investment consulting business failed to perform the filing procedures.

In response to compliance risks, the Company has established an organizational structure and system for compliance management, and carried out various compliance management work in an orderly manner, mainly through compliance inspections, consulting reviews, compliance monitoring, compliance supervision, compliance training, etc. Effective management and control of compliance risks. At the same time, through the establishment of a relatively complete multi-level anti-money laundering organization system, the orderly development of anti-money laundering work has been realized; in order to ensure the smooth development of various businesses, prevent insider trading and manage conflicts of interest, the company has established a relatively complete information isolation wall Management system. During the reporting period, the company had no major compliance risks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

X. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

7. 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 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%.

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

1. The amount of assets and liabilities measured at fair value and the level of fair value measurement

The following table lists the fair value information of the Group's assets and liabilities measured at fair value on each balance sheet date at the end of the reporting period and the level of fair value measurement. The level of fair value measurement results depends on the lowest level of input value that is significant to the fair value measurement as a whole. The three levels of input values are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

1. The amount of assets and liabilities measured at fair value and the level of fair value measurement (continued)

The following table presents the Company's financial assets and liabilities that are measured at fair value as at the balance sheet date.

Item	Fair value at 31 December 2020			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	4,148,531,402.14	17,157,502,047.68	1,286,539,048.95	22,592,572,498.77
(1) Bond investments	3,726,479,071.54	14,891,751,412.20	387,855,604.43	19,006,086,088.17
(2) Equity investments	346,164,793.32	168,354,967.13	754,620,364.62	1,269,140,125.07
(3) Public offered funds	75,887,537.28	913,139,461.66		989,026,998.94
(4) Others		1,184,256,206.69	144,063,079.90	1,328,319,286.59
Financial assets at fair value through other comprehensive income	1,432,696,292.78	540,699,722.05	115,409,134.24	2,088,805,149.07
Total	5,581,227,694.92	17,698,201,769.73	1,401,948,183.19	24,681,377,647.84
Financial liabilities as at fair value through profit or loss	778,986,314.11		577,240,268.93	1,356,226,583.04
Derivative financial liabilities	57,980.91			57,980.91
Total	779,044,295.02		577,240,268.93	1,356,284,563.95

(continued)

Item	Fair value at 31 December 2019			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	4,726,430,172.73	11,291,377,647.26	1,209,210,826.77	17,227,018,646.76
(1) Bond investments	4,309,028,233.68	9,080,536,711.40	420,701,220.37	13,810,266,165.45
(2) Equity investments	388,094,475.20	364,671,492.30	695,610,206.47	1,448,376,173.97
(3) Public offered funds	29,307,463.85	763,171,485.72		792,478,949.57
(4) Others		1,082,997,957.84	92,899,399.93	1,175,897,357.77
Financial instruments at fair value through other comprehensive income	358,934,217.57	305,761,128.91		664,695,346.48
Derivative financial assets	53,190.00	65,075.00	11,265,850.93	11,384,115.93
Total	5,085,417,580.30	11,597,203,851.17	1,220,476,677.70	17,903,098,109.17
Financial liabilities as at fair value through profit or loss	714,792,262.30		399,760,116.86	1,114,552,379.16
Derivative financial liabilities	39,420.00		44,320.00	83,740.00
Total	714,831,682.30		399,804,436.86	1,114,636,119.16

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2. Pricing of financial instruments by Level 1

The fair value of financial instruments traded in an active market is determined based on the market quotation on the financial reporting date. If quotations are obtained from exchanges and distributors in a timely and regular manner, and these quotations reflect actual and regular market transactions based on arm's length negotiations, a market is considered active. The fair value is determined based on the closing price on the financial reporting date, this instruments are included in the Level 1. The instruments included in the Level 1 mainly include securities traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange, which are listed as trading financial assets and other debt investments.

3. Pricing of financial instruments by Level 2

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

4. Pricing of financial instruments by Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. For non-listed equity investment, bond investment, trust products and financial liabilities, the Company uses valuation techniques to determine its fair value, including discounted cash flow method and market comparison method. The measurement of its fair value adopts important non-observable parameters, such as liquidity discount, volatility and market multiplier. The fair value of unlisted equity investments, bond investments, other investments and financial liabilities is not significantly sensitive to reasonable changes in these non-observable inputs.

