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中州证券

Central China Securities Co., Ltd.

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

(Stock Code: 01375)

PRELIMINARY ANNOUNCEMENT OF THE UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

This announcement is made by Central China Securities Co., Ltd. (the “**Company**”) pursuant to Rule 13.49(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board of the Company hereby announces the unaudited preliminary results of the Company and its subsidiaries for the year ended 31 December 2019.

Due to the impact of the COVID-19, delays in resumption of work, working remotely and occupation of logistics resources, the Company has not yet completed the audit of the consolidated financial statements of the Group for the year of 2019, and the financial information contained in this preliminary results announcement are all unaudited. Save for the above, the information contained in this preliminary results announcement comply with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results and have been reviewed by the audit committee of the Company.

The Company expects that the audited accounts of the Group for the year of 2019 (including the recommendation of distribution of the final dividend for 2019, if any) as well as the Company's 2019 Annual Report will be published upon completion of the relevant audit work by or before the end of April 2020.

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

Henan, the PRC
30 March 2020

As at the date of this announcement, the Board comprises executive directors Mr. JIAN Mingjun and Mr. CHANG Junsheng, non-executive directors Mr. LI Xingjia, Mr. WANG Lixin, Mr. TIAN Shengchun, Mr. ZHANG Xiaoqi and Mr. LU Zhengxin, and independent non-executive directors Mr. YUEN Chi Wai, Mr. NING Jincheng, Mr. YU Xugang and Ms. Zhang Dongming.

IMPORTANT NOTICE

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

This preliminary results announcement has been considered and approved at the sixteenth meeting of the sixth session of the Board and the tenth meeting of the sixth session of the Supervisory Committee where all Directors and Supervisors attended the respective meeting.

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 preliminary results announcement are true, accurate and complete.

The forward-looking statements in this preliminary results announcement 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 preliminary results announcement 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, the Chinese version shall prevail.

Due to the impact of the COVID-19, delays in resumption of work, working remotely and occupation of logistics resources, the Company has not yet completed the audit of the consolidated financial statements of the Group for the year of 2019, and the financial information contained in this preliminary results announcement are all unaudited. The Company expects to publish the audited accounts of the Group for the year of 2019 as well as the Company's 2019 Annual Report by or before the end of April 2020. This preliminary results announcement has been reviewed by the audit committee of the Company, and the audit committee has no objection to this preliminary results announcement.

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 intensified competitions in the asset management industry and deleveraging of the financial sector, the asset under management of the Company may be reduced, which may result in a negative impact on the asset management fees or performance rewards charged by the Company. 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, the financing businesses (such as stock pledge) of the Company may take greater risks, where there are inadequate forecasts to an instant crash appearing in share prices of companies listed in Hong Kong, the Company's international businesses 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 in China and some countries and regions abroad since early 2020, 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 the paragraph headed "IV. (IV) Potential risks" under Section 4 of this preliminary results announcement.

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SECTION 1 DEFINITIONS

In this preliminary results announcement, 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	the Rules Governing the Listing of Security on the Hong Kong Stock Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the 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	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
this preliminary results announcement	the preliminary announcement of the unaudited results for the year ended 31 December 2019 published by the Company on 30 March 2020
SSE	the Shanghai Stock Exchange
SSE Composite Index	composite stock price index of the SSE
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司)
IPO	the initial public offering
A shares	domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the SSE.
H shares	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Hong Kong Stock Exchange
Reporting Period/Period	1 January 2019 to 31 December 2019
end of the Reporting Period/end of the Period	31 December 2019

SECTION 1 DEFINITIONS

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
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)
Hebi Construction and Investment	Hebi Construction & Investment Group Co., Ltd. (鶴壁市經濟建設投資集團有限公司)

SECTION 1 DEFINITIONS

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 Venture Capital	Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. (河南中證開元創業投資基金管理有限公司)
Central China Blue Ocean or CCBO	Central China Blue Ocean Investment Management Company Limited (中州藍海投資管理有限公司)
Central China International	Central China International Financial Holdings Company Limited (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)
Central China International Financial Group	Central China International Financial Group Limited (中州國際金融集團股份有限公司)
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 "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	science and technology innovation board of SSE

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	3,869,070,700.00	3,869,070,700.00
Net capital	6,316,632,921.18	6,970,999,780.73

Qualifications for Each Individual Business of the Company

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

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	Suite 3108, Two Exchange Square, 8 Connaught Place, Central, 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 preliminary results announcement	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing this preliminary results announcement	http://www.hkexnews.hk
Place for inspection of the Company's annual results announcement	19F, 10 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 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, 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, 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: 中州证券; 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.

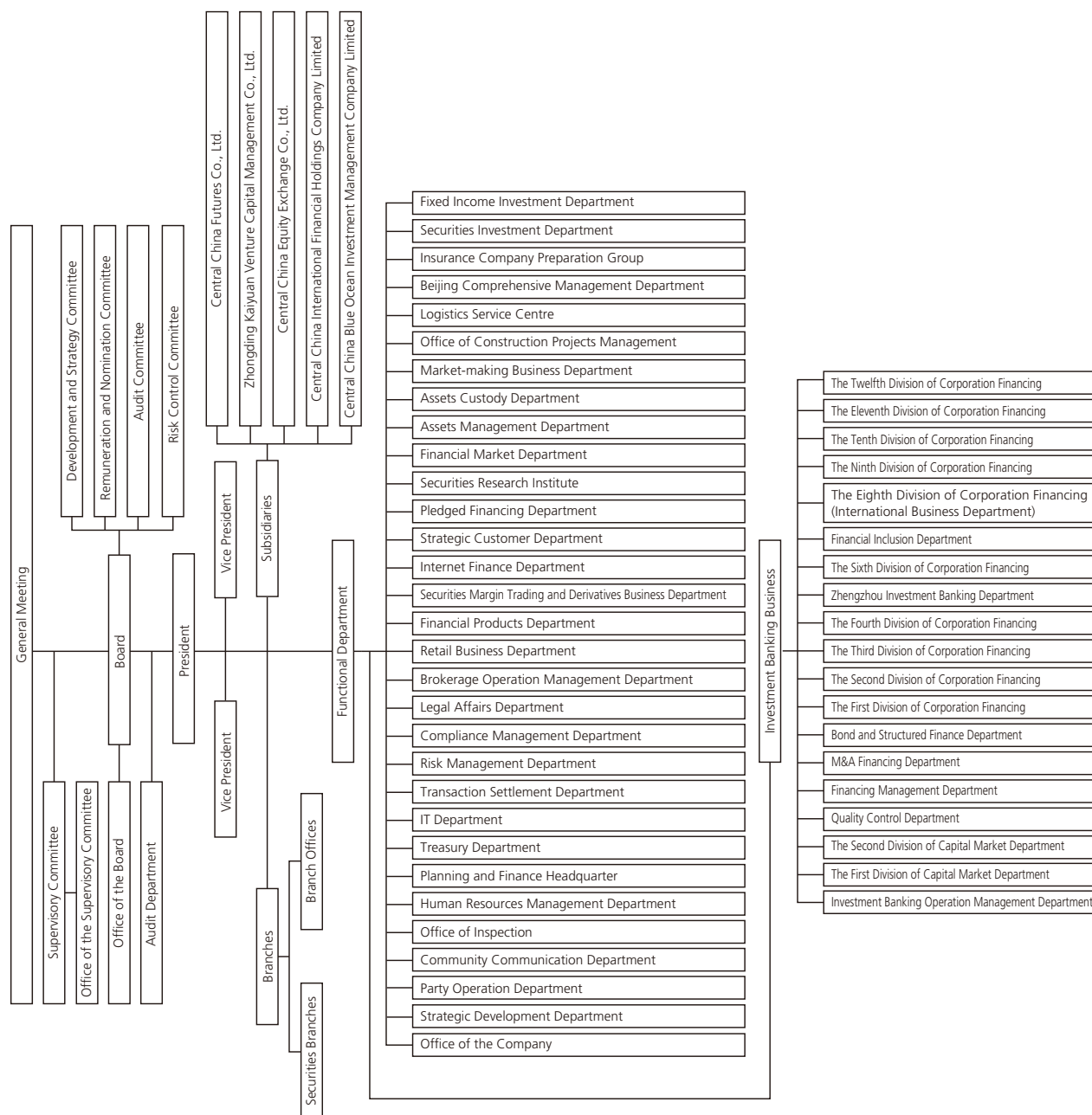
(II) Status of the Company's organizational structure

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.

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

1. Organizational structure diagram of the Company

As at the date of this preliminary results announcement, the organizational structure diagram of the Company is as follows:



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 the paragraph headed “III. (IV) Analysis of major subsidiaries and companies in which the Company has invested” under Section 4 of this preliminary results announcement.

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

As of the end of the Reporting Period, the Company had 88 securities branches in 13 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, 1 in Jiangsu Province, 1 in Shaanxi Province, 1 in Shandong Province, 1 in Hebei Province, 1 in Tianjin, 1 in Shanxi Province and 72 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	Wang Tianpeng
7	Central China Securities Co., Ltd. Zhengzhou Guoji Road Securities Branch	Room Shang-15, 1–2F, Building 32, Sennavis II Area of Provence, No.168 Guoji Road, Jinshui District, Zhengzhou City, Henan Province	Guo Zhijun
8	Central China Securities Co., Ltd. Xinzheng Xinhua Road Securities Branch	No.4–5, 1F, Building 1, Xinhua Community, Xinhua Road, Xinzheng 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	Li Shuaijun
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 North Wenhua Road Securities Branch	No.91 North Wenhua 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	Area A2, Nandaqing Integrated Service Building, 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. Neixiang Yongshun Road Securities Branch	Yongshun Road, Tuandong Town, Neixiang County, Henan Province	Zhang Hui
18	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
19	Central China Securities Co., Ltd. Pingdingshan Jianshe Road Securities Branch	37 Middle Jianshe Road (Renmin Plaza), Weidong District, Pingdingshan City, Henan Province	Zheng Wenchao
20	Central China Securities Co., Ltd. Ruzhou Chengyuan Road Securities Branch	1-2F, West side of the Chengyuan Road, Ruzhou City, Henan Province	Shi Lin

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
21	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
22	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
23	Central China Securities Co., Ltd. Luohe Changjiang Road Securities Branch	No.29 Changjiang Road, Yuanhui District, Luohe City, Henan Province	Wu Jun
24	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
25	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
26	Central China Securities Co., Ltd. Puyang Zhongyuan Road Securities Branch	No.18, Zhongyuan Road, Hua Long District, Puyang City, Henan Province	Zhang Yunpeng
27	Central China Securities Co., Ltd. Qingfeng Chaoyang Road Securities Branch	No.240 Chaoyang Road, Qingfeng County, Puyang City, Henan Province	Wang Xiangxin
28	Central China Securities Co., Ltd. Puyang County Yumin Road Securities Branch	East to the Middle Yumin Road, Puyang County, Henan Province	Chang Shaoyong
29	Central China Securities Co., Ltd. Anyang Zhonghua Road Securities Branch	Building 7, Guangsha New Garden, Zhonghua Road, Anyang City, Henan Province	Pei Haixia
30	Central China Securities Co., Ltd. Anyang Wenfeng Avenue Securities Branch	West Wenfeng Avenue, Yindu District, Anyang City, Henan Province	Fu Hongbin
31	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
32	Central China Securities Co., Ltd. Hua County Wenming Road Securities Branch	No.2, Building B28, Huatong Century City, Wenming Road, Hua County, Henan Province	Chen Limin

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
33	Central China Securities Co., Ltd. Neihuang Zaoxiang Avenue Securities Branch	Room 8, Shuimuqinghua Shop, Zaoxiang Avenue, Neihuang County, Henan Province	Zhang Yabing
34	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
35	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	Yang Tao
36	Central China Securities Co., Ltd. Changyuan Renmin Road Securities Branch	No.3 Store, Yilong Ginza Apartment, Renmin Road, Changyuan County, Henan Province	Qiu Fei
37	Central China Securities Co., Ltd. Hui County Gongcheng Avenue Securities Branch	North to the East Gongcheng Avenue, Hui County, Henan Province	Zhang Xiaodong
38	Central China Securities Co., Ltd. Weihui Bigan Avenue Securities Branch	No.152 Bigan Avenue, Weihui City, Xinxiang City, Henan Province	Wei Dong
39	Central China Securities Co., Ltd. Yuanyang Huanghe Avenue Securities Branch	East to Shengshi Elegant Garden 2-2-1, South to Huanghe Avenue, Yuanyang County, Henan Province	Zhang Lefei
40	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
41	Central China Securities Co., Ltd. Qi County Qihe Road Securities Branch	No.306 Qihe Road, Qi County, Hebi City, Henan Province	Jia Yuan
42	Central China Securities Co., Ltd. Xuchang Balong Road Securities Branch	Future East Coast Huacheng, South Balong Road, Xuchang City, Henan Province	Li Jianxin
43	Central China Securities Co., Ltd. Changge Chenshi Road Securities Branch	Intersection of Chenshi Road and Tianping Road, Changge City, Henan Province	Wang Jun
44	Central China Securities Co., Ltd. Yuzhou Fudong Road Securities Branch	Middle Fudong Road, Yuzhou City, Xuchang City, Henan Province	Wang Zhiquan

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
45	Central China Securities Co., Ltd. Yanling Cuiliu Road Securities Branch	1F, Street-Facing Building, West to 4F County Government, Cuiliu Road, Development Zone, Xuchang City, Yanling County, Henan Province	Zhang Weilin
46	Central China Securities Co., Ltd. Xiangcheng Zhongxin Road Securities Branch	East Zhongxin Road, Xiangcheng County (opposite to Bureau of Finance), Henan Province	Qiao Guangjun
47	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
48	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
49	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
50	Central China Securities Co., Ltd Mengzhou West Hanyu Street Securities Branch	No.292, West Hanyu Street, Mengzhou City, Henan Province	Zhen Rongxing
51	Central China Securities Co., Ltd. Qinyang North Jianshe Road Securities Branch	North Jianshe Road, Qinyang City, Jiaozuo City, Henan Province	Ma Jie
52	Central China Securities Co., Ltd. Wuzhi Xinghua Road Securities Branch	3F, Northwest Angle, Intersection of Heping Road and Xinghua Road, Wuzhi County, Henan Province	Yan Lei
53	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, South side of the Xueyuan Road, Jiyuan City, Henan Province	Zhang Weihua
54	Central China Securities Co., Ltd. Lankao Yulu Avenue Securities Branch	East to North Yulu Avenue, Lankao County, Kaifeng City, Henan Province	Li Ming
55	Central China Securities Co., Ltd. Lingbao Hangu Road Securities Branch	Intersection of Hangu Road and Jingshan Road, Lingbao City, Henan Province	Li Jinfeng

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
56	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
57	Central China Securities Co., Ltd. Shangqiu Nanjing Road Securities Branch	3F, Block A, Yingtian International Plaza, West Gui'de Road, South Nanjing Road, Suiyang District, Shangqiu City, Henan Province	Zhang Zhongmin
58	Central China Securities Co., Ltd. Yongcheng Zhongyuan Road Securities Branch	Intersection of Zhongyuan Road and Guangming Road, Dongcheng District, Yongcheng City, Henan Province	Zhong Yahui
59	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, Henan Province	Wang Peng
60	Central China Securities Co., Ltd. Xiayi Kongzu Avenue Securities Branch	Shop of No.595 Kongzu Avenue, Xiayi County, Shangqiu City, Henan Province	Chen Haibin
61	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
62	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
63	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, Henan Province	Li Yong
64	Central China Securities Co., Ltd. Xihua Fengmu Road Securities Branch	Middle Fengmu Road, Xihua County, Zhoukou City, Henan Province	Zhang Yang
65	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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
66	Central China Securities Co., Ltd. Luoyang Kaiyuan Avenue Securities Branch	Building 1, No.260 Kaiyuan Avenue, Luoyang City, Henan Province	Zhang Ruiping
67	Central China Securities Co., Ltd. Luoyang West Zhongzhou Road Securities Branch	No.26 West Zhongzhou Road, Jianxi District, Luoyang City, Henan Province	Zhu Yu
68	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
69	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
70	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
71	Central China Securities Co., Ltd. Xiping Xiping Avenue Securities Branch	No.158 Xiping Avenue, Xiping County, Zhumadian City, Henan Province	Li Guangxi
72	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
73	Central China Securities Co., Ltd. Shanghai Mudanjiang Road Securities Branch	Unit C404, No.318 Mudanjiang Road, Baoshan District, Shanghai	Zhou Dawei
74	Central China Securities Co., Ltd. Shanghai Hunan Road Securities Branch	1-2F, No.2589 Hunan Road, Pudong New Area, Shanghai City	Zhang Zhenming
75	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

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
76	Central China Securities Co., Ltd. Guangzhou West TiYu Road Securities Branch	Room 3802, 3803, 3804, 3805, Tower B, No.191 West TiYu Road, Tianhe District, Guangzhou City (for office use only), Guangdong Province	Xiong Peili
77	Central China Securities Co., Ltd. Jinan South Gongye Road Securities Branch	Room 103, Building 1, Wealth Center of China Railway, No.59 Gongyen Road, Hi-tech Zone, Jinan City, Shandong Province	Yang Chen
78	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	Room 909, 9F, Building 53, No.14 Jiuxianqiao Road, Chaoyang District, Beijing City	Xia Qun
79	Central China Securities Co., Ltd. Beijing North Yuetan Street Securities Branch	Room 1601 and 1602, 16F, Main Building, North Block, Yuetan Building, No. 2 Yuetan North Street, Xicheng District, Beijing	Zhou Weidong
80	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
81	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
82	Central China Securities Co., Ltd. Tianjin Zhangzizhong Road Securities Branch	Room 702, No.2 Zhangzizhong Road, Haihe Huading Mansion, Hongqiao District, Tianjin City	Lv Yaodong

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Securities branch	Address	Person in charge
83	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
84	Central China Securities Co., Ltd. Xi'an East Youyi Road Securities Branch	3F, Block A, Fanmei Building, No.1 Nanguanzheng Street, Beilin District, Xi'an, Shaanxi Province	Ji Lijuan
85	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
86	Central China Securities Co., Ltd. Zhangjiagang Jiannong Road Securities Branch	No.7 Jiannong Road, Building 10 of Gang Cheng Hua Fu, Yangshe Town, Zhangjiagang City, Jiangsu Province	Gu Yajun
87	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
88	Central China Securities Co., Ltd. Yuncheng North Huaidong Road Securities Branch	1F, Tianyu Commercial Building, No.9 North Huaidong Road, Yuncheng City, Shanxi Province	Tang Feng

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 27 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	10 Business Outer Ring Road, Zhengzhou Section (Zhengdong), Henan Pilot Free Trade Zone	2011/3/10	Li Huafeng	0371-60155208
2	Central China Securities Co., Ltd. Nanyang Branch Office	No.170 Renmin Road, Nanyang City, Henan Province	2003/5/20	Yang Qing	0377-63205303
3	Central China Securities Co., Ltd. Pingdingshan Branch Office	1/F, Chang'an Hotel, West Zhongxing Road Bridge, Zhanhe District, Pingdingshan City, Henan Province	2015/6/30	Wen Yiyao	0375-4801728
4	Central China Securities Co., Ltd. Luohe Branch Office	No.337-8 Huanghe Road, Yancheng District, Luohe City, Henan Province	2003/6/9	Luo Donghai	0395-3183866
5	Central China Securities Co., Ltd. Puyang Branch Office	No.203, Middle Jianshe Road, Puyang City, Henan Province	2014/4/21	Yu Chunyan	0393-8151517
6	Central China Securities Co., Ltd. Anyang Branch Office	Financial Securities Building, North Hongqi Road, Beiguan District, Anyang City, Henan Province	2003/5/8	Tian Liqi	0372-2095699
7	Central China Securities Co., Ltd. Xinxiang Branch Office	No.250, Renmin Road, Xinxiang City, Henan Province	2003/4/29	Deng Feng	0373-2068736
8	Central China Securities Co., Ltd. Hebi Branch Office	Southeast Corner, Intersection of Qibin Avenue and Xinghe Street, Qibin District, Hebi City, Henan Province	2004/5/26	Wang Nan	0392-3299909
9	Central China Securities Co., Ltd. Xuchang Branch Office	No.669, Yingchang Avenue, Weidu District, Xuchang City, Henan Province	2014/6/12	Liu Zhigang	0374-2663273
10	Central China Securities Co., Ltd. Xinyang Branch Office	Hongyunxin Square Office Building, No.136 Zhongshan Road, Shihe District, Xinyang City, Henan Province	2006/7/26	Chen Lei	0376-6210378