The Company has not changed the valuation techniques used in the above-mentioned continuous third level fair value measurement for the year ended 2020.

5. The changes in Level 3 instruments

Item	1 January 2020	Increase	Decrease	31 December 2020
Financial assets at fair value through profit or loss	1,209,210,826.77		2,173,021.75	1,207,037,805.02
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	

(continued)

Item	1 January 2019	Increase	Decrease	31 December 2019
Financial assets at fair value through profit or loss	1,715,558,066.26		506,347,239.49	1,209,210,826.77
Financial liabilities as at fair value through profit or loss	380,027,422.26	19,732,694.60		399,760,116.86
Derivative financial assets	62,985,609.15		51,719,758.22	11,265,850.93
Derivative financial liabilities		44,320.00		44,320.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

5. The changes in Level 3 instruments (continued)

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss				
— Bank financial products	Level 3	— Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	— Expected future cash flows; — Expected recovery date; — Discount rates that correspond to the expected risk level	— The higher the future cash flows, the higher the fair value; — The earlier the maturity date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— Asset management plans				
— The trust plan	Level 3	— Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	— Expected future cash flows; — Expected recovery date; — Discount rates that correspond to the expected risk level	— The higher the future cash flows, the higher the fair value; — The earlier the maturity date, the higher the fair value; — The lower the discount rate, the higher the fair value;
— Private bonds/ corporate bonds/ convertible bonds	Level 3	— Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level; — Option pricing model	— Expected future cash flows; — Expected recovery date; — Discount rates that correspond to the expected risk level; — Stock price volatility	— The higher the future cash flows, the higher the fair value; — The earlier the maturity date, the higher the fair value; — The lower the discount rate, the higher the fair value; — The higher the stock price volatility, the higher the fair value;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XI. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

5. The changes in Level 3 instruments (continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
— Unlisted equity	Level 3	— Using comparable company method by selecting comparable companies in the same industry as the target company's important financial indicators; consider liquidity discount, estimate the expected exit date of equity, calculate the volatility of comparable companies, adopt the option model, calculate the liquidity discount of comparable companies.	— Expected recovery date; — Stock price volatility	— The earlier recovery date is expected, the higher fair value is valued; — The higher stock price volatility is displayed, the higher fair value is valued;
— Financial liabilities as at fair value through profit or loss	Level 3	— Discounted cash flows with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level	— Expected future cash flows; — Expected recovery date; — Discount rates that correspond to the expected risk level	— The higher the future cash flows, 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	Level 3	— The Option Pricing Model is used for valuation. The main input parameter is the volatility of the target instrument.	— Target instrument volatility	— The higher the volatility of the instrument, the higher the fair value.

XII. CONTINGENCIES

As of 31 December, 2020, the Group has not been involved in a single major legal action or arbitration that may have a material adverse effect on the Group's financial status or operating performance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XIII. COMMITMENTS

1. Capital commitments

The Company has entered into a contract but has not confirmed the capital commitment in the financial statements as follows:

Item	31 December 2020	31 December 2019
Contracted but not paid for	32,184,984.30	48,798,003.04
Total	32,184,984.30	48,798,003.04

XIV. EVENTS AFTER THE BALANCE SHEET DATE

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. The Company has no objection to increasing its capital by HK\$800 million to Central China International. As of the reporting date of this financial statement, the capital increase has not been actually paid.

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. As of the reporting date of this financial statement, the above-mentioned shareholding reduction has not yet been completed.

3. Public issuance of short-term corporate bonds to professional investors

In February 2021, the company received the China Securities Regulatory Commission "Approval on Approving the Registration of Central China Securities Co., Ltd. for the Public Issuance of Short-term Corporate Bonds to Professional Investors" (zjxk [2021] No. 377), and agreed to the Company's approval to professional investors. The public issuance of short-term corporate bonds adopts the method of issuance in installments, and the balance of face value does not exceed RMB5 billion.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XIV. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

4. 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 22 January 2021, Central China Blue Ocean Investment Management Co., Ltd. and Luohe City Financial Holdings Co., Ltd. signed the "State-owned Property Rights Transaction Contract."