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch office	Address	Date of incorporation	Person in charge	Contact No.
11	Central China Securities Co., Ltd. Jiaozuo Branch Office	No.1838 Middle Jiefang Road, Jiaozuo City, Henan Province	2003/6/2	Ding Qingming	0391-3288118
12	Central China Securities Co., Ltd. Kaifeng Branch Office	Yindi Business Plaza, Intersection of Daliang Road and Xihuan Road, Kaifeng City, Henan Province	2006/8/11	Xu Weiwen	0371-23899816
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	2013/11/20	Wang Lin	0398-2830400
14	Central China Securities Co., Ltd. Shangqiu Branch Office	Office Building of Labour Union, No.96, Shenhua Avenue, Shangqiu City, Henan Province	2014/4/24	Su Wenfeng	0370-2580966
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	2006/4/26	Li Hui	0394-8288680
16	Central China Securities Co., Ltd. Luoyang Branch Office	No.30, West Kaixuan Road, Xigong District, Luoyang City, Henan Province	2013/11/28	Song Fei	0379-63915178
17	Central China Securities Co., Ltd. Zhumadian Branch Office	No.196 Jiefang Road, Zhumadian City, Henan Province	2003/4/23	Dong Baojun	0396-2989099
18	Central China Securities Co., Ltd. Shanghai 1st Branch Office	No.261 West Dalian Road, Shanghai	2003/8/29	Shen Ruowei	021-65080598
19	Central China Securities Co., Ltd. Shenzhen Branch Office	Unit 04 & 05, 31F, Shenzhen China Life Insurance Building, No.123 Fu Hua One Road, Futian CBD, Shenzhen, Guangdong Province	2015/5/14	Jiang Huijun	0755-83801055
20	Central China Securities Co., Ltd. Beijing Branch Office	Room 1611, 16F, Main Building, North Block, Yuetan Mansion, No. 2 Yuetan North Street, Xicheng District, Beijing	2011/9/16	Zhao Huiwen	010-83065722

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

No.	Branch office	Address	Date of incorporation	Person in charge	Contact No.
21	Central China Securities Co., Ltd. Sichuan Branch Office	No.4, 2F, Block 13, No.1000 Jincheng Avenue, Gaoxin District, Chengdu, Sichuan Province	2017/2/3	Li Yang	028-86051566
22	Central China Securities Co., Ltd. Jiangsu Branch Office	Room 1205-1206, No.168 Lushan Road, Jianye District, Nanjing City, Jiangsu Province	2017/9/5	Zhang Hanmin	025-83696336
23	Central China Securities Co., Ltd. Hainan Branch Office	Room 2007, 20F, Hainan Building, No.5 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	2017/9/12	Dong Peng	0898-66515090
24	Central China Securities Co., Ltd. Shandong Branch Office	301-305, Building 5, No. 159 Jiefang Road, Lixia District, Jinan City, Shandong Province	2011/2/25	Kong Qingli	0531-83130681
25	Central China Securities Co., Ltd. Shandong 1st Branch Office	District B, Jinlingshang Street, 16 Xianxialing Road, Laoshan District, Qingdao City, Shandong Province	2004/2/4	Zhao Shengchang	0532-88970289
26	Central China Securities Co., Ltd. Hunan Branch Office	Building 5, Wanxiang Xintian, No. 70 Zhanbei Road, Furong District, Changsha City, Hunan Province	2011/1/11	Zhu Guojun	0731-84598699
27	Central China Securities Co., Ltd. Shanghai Branch Office	22-23, Building T1, No. 1788 and 1800 Century Avenue, Free Trade Zone, China (Shanghai)	2009/7/2	Zhoujie	021-50588666

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VII. OTHER RELEVANT INFORMATION

Accounting firm engaged by the Company (domestic)	Name	ShineWing Certified Public Accountants (Special General Partnership)
	Office address	8F, Fu Hua Mansion, No.8 ChaoYang Men Beidajie, Dongcheng District, Beijing City
	Names of signing accountants	Yan Fanqing and Cui Weiwei
Accounting firm engaged by the Company (overseas)	Name	PricewaterhouseCoopers
	Office address	22/F, Prince's Building, Central, Hong Kong
	Name of signing accountant	Yip Siu Fun
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
	Names of signing representatives of the sponsor	Sun Zexia and Wu Ling
	Term of continuous supervision	11 October 2019 — 31 December 2019
Legal advisors as to PRC Law	Beijing Junzhi Law Firm	
Legal advisors as to Hong Kong Law	Linklaters	
A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch	
H Share Registrar	Computershare Hong Kong Investor Services Limited	
Unified social credit code	91410000744078476K	

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VIII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

(I) Principal accounting data and financial indicators for the last three years

Item	2019 (unaudited)	2018	Change of this period from last period	2017
Operating results (RMB'000)				
Revenue and other income ¹	3,475,769	2,857,917	21.6%	3,192,494
Profit before income tax	116,118	101,118	14.8%	680,109
Profit for the year attributable to shareholders of the Company	58,223	65,789	-11.5%	441,983
Earnings per share (RMB/share)				
Basic earnings per share	0.02	0.02	—	0.11
Diluted earnings per share	0.02	0.02	—	0.11
Profitability index				
Weighted average return on net assets (%)	0.59	0.66	Decrease by 0.07 percentage point	4.24

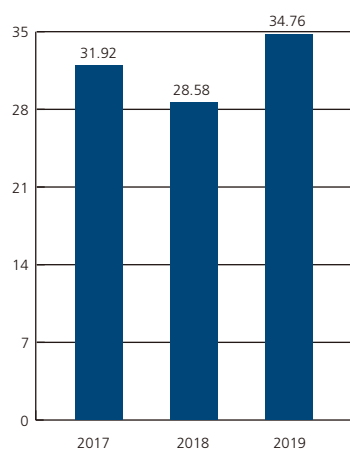
Item	31 December 2019 (unaudited)	31 December 2018	Change of the end of this period from the end of last period	31 December 2017
Scale merit (RMB'000)				
Total assets	43,569,902	42,155,282	3.4%	40,661,468
Total liabilities	33,072,117	30,880,242	7.1%	29,209,349
Accounts payable to brokerage clients	8,895,067	6,561,060	35.6%	7,526,503
Equity attributable to shareholders of the Company	9,671,207	9,950,899	-2.8%	10,169,852
Total share capital ('000 shares)	3,869,071	3,869,071	—	3,923,735
Net asset value per share attributable to the Company's shareholders (RMB/share)				
	2.50	2.57	-2.7% Increase by 1.4 percentage points	2.59
Gearing ratio (%)²	69.7	68.3		65.0

¹ As share of profit of associates has been represented as a separate item in the consolidated income statement, the relevant figure under "Revenue and other income" for each of 2017, 2018 and 2019 as listed in the above table does not include such item.

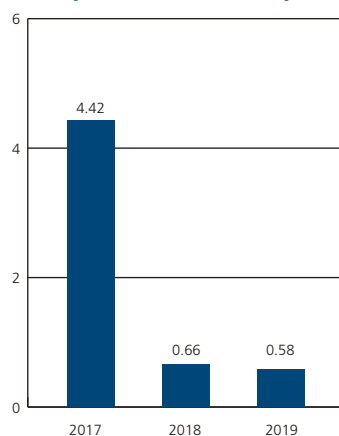
² Gearing ratio = (total liabilities — accounts payable to brokerage clients — accounts payable to underwriting clients)/(total assets — accounts payable to brokerage clients — accounts payable to underwriting clients)

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

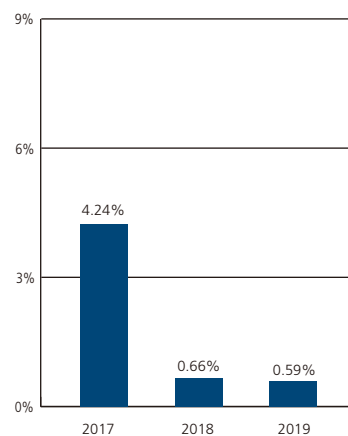
**Revenue and other income
(RMB100 million)**



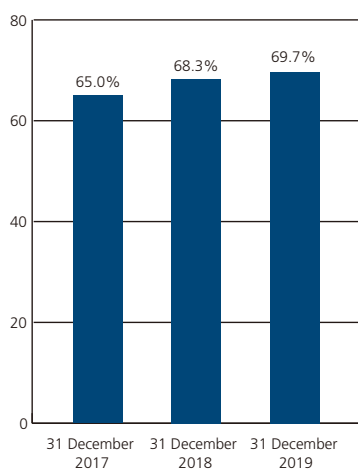
**Profit for the year attributable to shareholders of the Company
(RMB100 million)**



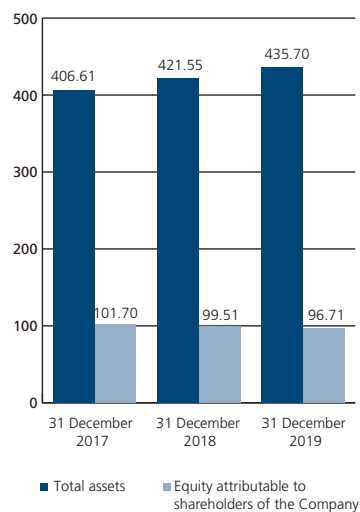
Weighted average return on net assets



Gearing ratio



**Scale merit
(RMB100 million)**



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Principal accounting data and financial indicators for the last five years

Earnings (RMB'000)

Item	2019 (unaudited)	2018	2017	2016	2015
Revenue and other income	3,475,769	2,857,917	3,192,494	3,130,320	5,365,260
Operating expenses	3,402,076	2,778,885	2,518,951	2,150,498	3,439,869
Profit before income tax	116,118	101,118	680,109	974,567	1,890,969
Profit for the year attributable to shareholders of the Company	58,223	65,789	441,983	718,646	1,405,501

Assets (RMB'000)

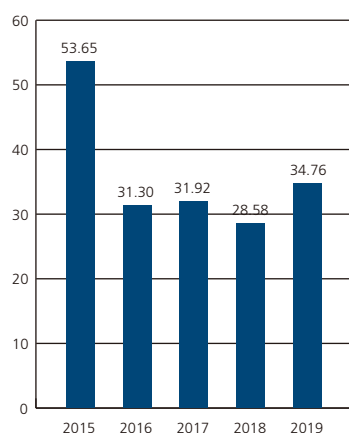
Item	31 December 2019 (unaudited)	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Total assets	43,569,902	42,155,282	40,661,468	40,384,574	41,651,249
Total liabilities	33,072,117	30,880,242	29,209,349	28,837,804	32,774,795
Accounts payable to brokerage clients	8,895,067	6,561,060	7,526,503	10,368,090	14,867,251
Equity attributable to shareholders of the Company	9,671,207	9,950,899	10,169,852	10,582,117	8,161,581
Total share capital ('000 shares)	3,869,071	3,869,071	3,923,735	3,923,735	3,223,735