5. Profit distribution

As approved by the Company's Board of directors on 30 March, 2021, the Company's profit distribution plan for 2020 is to distribute a cash dividend of RMB0.17 (tax included) for every 10 shares. This proposal is subject to approval by the general meeting of shareholders.

XV. INFORMATION ABOUT SEGMENTS

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.

1. Segment information for the year ended 2020 (by business)

Item	Securities brokerage business	Proprietary trading business	Investment banking business	Credit business	Investment management business	Futures business	Overseas business	Headquarters and others	Offset	Total
1. Operating revenue	892,899,927.37	124,221,051.29	178,864,343.15	299,299,440.30	85,235,031.67	1,354,079,151.89	-29,790,360.16	203,067,640.22	-4,574,528.86	3,103,301,696.87
Net fee and commission income	753,219,862.58		179,545,643.94	36,175,788.75	49,712,266.98	97,077,420.14	12,912,486.75	45,371,295.01	-1,816,477.32	1,172,198,286.83
Investment income (or less: losses)		540,472,131.17			-25,085,581.79	-854,996.95	1,996,536.63	90,858,466.15	-733,750.74	606,652,804.47
Gains on changes in fair value (or less: losses)		-33,778,488.31			51,155,949.39	670,655.87	-4,608,054.76	-61,964,238.64		-48,524,176.45
Gains on foreign exchange (or less: losses)	-109,362.26						-2,702,061.15	-536,797.79		-3,348,221.20
Other operating income	2,859,257.13	6,783,793.15		13,907,997.04	40,364.63	1,246,747,264.15	2,928,930.42	4,014,475.67	-2,056,782.26	1,275,225,299.93
Net interest income	136,930,169.92	-389,256,384.72	-681,300.79	249,215,654.51	9,412,032.46	10,438,808.68	-40,318,198.05	125,324,439.82	32,481.46	101,097,703.29
2. Operating expense	582,945,240.34	176,222,267.64	194,129,235.24	206,658,069.57	33,906,908.80	1,330,493,372.03	67,032,284.06	382,464,812.23	-19,366,376.79	2,954,485,813.12
3. Operating profit	309,954,687.03	-52,001,216.35	-15,264,892.09	92,641,370.73	51,328,122.87	23,585,779.86	-96,822,644.22	-179,397,172.01	14,791,847.93	148,815,883.75
4. Total Asset	9,225,038,019.65	22,597,717,177.95	31,291,444.78	9,633,309,114.56	3,862,978,383.14	1,909,882,870.38	1,556,618,401.66	8,969,384,670.28	-5,409,344,525.40	52,376,875,557.00
5. Total liabilities	10,101,535,678.65	15,151,920,711.75	79,092,182.47	1,724,734,715.63	699,739,931.38	1,480,481,319.14	1,297,193,828.09	8,299,157,539.40	-643,456,440.02	38,190,399,466.49
6. Supplementary information										
(1) Depreciation and amortisation	58,110,750.23	13,720,159.99	11,458,670.75	555,114.90	2,061,032.31	4,518,220.32	13,870,797.91	50,745,655.70	-1,222,148.08	153,818,254.03
(2) Capital expenditure	55,089,727.52	3,624,502.05	741,552.77	414,536.62	1,346,949.62	2,276,804.43	45,221.82	53,822,904.68		117,362,199.51

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVI. OTHER SIGNIFICANT EVENTS

1. Public beneficial donations

Item	For the year ended 2020	For the year ended 2019
Charitable donations	5,548,811.00	6,067,504.00
Total	5,548,811.00	6,067,504.00

2. Margin business

The Group's margin business scale is as follows, On 31 December, 2020 and 31 December, 2019:

Item	For the year ended 2020	For the year ended 2019
Margin accounts receivable	7,476,331,076.06	6,131,736,886.67
Short selling business	6,015,764.80	5,410,131.09
Total	7,482,346,840.86	6,137,147,017.76

3. Securities lending

The specific types and fair values of bonds borrowed by the company on the inter-bank and exchange bond market trading platforms are as follows:

Item	Fair value on 31 December 2020	Fair value on 31 December 2019
Treasury bonds	977,436,370.00	493,954,800.00
Policy-based financial debt	892,869,520.00	869,154,000.00
Local government debt	461,811,840.00	530,733,960.00
Total	2,332,117,730.00	1,893,842,760.00

As of 31 December, 2020, 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 RMB16,102,987,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Security of customer funds

As of 31 December, 2020, the Company has deposited customer transaction settlement funds in commercial banks with depository qualifications, in compliance with the "Customer Transaction Settlement Fund Management Measures" (China Securities Regulatory Commission Order No. 3), and comply with relevant regulations such as the third-party depository of customer transaction settlement funds and the requirements for the security of customer transaction settlement funds. The Company strictly guarantees the safety of customer funds, the problem of misappropriation of client funds does not exist.

5. Assets and liabilities measured at fair value

Item	31 December 2019	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	31 December 2020
Financial Assets					
1. Financial assets at fair value through profit or loss (without derivative financial asset)	17,227,018,646.76	-30,313,666.81			22,592,572,498.77
2. Derivative financial assets	11,384,115.93	-8,993,950.22			
3. Financial assets measured at amortised cost	664,695,346.48		-79,872,667.60	70,774,304.74	2,088,805,149.07
4. Other financial assets at fair value through other comprehensive income					
Subtotal	17,903,098,109.17	-39,307,617.03	-79,872,667.60	70,774,304.74	24,681,377,647.84
Investment properties					
Productive biological assets					
Others					
Total	17,903,098,109.17	-39,307,617.03	-79,872,667.60	70,774,304.74	24,681,377,647.84
Financial liabilities at fair value through profit or loss					
1,114,552,379.16		-9,215,030.06			1,356,226,583.04
Derivative financial liabilities	83,740.00	-1,529.36			57,980.91
Total of financial liabilities	1,114,636,119.16	-9,216,559.42			1,356,284,563.95

Note: There is no inevitable cross-check relationship in this table.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

6. Basic classification table for the measurement of financial assets

Item	31 December 2020				
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Appointed as financial instruments at fair value through other comprehensive income	The change of fair value through profit or loss	
				Classified as financial assets at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial assets measured at fair value through profit or loss
					According to the "Hedging Accounting" standards, designated as financial assets measured at fair value through profit or loss
Cash and bank balances	10,951,131,021.90				
Clearing settlement funds	2,379,100,088.00				
Margin accounts receivable	7,400,757,113.38				
Derivative financial assets					
Refundable deposits	744,878,747.69				
Accounts receivable	169,323,523.34				
Financial assets held under resale agreement	2,055,964,889.83				
Financial assets at fair value through profit or loss				22,592,572,498.77	
Financial assets measured at amortised 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 the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

6. Basic classification table for the measurement of financial assets (continued)

Item	31 December 2019					
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Appointed as Financial instruments at fair value through other comprehensive income	Classified as financial assets at fair value through profit or loss	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
Cash and bank balances	9,331,748,561.52					
Clearing settlement funds	2,518,049,515.84					
Margin accounts receivable	6,060,740,196.56					
Derivative financial assets				11,384,115.93		
Refundable deposits	395,169,735.95					
Accounts receivable	153,912,302.37					
Financial assets held under resale agreement	3,023,888,527.71					
Financial assets at fair value through profit or loss				17,227,018,646.76		
Financial assets measured at amortised cost	676,389,859.29					
Financial assets at fair value through other comprehensive income		664,695,346.48				
Others	1,088,025,728.72					
Total	23,247,924,427.96	664,695,346.48		17,238,402,762.69		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

7. Basic classification table for the measurement of financial liabilities

Item	31 December 2020			
	The change of fair value through profit or loss			
	Financial liabilities measured at amortised cost	Classified as financial liabilities at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial liabilities 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 the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