Key financial indicators

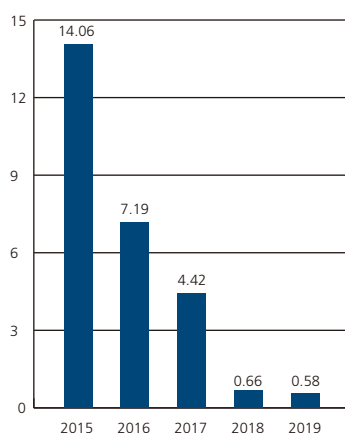
Item	2019 (unaudited)	2018	2017	2016	2015
Basic earnings per share (RMB/share)	0.02	0.02	0.11	0.22	0.49
Diluted earnings per share (RMB/share)	0.02	0.02	0.11	0.22	0.49
Weighted average return on net assets (%)	0.59	0.66	4.24	8.89	20.54
	31 December 2019 (unaudited)	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Gearing ratio (%)	69.7	68.3	65.0	61.5	66.9
Net asset value per share attributable to the Company's shareholders (RMB/share)	2.50	2.57	2.59	2.70	2.53

SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

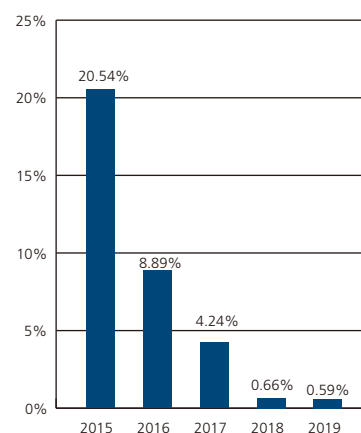
**Revenue and other income
(RMB100 million)**



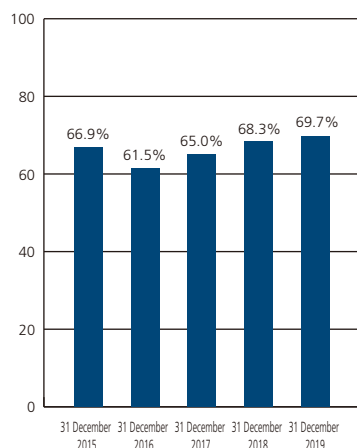
**Profit for the year attributable to shareholders of the Company
(RMB100 million)**



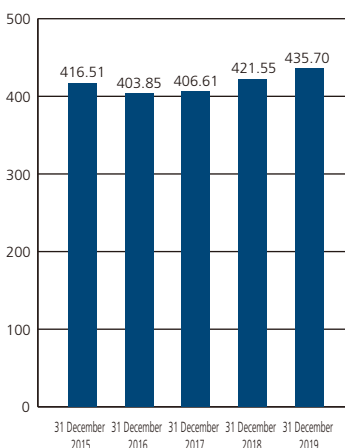
Weighted average return on net assets



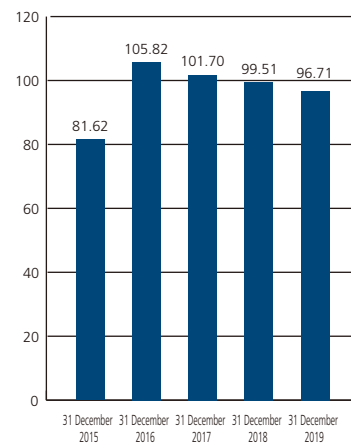
Gearing ratio



**Total assets
(RMB100 million)**



**Equity attributable to shareholders of the Company
(RMB100 million)**



SECTION 2 COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

Unit: Yuan Currency: RMB

Items	At the End of the Reporting Period	At the End of Last Year
Net capital	6,316,632,921.18	6,970,999,780.73
Net assets	9,931,785,470.13	9,704,314,003.71
Sum of various risk capital provisions	2,935,782,227.93	2,680,306,564.85
Total on-and-off balance sheet assets	31,975,333,174.43	31,868,160,613.18
Risk coverage ratio (%)	215.16	260.08
Capital leverage ratio (%)	15.49	14.99
Liquidity coverage ratio (%)	195.70	731.72
Net stable funding ratio (%)	129.38	151.80
Net capital/net assets (%)	63.60	71.83
Net capital/liabilities (%)	29.07	31.86
Net assets/liabilities (%)	45.71	44.36
Proprietary equity securities and its derivatives/net capital (%)	11.00	14.40
Proprietary non-equity securities and its derivatives/net capital (%)	255.03	200.75
Amount of margin financing (securities lending inclusive)/net capital (%)	118.96	100.99

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

SECTION 3 SUMMARY OF THE COMPANY'S BUSINESS

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

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

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

The brokerage business of the Company refers to the Company's business of trading of stocks, funds, bonds and futures on behalf of the customers based on their engagement, and providing investment consultancy services, financial planning services, and providing customers with financial business services such as margin financing and securities lending and stock pledge. The Company is in return for customers' commissions, interests from financing and other service charges, etc.

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

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 investment in the above-mentioned products.

The business scope of the Company's overseas business covers capital market services, including securities brokerage, margin financial, 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 Company's industry and its industry position during the Reporting Period

Creating a “standardized, transparent, open, vibrant and resilient” capital market which was proposed on the Central Economic Working Conference at the end of 2018 conveyed to the market the state's ardent expectations of the overall operation of the capital market for a long period of time in the future. Since 2019, with the rapid propulsion of a new round of reform and opening up in capital market of our country, the ability of securities industry to provide the real economy with better quality and more efficient financial services has been fastly enhanced and has entered into a fast lane with high quality development.

According to the statistics of the Securities Association of China, as of the end of 2019, there were 133 securities companies in China, with total assets and net assets of RMB7.26 trillion and RMB2.02 trillion, respectively, increased by 15.97% and 6.88% as compared with the end of 2018, respectively, with total operating income and net profit of RMB360.483 billion and RMB123.095 billion, respectively, increased by 35.37% and 84.77% as compared with the end of 2018, the operating conditions were significantly improved as a whole. As present, the securities industry is still unable to weaken its cyclical characteristic of industry attributes, but keeps a “spiral” rising trend on a whole.

Currently, the Company is the only securities company registered as a legal person in Henan Province. After over 10 years of development, the Company has developed itself into a comprehensive securities company with distinctive advantages in the region. At present, the Company is one of the 12 A+H listed brokers, and keeps a favourable development momentum in various businesses since the listing.

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 industrial 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 industry ranking significantly improved and reserve projects significantly increased. The leading role of driving the investment, asset management and wealth management businesses has become increasingly prominent.

(II) Advantage of A+H listing platforms

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

(III) Comprehensive financial operation advantage

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

(IV) Advantage of “base area”

As the only securities company as a legal person 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 costumers, 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

In 2019, the Group recorded total revenue and other income of RMB3,475.8 million, representing an increase of 21.6% as compared with 2018; operating expenses amounted to RMB3,402.1 million, representing an increase of 22.4% as compared with 2018; net profit attributable to shareholders of the Company amounted to RMB58.2 million, representing a decrease of 11.5% as compared with 2018; basic earnings per share amounted to RMB0.02, which was the same as 2018; weighted average return on net assets was 0.59%, representing a decrease of 0.07 percentage point as compared with 2018.

(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.

(III) Material subsequent events

Since the end of the Reporting Period to the date of this preliminary results announcement, 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 Note 16 to the Preliminary Consolidated Financial Statements as set out in this preliminary results announcement.

(IV) Future development and forward-looking

For the prospects of the Company's future development, please refer to IV. "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.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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 made much effort 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 tap and other devices in a prompt manner to reduce water use to the extent possible. For reduction of electricity consumption, the Company encourages appropriately increasing 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.

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

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 relationship 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 revenue. 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.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

II. DISCUSSION AND ANALYSIS ON BUSINESS OPERATION

(I) Overall business performance

In 2019, influenced by multiple factors, the stock market rose first, then suppressed, and then adjusted and enhanced in turbulence. In the face of the complex and changeable environment, the Company continued to deepen the internal reform, vigorously improved the professional level, and improved the overall quality and efficiency, presenting a good development trend.

Significant progress has been made in the overall reform of the Company. The comprehensive performance appraisal system was basically established, and the endogenous driving force for the development of major business lines was strengthened. Important steps were taken in the transformation of wealth management. A new organizational structure was established at the headquarters level, and the reform approaches at the branch level were established.

The Company's professional ability has been significantly improved. The compliance risk control level has been significantly improved, and the classification rating has been upgraded for five levels in a row. The Company is the security company with the biggest upgrade. The professional evaluation result of the professional ability of the financial consultant in the mergers and acquisitions of investment banks was promoted from C to B, and the business competitiveness was enhanced. Shanghai and Shenzhen stock exchanges fully recognized the investment education work of the Company. The "Central China investor education base" was named as the "national investment education base" by the CSRC at the end of November.

Various businesses of the Company have steadily improved. The fixed income investment business comprehensively strengthened the internal control management, vigorously enhanced the management efficiency, and positively grasped the bond market opportunity, rendering outstanding profit contribution. The wealth management line accelerated the transformation and, at the same time, seized the market opportunities to realize rapid growth of assessment income and profits. The investment bank business continued to develop in a positive way, the ranking of equity underwriting increased by 40 places over the previous year, and the transaction amount of merger, acquisition and restructuring financial advisory business ranked among the top 20 in the industry. Remarkable effect was achieved in the structure adjustment of market-making business, resulting in substantial loss reduction. JALON MICO NANO (建龍微納), SongYang Recycle Resources and Montage Technology invested by its subsidiaries successively achieved the listing on the main board and science and technology innovation board. The new listed enterprises and new financings in the Equity Exchange Co. both hit a new high.

The Company vigorously strengthened its construction of risk control and compliance capacity, and took various measures to prevent and resolve operating risks. At present, all business risks are generally measurable, controllable and tolerable.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(II) Analysis of principal operations

1. Brokerage business

(1) Securities brokerage

Market environment

In 2019, the Shanghai and Shenzhen stock exchanges rose after being beaten down. The dream of building a strong nation in science and technology first promoted the increase in SME Index and ChiNext Index, and the SSE Composite Index and Shenzhen Component Index and ChiNext index increased by 22.30%, 44.08% and 43.79% respectively throughout the year. The amount of shares traded increased significantly, with the trading volume of shares and funds traded in the two stock markets reaching RMB272.31 trillion in 2019, increasing 35.70% from the previous year. Against the background of intensified market competition and continuous decline in the commission rate of the industry, the percentage of revenue from the traditional brokerage business continued to decline, and revenue elasticity continued to decrease. The booming demand of the clients for wealth management services resulted in the increasingly fierce competition in large wealth management, which puts forward higher requirements on the comprehensive strength of securities companies in terms of products, talents, channels, research, science and technology, etc. [Source: Wind Info]

Business measures and performance

In 2019, the Company actively seized the new opportunities of deepening the development of the capital market and continuously accelerated the transformation of the online-offline integrated wealth management service model; continued to deepen the application of financial technology and accelerated the development of online channels and the construction of intelligent service systems; accelerated the integration of information systems; orderly promoted the functional transformation and personnel streamlining of branch offices, and constantly increased the investment in training resources of professional investment advisory team; maximized the innovation vitality and profit potential of branches based on market-oriented reform. In the meantime, the Company accelerated the construction of financial product system, improved customers' awareness of the company's products and "Wealth Central China" service brand, and the response and satisfaction ability of wealth management and other comprehensive financial services for different customer groups.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company's A-share fund trading volume reached RMB1,341.681 billion, with a market share of 4.93%, and the number of new customers reached 226,900. The balance for margin financing and securities lending was RMB5.526 billion, increasing 35.72% from the previous year. The trading volume of stock options was 2.3923 million, increasing 44.60% from the previous year. The sales of public funds reached RMB1.563 billion, increasing 34.94% year-on-year. The sales of revenue receipts reached RMB3.476 billion, increasing 25.90% from the previous year.