7. Basic classification table for the measurement of financial liabilities (continued)

Item	31 December 2019			
	The change of fair value through profit or loss			
	Financial liabilities measured at amortised cost	Classified as financial liabilities at fair value through profit or loss	According to the "Financial Instruments Recognition and Measurement" standards, designated as financial liabilities 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	1,568,747,897.84			
Derivative financial liabilities		83,740.00		
Short-term financing instruments payable	4,455,447,124.75			
Due to banks and other financial institutions	2,361,159,583.32			
Financial liabilities at fair value through profit or loss		1,114,552,379.16		
Financial assets sold under repurchase agreements	8,721,088,626.07			
Accounts payable to brokerage clients	8,895,066,941.34			
Accounts payable	190,992,352.09			
Bonds payable	4,623,940,375.96			
Long-term borrowings	13,202,955.17			
Other liabilities	26,564,390.64			
Total	30,856,210,247.18	1,114,636,119.16		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVI. OTHER SIGNIFICANT EVENTS (CONTINUED)

8. Foreign currency financial assets and financial liabilities

Item	31 December 2019	Gains and losses from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued in the current period	31 December 2020
Financial assets					
1. Financial assets at fair value through profit or loss	1,089,445,460.17	-4,608,054.76			856,883,301.34
2. Derivative financial assets					
3. Loan and account receivable	19,099,108.85			513,358.29	43,785,058.55
4. Financial assets at fair value through other comprehensive income					
5. Other financial assets at fair value through other comprehensive income					
6. Financial assets measured at amortised cost	51,830,963.55				41,123,594.69
Subtotal	1,160,375,532.57	-4,608,054.76		513,358.29	941,791,954.58
Financial liabilities					

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY

1. Long-term equity investment

(1) By categories

Item	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	4,126,432,553.95		4,126,432,553.95	4,126,432,553.95		4,126,432,553.95
Total	4,126,432,553.95		4,126,432,553.95	4,126,432,553.95		4,126,432,553.95

(2) Investment in subsidiaries

Investee	31 December 2019	Increase	Decrease	31 December 2020	Provision for impairment in period	Closing balance of provision for impairment
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			859,340,000.00		
Central China Blue Ocean Investment Management Co.,Ltd.	2,256,000,000.00			2,256,000,000.00		
Central China Equity Exchange Co.,Ltd	122,500,000.00			122,500,000.00		
Total	4,126,432,553.95			4,126,432,553.95		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

2. Net interest income

Item	For the year ended 2020	For the year ended 2019
Interest income	840,710,707.82	798,742,726.64
Include: interest income from cash and clearing settlement funds	220,736,495.73	185,486,711.01
interest income from margin account receivable	464,576,155.58	366,479,244.07
interest income from financial assets held under resale agreement	81,991,995.95	193,806,451.27
Include: interest income from agreed repurchase	996,809.98	1,357,301.47
interest income from stock-pledged repurchase	46,354,779.03	90,493,451.12
interest income from financial instruments at fair value through other comprehensive income	54,322,352.87	43,479,859.02
others	19,083,707.69	9,490,461.27
Interest expenses	794,467,457.03	857,789,074.23
Include: Interest expenses of short term financing instruments	27,018,835.31	23,261,913.30
Interest expenses of loans from banks and other financial institutions	77,148,662.74	69,320,167.80
Include: Refinancing interest expenses	30,440,555.57	21,440,277.79
Interest expenses of financial assets held under resale agreement	263,204,806.08	316,813,543.22
Include: Interest expenses for quote repurchase		
Interest expenses of account payable to brokerage clients	37,816,790.81	30,923,572.43
Interest expenses of bond payable	363,302,104.60	390,376,765.11
Include: Interest expenses of subordinated bond	267,812,580.47	257,700,161.29
Bond lending	15,528,329.95	19,668,356.14
Others	10,447,927.54	7,424,756.23
Net interest income	46,243,250.79	-59,046,347.59

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

3. Net fee and commission income

(1) Details

Item	For the year ended 2020	For the year ended 2019
Securities brokerage services net income	686,071,935.92	469,501,628.70
— Securities brokerage services income	885,194,369.73	610,656,750.79
— Securities brokerage business	831,526,528.34	595,698,795.78
Lease of trade seat	1,031,189.08	594,228.47
Agency sales of financial products business	51,559,606.38	13,535,896.80
— Securities brokerage services expense	199,122,433.81	141,155,122.09
— Securities brokerage business	198,967,940.55	140,998,312.09
Agency sales of financial products business	30,611.75	35,293.17
Investment banking business net income	200,925,249.51	228,560,194.77
— Investment banking business income	211,653,833.40	235,276,295.26
— Securities underwriting business	114,957,161.13	111,819,439.66
Securities sponsor business	23,965,274.32	19,273,584.90
Financial advisory business	72,731,397.95	104,183,270.70
— Investment banking business expense	10,728,583.89	6,716,100.49
— Securities underwriting business	9,313,489.57	4,402,514.95
Securities sponsor business	400,000.00	1,217,735.85
Financial advisory business	1,015,094.32	1,095,849.69
Asset management business net income	39,325,418.37	45,206,688.55
— Asset management business income	39,353,812.03	45,235,815.39
— Asset management business expense	28,393.66	29,126.84
Investment advisory business net income	81,559,355.53	63,279,453.44
— Investment advisory business income	81,559,355.53	63,279,453.44
— Investment advisory business expense		
Other fee and commission net income	30,268,783.91	9,392,120.90
— Other fee and commission income	32,811,519.76	9,392,120.90
— Other fee and commission expense	2,542,735.85	
Total	1,038,150,743.24	815,940,086.36
Include: Total fee and commission income	1,250,572,890.45	963,840,435.78
Total fee and commission expense	212,422,147.21	147,900,349.42

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

4. Investment income

(1) By categories

Item	For the year ended 2020	For the year ended 2019
Long-term equity investment income calculated by cost method	77,307,500.00	50,916,260.74
Long-term equity investment income calculated by equity method		-773,551.12
Income from dispose long-term equity investments		50,208,022.72
Income from financial instrument investments	553,945,936.58	677,197,882.16
Include: Proceeds generated during holding period	695,140,291.04	591,084,144.95
Include: Financial assets measured at their fair values through profit or loss	719,988,683.69	619,398,023.32
Financial liabilities measured at their fair values through profit or loss	-24,848,392.65	-28,313,878.37
Depose financial instrument income	-141,194,354.46	86,113,737.21
Include: Financial assets measured at their fair values through profit or loss	-83,989,378.75	94,019,111.42
Financial assets at fair value through other comprehensive income	10,380,784.48	11,813,248.18
Derivative financial instruments	-121,617,242.72	-36,519,587.10
Financial liabilities measured at their fair values through profit or loss	54,031,482.53	16,800,964.71
Total	631,253,436.58	777,548,614.50

(2) Financial instruments measured at their fair values through profit or loss

Financial instruments measured at their fair values through profit or loss		For the year ended 2020
Classified into financial assets measured at their fair values through profit or loss	Holding period income	719,988,683.69
Designated as financial assets measured at their fair values through profit or loss	Deposal income	-83,989,378.75
Classified into financial liabilities measured at their fair values through profit or loss	Holding period income	-24,848,392.65
Designated as financial liabilities measured at their fair values through profit or loss	Deposal income	54,031,482.53
	Holding period income	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

5. Business and administrative expenses

Item	For the year ended 2020	For the year ended 2019
Employee benefits	829,080,934.22	767,981,116.23
Depreciation of right-of-use assets	56,650,750.59	47,809,302.90
Depreciation of fixed assets expenses	30,181,550.19	30,866,625.34
Amortization of intangible assets	29,767,221.31	26,470,814.92
Mailing expenses	15,826,770.89	14,572,609.49
Electronic equipment operation fees	35,398,233.30	25,833,521.72
Membership fees	15,204,571.94	9,511,979.24
Amortization of long-term deferred expenses	12,573,176.57	10,800,094.92
Consulting fees	12,106,802.02	24,114,229.92
Securities investors protection funds	7,811,652.08	9,084,179.20
Auditing expenses	5,985,660.37	5,368,679.20
Utilities fees	6,854,700.01	7,090,074.09
Property fees	8,035,558.53	8,483,394.43
Traveling expenses	10,840,414.36	17,063,080.98
Rental fees	5,776,033.67	17,234,709.42
Advertising cost	16,396,249.01	11,634,231.58
Business entertainment expenses	10,077,114.18	11,014,351.78
Safety fees	2,989,984.78	3,052,279.61
Public miscellaneous fees	2,791,254.69	11,014,351.78
Printing fees	2,365,876.17	1,905,161.26
Litigation fees	6,106,847.53	5,297,336.63
Labour protection fees	2,213,164.61	5,754,863.27
Exchange facility usage fees	4,215,428.29	5,191,308.25
Disabled employment security funds	2,474,637.58	3,019,423.79
Others	17,722,617.04	16,737,081.73
Total	1,149,447,203.93	1,096,904,801.68