Outlook for 2020

In 2020, the Company will take customer needs as the guide, deeply explore customer's demand for value, and accelerate the integration of products, talents, channels, science and technology and other factors based on the whole business chain system, establish a more comprehensive customer ranking and classification service system, explore a new model of service of the investment advisory team, and further create an online and offline integrated wealth management business ecosystem featuring "technology driven, professional support and integrated linkage"; foster the core competitiveness of wealth management centering on customer needs and build a new business model centered on professional services, with an aim to fully improve service efficiency, improve and optimize customer experience with higher quality service.

(2) *Futures brokerage*

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

Market environment

In 2019, the listing of new products and the internationalization of varieties were accelerated in China's futures market. The function of serving the real economy was further manifested, and the scale and operation quality of futures business were steadily increased and improved. In addition, futures companies were listed in A-share market, marking the formal entry of futures industry into the new era of equity financing. In 2019, the accumulated trading volume in the national futures market was 3.962 billion lots and the accumulated turnover was RMB290.61 trillion, representing an increase of 30.81% and 37.85%, respectively, as compared to the previous year. [Source: China Futures Association]

Business measures and performance

In 2019, centering on the operating principle of "focusing on scale, giving consideration to benefits, strengthening synergies, innovating and keeping steady", Central China Futures vigorously promoted the "transformation + revenue generation" of the brokerage, asset management and risk management business by continuously adjusting the structure, setting up more institutions, upgrading the brand, and setting up new research institutes etc. In addition, team building, talent introduction, mechanism improvement, comprehensive services and compliance risk control also reached a new level and achieved stable development.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company had 2,487 new clients, and the total number of clients served reached 26,500. The number of institutional clients increased by 7.69% as compared to the previous year, and the capital scale of institutional clients increased by 52.03% as compared to the previous year. The accumulative number of transactions was 18.8165 million, and the total transaction amount was RMB1,073.123 billion, increasing 4.88% and 8.69% respectively from the previous year. Yuxin Investment, a subsidiary of Central China Futures, was awarded the Gold Prize of Market-making Business of Shanghai Futures Exchange in 2019 and the title of “Excellent Risk Management Company” of Zhengzhou Commodity Exchange in 2019.

Outlook for 2020

In 2020, the futures market will be further opened up to the outside world, and the development of futures companies will face many opportunities and challenges. Central China Futures will, centering on the transformation and development of the main business, focus on the transformation of the brokerage business into a comprehensive derivative business service platform that serves customers to create value as its core, practice the concept of financial services for the real economy, base on industrial services, engage in the real industry through business combination of futures and cash commodities trading, and strengthen the service for institutional customers, to achieve significant improvement in scale and social benefits. At the same time, with the promotion of scale as the starting point, it will intensify the introduction of professional talents, stimulate business vitality with market-oriented mechanisms, and realize the overall consideration and dynamic balance of risk compliance management and business development through the institutionalization and proceduralization of risk management, ensuring healthy and sustainable development of various businesses.

2. Investment banking business

Market environment

During the Reporting Period, the introduction of science and technology innovation board and the encouragement policies of mergers, acquisitions and restructuring and refinancing provided market opportunities for the development of investment banking business. There were 203 companies in total that completed the initial offering in Shanghai and Shenzhen stock exchanges, with financing amount of RMB253.248 billion, representing a growth of 83.76% as compared to the previous year; the refinancing fund raised by the listed companies was RMB1,279.127 billion, increasing 19.22% from the previous year. There were 249 new listed companies in the New Third Board market, with the total financing amount of RMB26.463 billion, representing a decrease of 56.22% as compared to the previous year. The total amount of bonds issued by various institutions was RMB45.18 trillion, representing an increase of 3.03% as compared to the previous year. [Source: Wind Info, National Equities Exchange and Quotations]

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

Business measures and performance

In 2019, the Company's investment banking business line continued to deepen its reform and improve its quality and efficiency. On the one hand, we continued to improve the system construction, strictly implemented the requirements of the internal control guidelines, improved the internal control level of investment banking business, attracted professional talents, further optimized and enriched the investment banking business structure, and built a professional investment banking team with fine management of stocks and bonds, win-win team cooperation, and strong backstage support. On the other hand, we seized the development opportunities and vigorously promoted the development of all kinds of businesses, especially the further expansion of the science and technology innovation board market. We gave play to the local advantages, deeply explored the Henan market, and strengthened the in-depth cooperation with large provincial management enterprises. The number of projects completed and in stock increased significantly compared with the same period last year, gradually forming a benign echelon layout of projects. As of the end of the Reporting Period, the Company ranked the 30th in equity underwriting amount (including stock issuance amount of merger, acquisition and restructuring projects), and the 19th among the merger, acquisition and restructuring financial advisory (based on transaction amount) in Shanghai and Shenzhen stock exchanges. The Company won the award of "Outstanding Underwriter of Local Government Bonds of Shanghai Stock Exchange for the Year of 2019" at the commendation meeting for outstanding participant institutions of bond market held by SSE. [Source: Wind Info, quanshangcn]

During the Reporting Period, the Company has completed 1 joint lead underwriting project for IPO and 3 refinancing projects of listed companies, the equity lead underwriting amount was RMB2.113 billion in total in Shanghai and Shenzhen stock exchanges throughout the year, representing an increase of 523.30% from the previous year; the Company has completed 4 corporate bond projects, 9 corporate debt projects and 2 financial bond projects, the lead underwriting amount of various bonds throughout the year was RMB11,253 million in total, representing an increase of 97.42% from the previous year; in addition, the Company has completed 5 independent financial advisory projects for merger and acquisition and restructuring of listed companies, and 8 targeted financing projects on New Third Board.

Outlook for 2020

In 2020, the Company will continue to deepen investment banking reform, follow the development of science and technology innovation board, GEM and NEEQ reform and other market opportunities, accelerate business transformation and development, and better serve the real economy. To the end, we will build a professional equity issuing team and debt issuing team in respect of the investment banking business line, strengthen the construction of underwriting capacity; bring local advantages into full play, make a deep exploration of Henan market, increase the efforts of project implementation and development, and ensure that investment banking business will continue to develop vigorously. We will promote the risk control mode of investment banking from passive to active according to the regulatory requirements, and promote the risk control level of investment banking to a new level.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

3. Investment management business

(1) Asset management

Market environment

In 2019, with the intensive implementation of new asset management regulations and supporting rules, it has become an industry consensus for asset management business to return to active management and complete net worth transformation and upgrading. In the new market environment, the new pattern of industry ecology has been further reshaped. Various institutions have made use of their own advantages and expertise to cultivate innovation capabilities in asset allocation, risk pricing and product service, and further highlighted their differentiated core competitive advantages. As a result, the development gap of various asset management institutions is further widened and the industry concentration degree is further enhanced.

Business measures and performance

In 2019, the Company's asset management business, while enhancing the management of existing products and risk resolution, strengthen the formulation and revision of the basic system, earnestly implement the requirements of new asset management regulations, taking into consideration the guiding requirements of new asset management regulations and the development trend of the industry. We strengthened compliance risk control construction, improved risk control and internal control management capacity, enhanced business process streamlining and improved operation efficiency. We adopted a series of measures, such as optimizing the organizational structure and improving the management efficiency, to consolidate the foundation for the development of asset management business.

As of the end of the Reporting Period, the total AUM of the Company amounted to RMB7.618 billion, including 12 collective asset management plans in the amount of RMB5.028 billion, 7 targeted asset management plans in the amount of RMB1.860 billion and 2 specific asset management plans in the amount of RMB730 million.

Outlook for 2020

In 2020, the Company will, centering on improving active management capacity, adopt differentiated and moderately scaled business strategy, make active equity investment business deployment, moderately carry out fixed income investment and institutional financing business, constantly enhance the professional product design and asset allocation ability, create retail customer oriented product line, build up the institutional customer product line, and promote the transformation of wealth management of the Company by grasping the development opportunities of capital market.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(2) *Private fund management*

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

Market environment

In 2019, due to the impact of macroeconomic and financial environment and regulatory policies, China's equity investment market was generally faced with fundraising difficulties. There were 2,710 new funds in the market, with a total amount of RMB1,244.404 billion raised, both presenting a downward trend. The investment activity and investment amount of domestic equity investment institutions also declined significantly, with the investment amount of RMB763.094 billion, decreasing 29.3% from the previous year. In view of the pain points in the equity investment industry, the regulatory authorities have actively improved the policies, with higher standardized requirements for the filing of private funds and further elimination of hidden barriers to market access. Meanwhile, thanks to the development of the science and technology innovation board, the exit channels of VCPE institutions have been improved, and the number of exits from the equity investment market in China has increased. The number of exit cases in the year was 2,949, increasing 19.0% from the previous year, and the number of IPO cases of enterprises invested was 1,573, increasing 57.9% from the previous year. [Source: ZeroIPO Research Center]

Business measures and performance

In 2019, focusing on the two main lines of government industrial fund and merger and acquisition fund for listed companies, ZDKY Venture Capital widely approached potential partners, and made vigorous efforts to post-investment management and enterprise empowerment. Some investment projects began to generate returns. In particular, JALON MICO NANO (建龍微納) invested by the fund of ZDKY Venture Capital was successfully listed on the STAR Market.

During the Reporting Period, three new funds were set up, with an increased fund management scale of RMB1.906 billion, and two equity-type investment projects were completed, with a total investment amount of RMB360 million. As of the end of the Reporting Period, ZDKY Venture Capital and its subsidiaries filed and managed 15 private funds, with a scale of RMB5.100 billion.

Outlook for 2020

In 2020, ZDKY Venture Capital will strengthen capacity building for raising funds in the market, actively introduce provincial-level platforms, large state-owned enterprises, listed companies, industry leaders, and national strategic partners, and promote the establishment of equity investment funds such as private placement funds and merger and acquisition funds to expand the size of funds. At the same time, we pay special attention to the fund investment operation, try to obtain high-quality equity investment projects meeting our investment standard, with big market influence, wide brand awareness and high comprehensive income through various channels, strengthen the support to the real economy, and make efforts to improve the ability to raise funds in the market through high-quality projects, in order to bring more returns for fund investors while supporting the development of entity enterprises.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(3) *Alternative investment*

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

Market environment

In 2019, China accelerated the efforts to comprehensively deepen the reform of the capital market, and set up the science and technology innovation board with the pilot registration system. The reform of other sectors and the merger and acquisition and restructuring business was gradually pushed forward. The regulatory authorities introduced a number of favorable policies to broaden the exit channels of investment institutions. However, on the other hand, the continuous adjustment of the macro economy and the constant change of the international trade environment made the development environment of real enterprises more complex and changeable, which further led to the sudden increase of the operating risk of the projects invested and the difficulty of realizing the investment return.

Business measures and performance

In 2019, Central China Blue Ocean adjusted its investment strategy, enhanced the cooperation with the Company's investment banking team, focused on the investment of enterprises to be listed, and steadily exited the investment in financial products. We strengthened post-investment management and the disposition of risk project, and achieved positive results.

During the Reporting Period, 13 new investments were made by Central China Blue Ocean, with a total investment scale of RMB310 million, including 6 equity investments with a scale of RMB165 million, and 7 financial product investments with a scale of RMB145 million. 14 investment projects of various types were withdrawn, and the investment amount recovered was RMB310 million. As of the end of the Reporting Period, Central China Blue Ocean invested in 30 projects with a total scale of RMB2.234 billion.

Outlook for 2020

In 2020, Central China Blue Ocean will further grasp the historical opportunities offered by the science and technology innovation board and the registration system, make use of the advantages of the Company's platform, strengthen business cooperation, keep exploring enterprises with hardcore investment value, focusing on the intrinsic value and long-term development of enterprises, carry out value discovery and value creation, empower the invested enterprises and help them grow and develop, so as to steadily increase the yield rate on investment.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

4. Proprietary trading

Market environment

In 2019, uncertainties in the macro environment increased. The trade war between China and the United States encountered backs and forths, downward pressure on the economy increased, and counter-cyclical adjustments to policies were even more flexible. With the introduction of the science and technology innovation board and the modification of the Securities Law, China's capital market has ushered in new changes. Affected by economic policies and external factors, the SSE Composite Index rose 22.30%, getting rid of the wide-ranged turbulence. The bond market presented an overall trend of shock and differentiation. Affected by factors such as breach of the deposit receipt by the counterparty and inflation, the interest rate market showed a sharp fluctuation trend in general, credit risk was exposed to some extent, and structural differentiation gradually emerged. The yield on the 10-year treasury bond remained generally stable, with the Comprehensive Full Price Index of ChinaBond increased by 1.31%.

Business measures and performance

In 2019, the Company continued to improve its internal control system, tighten credit risk management, strengthen prior risk control and market access, and strengthen credit risk control for its proprietary trading business. In terms of equity type trading, we carried out investment operation with the prudent principle of pursuing absolute return, strengthened the research on macro industries and product varieties, focusing on the structural opportunities in the market, and enhanced the research ability and strategic deployment in frontier fields in light of the opportunity of the science and technology innovation board. In terms of fixed income trading, we actively seized opportunities in the market through improving asset structure, enhancing credit research and increasing the proportion of investment in credit bonds, tried to invest by leveraging the trends in products such as rate securities and treasury bond futures, and deeply explored the profit model of paying equal attention to asset allocation and band trade, so as to achieve steady growth of proprietary bond trading business. In terms of fixed income sales transactions, we continued to explore the sales market, strengthen customer maintenance and development, and promote the sales of various products through business innovation and channel expansion, thus achieving good sales performance.

During the Reported Period, equity-type investment turned losses into profits, achieving a gain of RMB47,767,900. The fixed income investment achieved a gain of RMB531,853,300, representing an increase of 55.20% as compared to the previous year.

Outlook for 2020

In 2020, while developing its existing proprietary trading business, the Company will actively develop new businesses and promote their rapid development. With regard to equity trading, we will continue to study and optimize the investment strategies for stock options and other derivatives, further study and develop new strategies, build a more efficient trading system, grasp the various investment opportunities, and strive to continue to improve the investment yield. For fixed-income investment business, the Company will, based on the market change, enrich the varieties of fixed-income products, steadily push forward the bond market-making, interest rate swap and other relevant investment businesses, promote business innovation ability and the automation level of trading, constantly expand the depth and breadth of business coverage. As to the fixed income sales transaction business, we will further give play to the advantages of strong professionalism, wide customer coverage, and effective internal and external interaction of the fixed income business, continuously improve the level of all-round service to clients, and promote the better development of bond sales business.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

5. Overseas business

The Company carried out the overseas business through Central China International and its subsidiaries.

Market environment

In 2019, the Hong Kong stock market improved as compared to the previous year, with 183 newly listed companies, decreasing 16.06% from the previous year. An amount of approximately HK\$313 million was raised through initial public offering, increasing 8.65% from the previous year. The economy of Hong Kong fluctuated to a certain extent due to various factors, and some listed companies had operational difficulties, leading to a relatively concentrated outbreak of credit risks. [Source: the HKEx website]

Business measures and performance

In 2019, the licensed businesses, such as brokerage, investment banking, fixed income (DCM) and futures, of Central China International maintained a trend of steady development in the operation and management. The ranking of Central China International Securities Co., Ltd. in terms of brokerage trading volume as published by the Hong Kong Stock Exchange rose from the 128th in the previous year to the 105th in 2019 and Central China International Futures Co., Ltd. was granted the “Model Chinese Futures Trader of 2019” award by the Hong Kong Stock Exchange. As of the end of the Reporting Period, the number of securities brokerage accounts reached 7,013, with an increase of 4.05% from the previous year; the cumulative trading volume of the brokerage securities was HK\$24.232 billion, with an increase of 29.00% from the previous year; in terms of investment banking, 11 investment banking projects were completed in the year, raising approximately HK\$1.2 billion. However, due to the impact of economic fluctuations, some investment projects had the risk of becoming overdue. Central China International has tried a variety of approaches to promote risk mitigation.

Outlook for 2020

In 2020, Central China International will accelerate the business transformation, strengthen domestic and foreign linkage, focus on corporate financing, fixed income and high-end wealth management, and strive to build a professional team, improve the compliance risk control system, take the initiative to reduce leverage and defuse risks, and provide high-quality services and financial products, in order to bring clients and shareholders sustained and steady returns.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

6. Others

(1) *Regional equity market business*

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

Market environment

On 26 June 2019, the CSRC issued the Guiding Opinions on Standardizing the Development of Regional Equity Markets, which put forward specific requirements for further promoting the healthy development of regional equity market from ten aspects, such as accurately grasping the market development orientation, strictly implementing classified and hierarchical management, consolidating and refining equity financing business. The policy system of regional equity market was further improved.

Business measures and performance

During the Reporting Period, Equity Exchange Co. continued to maintain a good development trend, with the successful establishment of “Service Base of Capital Market for Henna” in Shanghai Stock Exchange. The total number of listed enterprises thereon exceeded 6,800, ranking top among the 34 regional equity markets in China. Taking convertible bonds and equity pledge financing as the breakthrough point, we held regular road shows for enterprises in various forms, and greatly expanded the channels of direct financing for enterprises. A total of 12 convertible bonds were issued with a total amount of RMB460 million throughout the year. We held four seminars on capital market in key cities to enhance the sense of gain with respect to the listing service for enterprises. As of the end of the Reporting Period, there were 380 custodian enterprises with 42.5 billion shares in custody, and the accumulative financing amount was RMB6.230 billion.

Outlook for 2020

As a local stock exchange in Henan province, Equity Exchange Co. will follow the concept of high-quality development and promote the market upgrade in four aspects: listed enterprises, investment institutions, intermediaries and platform services. We will provide practical services for enterprises to be listed, and promote the registration and custody of stock rights of unlisted joint stock limited companies, continue to expand the scale of financing, carry out precise enterprise training, strengthen market self-discipline management, in order to realize the transformation from quantity expansion to quality improvement, and provide more comprehensive financial services for SMEs.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(2) *Micro-lending business*

The Company conducts micro-lending business through its subsidiary, Central China Micro-lending.

Market environment

In 2019, the micro-lending industry in Henan province continued the trend of polarization. Most micro-lending companies are subject to various disadvantageous factors such as small amount of registered capital, limited financing channels, high financing cost and weak risk control ability, increasing the operation pressures. Meanwhile, some financial institutions, large enterprise groups and listed companies actively set up small lending companies. These small lending companies created their own operating characteristics and market competitiveness, and gradually developed and grew, becoming the core strength of the small lending industry in Henan province.

Business measures and performance

In 2019, Central China Micro-lending actively explored the business model suitable for its own development based on the industry characteristics and shareholder background, and gradually defined the market deployment of “one large and one small”. “Large” means to develop the large high-quality clients that use the services of the Group, actively connect with the Group’s investment banking, asset management and other business lines, and provide more comprehensive financial services for high-quality enterprise clients by making use of the Group advantages. “Small” means to do a good job in small and micro businesses and individual financial services, rely on the “fourth board loan”, “employee loan”, “two mortgages loan” and other innovative small and micro loan and individual loan products, and constantly improve the ability to serve small and micro businesses. During the Reporting Period, the loans provided by Central China Micro-lending totaled RMB695 million. As of the end of the Reporting Period, the balance of loans amounted to RMB1.154 billion.

Outlook for 2020

In 2020, Central China Micro-lending will steadily promote the strategic deployment of “one large and one small”, gradually form the customer structure and operation characteristics that center on the interaction with the Group’s investment and loan as well as the small and micro loans and individual loans, strengthen the solution of problematic loans, and further improve the level of business risk control and profitability.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

III. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis on financial statements

1. Details of principal items in the consolidated income statement

In 2019, the Group recorded total revenue and other income of RMB3,475.8 million, representing an increase of 21.6% as compared with 2018; operating expenses were RMB3,402.1 million, representing an increase of 22.4% as compared with 2018; recorded net profit attributable to shareholders of the Company of RMB58.2 million, representing a decrease of 11.5% as compared with 2018; basic earnings per share amounted to RMB0.02, which was the same as 2018; weighted average return on net assets was 0.59%, representing a decrease of 0.07 percentage point as compared with 2018.