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

XVII. NOTES TO ITEMS OF FINANCIAL STATEMENTS OF THE COMPANY (CONTINUED)

6. Supplementary information on the Company cash flow statement

Item	For the year ended 2020	For the year ended 2019
1. Adjust net profit to cash flow from operating business		
Net income	201,826,398.89	321,145,590.87
Add: Provision for asset impairment	263,120,359.08	186,153,701.24
Depreciation of investment equity and fixed assets	31,299,387.64	31,984,431.58
Depreciation of right-of-use assets	56,650,750.59	47,809,302.90
Amortization of intangible assets	29,767,221.31	26,470,814.92
Amortization of long-term deferred expenses	12,573,176.57	10,800,094.92
Fixed assets, intangible assets and other long-term assets disposal (or revenue: "-")	1,413,215.22	-22,677,113.06
Changes in fair value gains and losses (or revenue: "-")	88,807,494.18	-112,081,401.33
Interest expenses	397,411,742.61	436,401,361.05
Exchange losses (or revenue: "-")	646,160.05	-30,847.35
Investment losses (or revenue: "-")	-142,010,637.35	-106,209,367.94
Decrease in deferred income tax assets (or increase: "-")	-88,296,632.38	-25,699,396.12
Increase in deferred income tax liabilities (or decrease: "-")	-3,207,641.13	2,149,540.21
Decrease of operating receivable (or increase: "-")	191,011,569.97	1,142,579,703.69
Increase of operating receivable (or decrease "-")	-82,028,931.77	-241,474,877.86
Net cash flow from operating business	958,983,633.48	1,697,321,537.72
2. No cash flow from investment and financing business		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Financing leased of fixed assets		
3. Net increase/(decrease) in cash and cash equivalents		
Closing balance of cash	11,500,913,337.34	9,849,533,204.97
Less: Opening balance of cash	9,849,533,204.97	8,227,607,657.53
Add: Closing balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash equivalent and cash	1,651,380,132.37	1,621,925,547.44

XVIII. FINANCIAL REPORT APPROVAL

This financial report was approved by the board of directors of the Company on 30 March, 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

1. Non-recurring income statement

According to the requirements of “Explanatory Notice on Company Information Disclosure for Public Issuance of Securities No. 1 — Non-Recurring Gains and Losses (2008)” issued by the China Securities Regulatory Commission, the Company’s non-recurring gains and losses are as follows:

Item	For the year ended 2020	For the year ended 2019
Gains and losses on disposal of non-current assets	-1,434,940.82	23,826,434.25
Government grants included in current profits and losses	15,188,914.70	17,715,676.78
Reversal of provision for impairment of account receivable and contract assets that have been separately tested for impairment	5,000,000.00	
Non-operating income and expenses in addition to the above items	-7,817,648.40	-5,966,282.11
Subtotal	10,936,325.48	35,575,828.92
Less: Impact of income tax	2,527,734.55	8,893,957.23
Impact of minority interest	-171,077.53	-12,382,896.33
Non-recurrent net profit and loss attributable to parent shareholders	8,579,668.46	39,064,768.02

2. Return on equity and earnings per share

According to the requirements of the “China Securities Regulatory Commission’s rule No. 9 on the Compilation of Information Disclosure of Companies for Public Issuance of Securities — Calculation and Disclosure of Return on Equity and Earnings Per Share” (revised in 2010), the Company’s weighted average return on equity and earnings per share in 2020 are as follows:

Reporting period profit	Weighted average return on equity	Earnings per share	
		Underlying earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the Company	0.93%	0.02	0.02
Net profit attributable to shareholders of the Company after deduction of non-recurring gains and losses	0.85%	0.02	0.02

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (The currency are in RMB except otherwise stated)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Accounting data differences under domestic and foreign accounting standards

Differences in the reconciliation of shareholders' equity and profits under the transition from IFRS to Chinese Accounting Standards

Expressed in RMB'0000

Item	Net profit		Net assets	
	For the year ended 2020	For the year ended 2019	31 December 2020	31 December 2019
According to International Financial Reporting Standards	10,211.91	7,508.29	1,418,647.61	1,049,778.65
According to Chinese Accounting Standards	10,211.91	7,508.29	1,418,647.61	1,049,778.65
Difference				

Central China Securities Co., Ltd.

30 March 2021



SECTION 11 DOCUMENTS AVAILABLE FOR INSPECTION

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

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

The auditor's report chopped with the official chop of the accounting firm and signed and chopped by the certified public accountant.

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

Annual report disclosed in other securities markets.

Other relevant materials.

SECTION 12 INFORMATION DISCLOSURE OF SECURITIES COMPANY

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

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

Newly established securities branch	Relocation of branch offices	Relocation of securities branches
1	3	3

1. Administrative licensing of establishment of new securities branch during the Reporting Period

No.	Securities Branch	Address	Document no. of establishment approval	Date of establishment approval	Date of license
1	South Taiping Road Securities Branch in Taicang of Central China Securities	No. 19-3, South Taiping Road, Chengxiang Town, Taicang City	Yu Zheng Jian Fa [2019] No.339	24 December 2019	9 June 2020

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

No.	Name of branch office before relocation	Name of branch office after relocation	New address	Date of license
1	Zhengzhou Branch Office of Central China Securities	Zhengzhou Branch Office of Central China Securities	11/F, Building No. 1, Guanghui Guomao, No. 15 Jingsan Road, Jinshui District, Zhengzhou City, Henan Province	27 October 2020
2	Hunan Branch Office of Central China Securities	Hunan Branch Office of Central China Securities	Rooms 2554, 2555, 2556 & 2557, Building No. 2, Dongying Commercial Plaza, No. 730 Yuanda 1st Road, Furong District, Changsha City	5 June 2020
3	Shandong Branch Office of Central China Securities	Shandong Branch Office of Central China Securities	No. 1001, Building No. 10, First Avenue, No.15982 Jingshi Road, Lixia District, Jinan City	17 December 2020

SECTION 12 INFORMATION DISCLOSURE OF SECURITIES COMPANY

3. 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	Zhengzhou Guoji Road Securities Branch of Central China Securities	Zhengzhou Business Inner Ring Road Securities Branch of Central China Securities	2/F, No. 11 Business Inner Ring Road, Zhengzhou Section (Zhengdong), Henan Pilot Free Trade Zone	28 August 2020
2	Dengzhou North Wenhua Road Securities Branch of Central China Securities	Dengzhou Xinhua Road Securities Branch of Central China Securities	No. 17, East Xinhua Road, Dengzhou City	1 April 2020
3	Shangqiu Nanjing Road Securities Branch of Central China Securities	Shangqiu Nanjing Road Securities Branch of Central China Securities	1/F, Shop No. 110, Block C, Yingtian International, West Gui'de Road, South Nanjing Road, Suiyang District, Shangqiu City, Henan Province	16 December 2020

(II) Administrative licensing of other issues

No.	Date	Content
1	17 June 2020	The Company received the Approval in Relation to the Non-public Issuance of Shares by Central China Securities Co., Ltd (Yu Zheng Jian Fa [2022] 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》(豫證監發[2020]1190號)) issued by the CSRC, pursuant to which the Company was approved for the non-public Issuance of A shares.

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

The Company was rated "A" in the category "A" by the CSRC in the 2020 classification and evaluation of securities companies.



中州证券

Central China Securities Co., Ltd.