(1) Summary of financial results

In 2019, the Group's profit before income tax amounted to RMB116.1 million, representing an increase of 14.8% as compared to 2018. The key financial results are as follows:

Unit: in RMB million

Item	2019 (unaudited)	2018	Change	YOY Change (%)
Revenue				
Commission and fee income	1,146.2	910.4	235.8	25.9%
Interest income	979.7	1,291.9	-312.2	-24.2%
Net investment gains	722.3	348.0	374.3	107.6%
Other operating income	627.6	307.7	319.9	104.0%
Total revenue and other income	3,475.8	2,857.9	617.9	21.6%
Operating expenses	3,402.1	2,778.9	623.2	22.4%
Share of profits of associates	42.4	22.1	20.3	91.9%
Profit before income tax	116.1	101.1	15.0	14.8%
Income tax expense	41.0	5.3	35.7	673.6%
Net profit for the year	75.1	95.9	-20.8	-21.7%
Net profit attributable to shareholders of the Company	58.2	65.8	-7.6	-11.5%

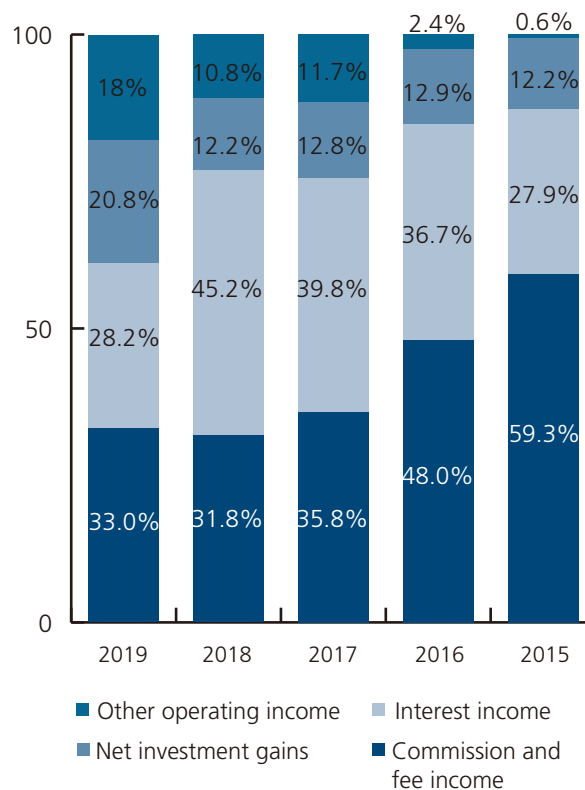
SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(2) Revenue structure

In 2019, total revenue and other income of the Group amounted to RMB3,475.8 million, representing an increase of 21.6% as compared to 2018. Among which, the proportion of commission and fee income was 33.0%, representing an increase of 1.2 percentage points as compared to 2018; the proportion of interest income was 28.2%, representing a decrease of 17 percentage points as compared to 2018; the proportion of net investment gains was 20.8%, representing an increase of 8.6 percentage points as compared to 2018; the proportion of other revenue and income was 18%, representing an increase of 7.2 percentage points as compared to 2018. The revenue structures of the Group in the past five years are as follow:

Item	2019 (unaudited)	2018	2017	2016	2015
Commission and fee income	33.0%	31.9%	35.7%	48.0%	59.3%
Interest income	28.2%	45.2%	39.8%	36.7%	27.9%
Net investment gains	20.8%	12.2%	12.8%	12.9%	12.2%
Other operating income	18.0%	10.7%	11.7%	2.4%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Bar chart below sets forth the comparison of structures:



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(3) Operating expenses

In 2019, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB2,265.8 million, representing an increase of RMB694.1 million or 44.2% as compared to 2018. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Item	2019 (unaudited)	2018	Change	YOY Change (%)
Operating expenses				
Staff costs	889.5	635.9	253.6	39.9%
Depreciation and amortisation	129.4	74.0	55.4	74.9%
Other operating expenses	887.5	542.2	345.3	63.7%
Impairment losses	359.4	319.6	39.8	12.5%
Total	2,265.8	1,571.7	694.1	44.2%

2. Analysis on principal components of consolidated statement of financial position

As at the end of 2019, total assets of the Group amounted to RMB43,569.9 million, up by 3.4% as compared to RMB42,155.3 million as at the end of 2018. Total liabilities amounted to RMB33,072.2 million, up by 7.1% as compared to RMB30,880.2 million as at the end of 2018. Equity attributable to shareholders of the Company amounted to RMB9,671.2 million, down by 2.8% as compared to RMB9,950.9 million as at the end of 2018.

The asset structure of the Group remained stable with sound asset quality and liquidity. As at the end of 2019, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB12,245.0 million, representing 28.1% of our total assets. Margin assets, which primarily included financial assets held under resale agreements, margin accounts receivable and loans and advances to customers, amounted to RMB10,172.6 million, representing 23.3% of our total assets. Financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB19,646.1 million, representing 45.1% of our total assets. Other operating assets, which primarily included property and equipment, investment properties and intangible assets, amounted to RMB1,506.2 million, representing 3.5% of our total assets. In 2019, the Group has made corresponding impairment provision for financial assets held under resale agreements, loans and advances to customers and financial asset measured at amortised cost.

Our gearing ratio increased. As at the end of 2019, the total self-owned liabilities of the Group after deducting accounts payable to brokerage clients and accounts payable to underwriting clients from the total liabilities amounted to RMB24,177.1 million, representing a decrease of RMB142.1 million or 0.58% as compared to RMB24,319.2 million as at the end of 2018. Calculated by assets and liabilities after deducting accounts payable to brokerage clients and accounts payable to underwriting clients, the gearing ratio as at the end of 2019 was 69.7%, up by 1.4 percentage points from 68.3% as at the end of 2018.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

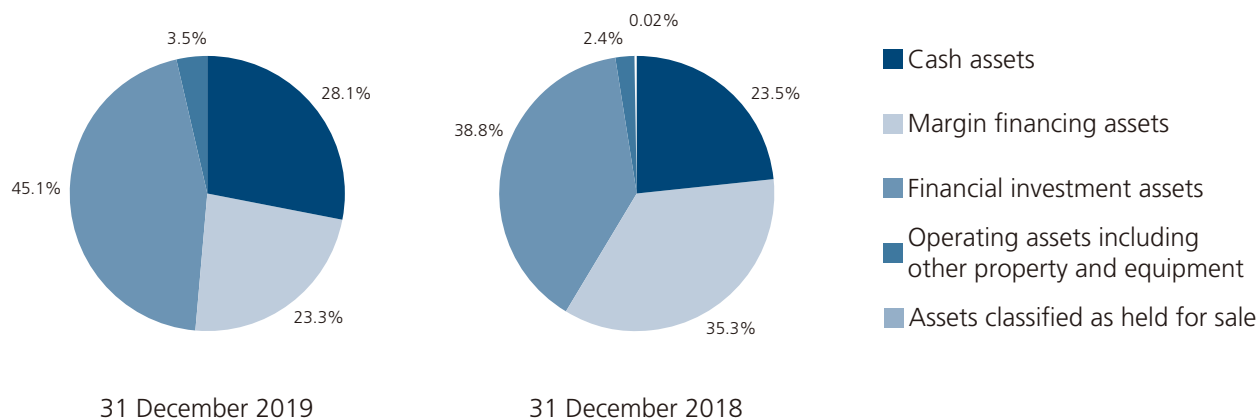
(1) Asset items

Changes in the major asset items of the Group are as follows:

Unit: in RMB million

Item	31 December 2019 (unaudited)	31 December 2018	Change	YoY Change (%)
Total assets				
Cash assets	12,245.0	9,884.9	2,360.1	23.9%
Margin financing assets	10,172.6	14,880.8	-4,708.2	-31.6%
Financial investment assets	19,646.1	16,353.6	3,292.5	20.1%
Operating assets including other property and equipment	1,506.2	1,026.6	479.6	46.7%
Assets classified as held for sale	—	9.4	-9.4	-100.0%
Total	43,569.9	42,155.3	1,414.6	3.4%

Total assets of the Group consist of:



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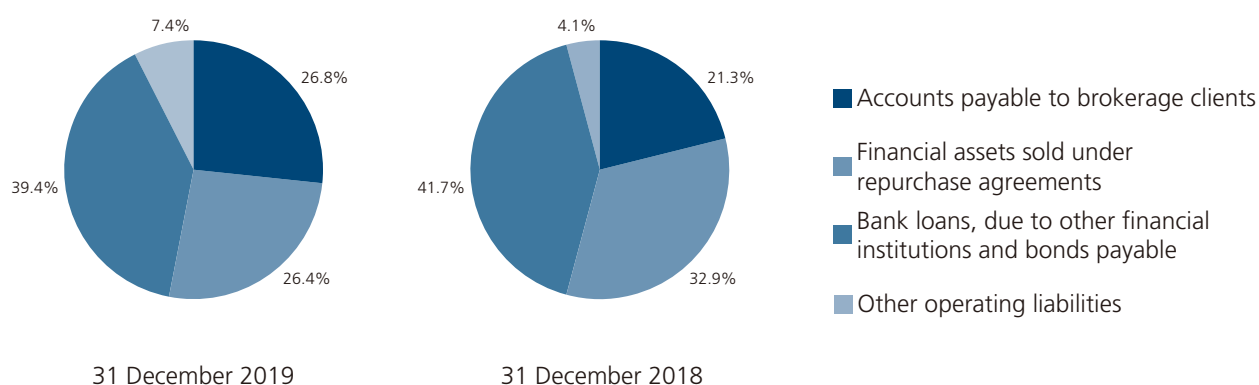
(2) Liability items

As at the end of 2019, total liabilities of the Group amounted to RMB33,072.2 million, representing a year-on-year increase of RMB2,192.0 million or 7.1%. As at the end of 2019, accounts payable to brokerage clients amounted to RMB8,895.1 million, representing an increase of 35.6% as compared to the end of 2018. The increase was primarily attributable to the increase in capital of client from brokerage business. Financial assets sold under repurchase agreements amounted to RMB8,721.1 million, representing a decrease of 14.3% as compared to the end of 2018. The decrease was primarily attributable to the decrease in scale of buyout repurchase business. Bank loans, due to other financial institutions and bonds payable amounted to RMB13,022.5 million, representing an increase of 1% as compared to the end of 2018. Other operating liabilities amounted to RMB2,433.5 million, representing an increase of 93.3% as compared to the end of 2018. The increase was primarily attributable to the increase in financial liabilities designated as at fair value through profit or loss. Major changes in the Group's liabilities are as follows:

Unit: in RMB million

Item	31 December 2019 (unaudited)	31 December 2018	Change	YoY Change (%)
Liabilities				
Accounts payable to brokerage clients	8,895.1	6,561.1	2,334.0	35.6%
Financial assets sold under repurchase agreements	8,721.1	10,171.8	-1,450.7	-14.3%
Bank loans, due to other financial institutions and bonds payable	13,022.5	12,888.1	134.4	1.0%
Other operating liabilities	2,433.5	1,259.2	1,174.3	93.3%
Total	33,072.2	30,880.2	2,192.0	7.1%

The Group's total liabilities consist of:



SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(3) Equity items

As at the end of 2019, total equity of the Group amounted to RMB10,497.8 million, representing a decrease of 6.9% as compared to the end of 2018. The changes in the Group's equity were as follows:

Unit: in RMB million

Item	31 December 2019 (unaudited)	31 December 2018	Change	YoY Change (%)
Share capital	3,869.1	3,869.1	—	—
Reserves	5,713.9	5,843.7	-129.8	-2.2%
Retained earnings	88.2	238.2	-150.0	-63.0%
Non-controlling interests	826.6	1,324.1	-497.5	-37.6%
Total	10,497.8	11,275.0	-777.2	-6.9%

3. Segment results

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The following table sets forth the Group's segment revenue and other income (including intersegment revenue) for the years indicated:

Item	2019		2018		Change	
	(in RMB million) (unaudited)	%	(in RMB million)	%	(in RMB million)	%
Brokerage	1,790.1	50.9	1,308.2	45.4	481.9	36.8
Investment banking	217.0	6.2	95.1	3.3	121.9	128.2
Investment management	215.7	6.1	229.6	8.0	-13.9	-6.0
Proprietary trading	933.5	26.5	586.7	20.4	346.8	59.1
Overseas business	-90.5	-2.5	184.3	6.4	-274.8	-149.1
Headquarters and others	578.5	16.4	495.2	17.2	83.2	16.8
Inter-segment eliminations	-126.1	-3.6	-19.1	-0.7	-107.0	N/A
Total	3,518.2	100.0	2,880.0	100.0	638.2	-10.0

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

The following table sets forth the Group's segment expenses (including inter-segment expenses) for the years indicated:

Item	2019		2018		Change	
	(in RMB million) (unaudited)	%	(in RMB million)	%	(in RMB million)	%
Brokerage	1,602.3	47.1	1,075.6	38.7	526.7	49.0
Investment banking	209.1	6.1	136.1	4.9	73.0	53.7
Investment management	50.6	1.5	79.9	2.9	-29.3	-36.6
Proprietary trading	638.6	18.8	555.7	20.0	82.9	14.9
Overseas business	241.1	7.1	193.9	7.0	47.2	24.4
Headquarters and others	688	20.2	742.0	26.7	-54	-7.3
Inter-segment eliminations	-27.6	-0.8	-4.3	-0.2	-23.3	N/A
Total	3,402.1	100.0	2,778.9	100.0	623.2	-10.0

The following table sets forth the Group's segment results (profit/loss before income tax) for the years indicated, which is calculated as segment revenue and other income (including inter-segment revenue) minus segment expenses (including inter-segment expenses):

Item	2019		2018		Change	
	(in RMB million) (unaudited)	%	(in RMB million)	%	(in RMB million)	%
Brokerage	187.8	161.7	232.6	230.1	-44.8	-19.3
Investment banking	7.8	6.8	-41.1	-40.8	48.9	N/A
Investment management	165.1	142.2	149.6	148.0	15.5	10.4
Proprietary trading	294.9	254.0	31.0	30.7	263.9	851.3
Overseas business	-331.6	-285.6	-9.6	-9.5	-322.0	N/A
Headquarters and others	-109.4	-94.2	-246.7	-244.0	137.3	N/A
Inter-segment eliminations	-98.5	-84.8	-14.7	-14.5	-83.8	N/A
Total	116.1	100.0	101.1	100.0	15.0	-10.0

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(II) Access to and ability of financing

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

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

(III) Analysis of investments

Overall analysis on external equity investments

As at the end of the Reporting Period, the Group has investments in associate of RMB1,104.7 million, representing an increase of RMB165.4 million or 17.6%, as compared to the end of last year.

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

Central China Futures Co., Ltd.

Registered address: 4F, Zhongyuan Guangfa Finance Building, 10 Business Outer Ring Road, Zhengdong New District, Zhengzhou City, Henan Province

Date of incorporation: 18 April 1993

Registered capital: RMB330 million

Shareholding proportion: 51.357%

Legal representative: Xie Xuezhu

Contact No.: 0371-68599199

Financial position: As of 31 December 2019, the total assets and net assets of Central China Futures amounted to RMB1,447 million and RMB411 million respectively. In 2019, Central China Futures recorded operating income of RMB686 million and net profit of RMB15.416 million.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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: RMB800 million

Shareholding proportion: 100%

Legal representative: Li Zhaoxin

Contact No.: 0371-69177108

Financial position: As of 31 December 2019, the total assets and net assets of ZDKY Venture Capital amounted to RMB1.104 billion and RMB805 million respectively. In 2019, ZDKY Venture Capital recorded operating income of RMB42.7127 million and net profit of RMB24.0787 million.

Central China International Financial Holdings Company Limited

Registered address: Suites 1505 and 1508, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

Date of incorporation: 29 October 2014

Registered capital: HK\$1.0 billion

Shareholding proportion: 100%

Contact No.: 00852-25001375

Financial position: As of 31 December 2019, the total assets and net assets of Central China International amounted to HK\$2,276 million and HK\$413 million respectively. In 2019, Central China International recorded operating income of HK\$-202 million and net profit of HK\$-331 million.

There were sharp fluctuations: 1. Economic adjustment and financial deleveraging led to a significant increase in the debt defaults. The industry entered the stage of concentrated outbreak of credit risks. Some investment projects of Central China International were overdue, leading to a large amount of impairment provision. 2. Central China International completed the structure restructuring and equity change in accordance with the regulatory spirit of the CSRC, such as the Measures for the Regulations on the Management of Overseas Establishment, Acquisition and Shareholding Operating Institutions of Securities Companies and Securities Investment Fund Management Companies, and the adjustment of management mode and operation mode had a temporary impact on the operation.

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 2019, the total assets and net assets of Central China Blue Ocean amounted to RMB3.341 billion and RMB2.418 billion respectively. In 2019, Central China Blue Ocean recorded operating income of RMB161 million and net profit of RMB58.3329 million.

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 2019, the total assets and net assets of Equity Exchange Co. amounted to RMB365 million and RMB336 million respectively. In 2019, Equity Exchange Co. recorded operating income of RMB38.4961 million and net profit of RMB9.6813 million.

(V) Structured entities controlled by the Company

As at the end of the Reporting Period, the Group consolidated 9 structured entities, which included asset management schemes and partnerships. After taking into account the factors such as investment decision rights owned by the company, variable return exposure and the use of investment decision rights to influence variable returns, the Company included the structured entities controlled by the Company in the scope of consolidated statements in respect of the structured entity who act as a manager or investment adviser and the structured entity that holds a product share.

(VI) Others

1. Newly 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 2 securities branch offices and 8 securities branches within the same city at home, and the capital increase, disposal and change of 3 subsidiaries. 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 3 new securities branches, relocated 2 securities branch offices and 8 securities operation 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 11 of this preliminary results announcement.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

(2) *Establishment and changes of branch offices*

Central China International:

According to the Measures for the Administration of Establishing, Acquiring and Investing in Operation Institutions Overseas Securities Companies and Securities Investment Fund Management Companies issued by the CSRC, on 4 June 2019, the 8th meeting of the Sixth Session of the Board considered and approved the Resolution on the Optimization and Adjustment of the Equity Structure of the Hong Kong Subsidiaries, pursuant to which, it was approved to optimize the equity structure of the subsidiaries of Central China International by means of purchasing equity interest from other shareholders and asset transfer, and to streamline its organization structure. The Board at the same time granted the management of the Company all necessary and appropriate authorization to carry out the foregoing matters.

On 4 July 2019, the 9th meeting of the Sixth Session of the Board considered and approved Resolution on Equity Structure Adjustment and Asset Transfer of Central China International Financial Group, pursuant to which, it was approved to purchase 52% of the equity interest held by other shareholders of Central China International Financial Group Co., Ltd., and transfer the equity interest of Central China Finance Holdings Co., Ltd. and its wholly-owned subsidiaries, Central China International Asset Management Co., Ltd. and Central China International Finance Co., Ltd. in accordance with laws and regulations.

As at the end of the Reporting Period, Central China International had completed the equity structure adjustment and asset transfer, and the Company continued to hold 100% equity interest in Central China International and its subsidiaries.

On 27 December 2019, according to the business development arrangement, the Company made an additional capital contribution of HK\$240 million to Central China International, whose registered capital was hence changed to HK\$1.0 billion.

Central China Blue Ocean:

On 19 December 2019, 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 RMB2.256 billion. As of the end of the Reporting Period, Central China Blue Ocean was in the process of industrial and commercial registration of the change.

ZDKY Venture Capital:

On 4 June 2019, the 8th meeting of the Sixth Session of the Board considered and approved the Resolution on the Capital Reduction of the Wholly-owned Subsidiary Zhongding Kaiyuan Venture Capital Management Co., Ltd., pursuant to which, it was approved to reduce the registered capital of ZDKY Venture Capital from RMB2.0 billion to RMB800 million. On 8 August 2019, ZDKY Venture Capital completed the relevant industrial and commercial registration of the change.

On 19 December 2019, the Company issued the Shareholders' Resolution of Zhongding Kaiyuan Venture Capital Management Co., Ltd., approving the change of the registered capital of ZDKY Venture Capital to RMB680 million. As of the end of the Reporting Period, ZDKY Venture Capital was in the process of industrial and commercial registration of the change.

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2. Standardization of accounts and specific explanation

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 2019, 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 account so as to ensure that the customer account information is true, accurate, complete and valid.

During the Reporting Period, the Company activated 1,299 dormant cash accounts and 2,324 dormant securities accounts (as of the end of the period, there were 394,302 dormant cash accounts and 663,825 dormant securities accounts); the Company standardized 11 unqualified cash accounts and 14 unqualified securities accounts (as of the end of the period, there were 1,149 unqualified cash accounts and 1,212 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		2019	2018	YoY Change
Dormant accounts	Cash account	394,302	395,601	-1,299
	Securities account	663,825	666,149	-2,324
Unqualified accounts	Cash account	1,149	1,160	-11
	Securities account	1,212	1,226	-14
Judicially frozen accounts	Cash account	7	6	1
	Securities account	14	12	2
Risk disposal accounts	Cash account	0	0	0
	Securities account	0	0	0

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

3. Business innovation

In 2019, with the end of Internet traffic bonus, the development of network finance in the securities industry changed from incremental competition to stock game. Through the application of financial technology, the Company actively explored new business models, improved its online operation and service capabilities, and promoted the integrated development of online and offline brokerage business.

In terms of financial technology, the Company continued to improve its Internet financial service system centering on “Three Apps and One WeChat Public Account” (三端一微), launched the Central China Caishengbao (財升寶) application with new structure and user interface, developed intelligent service robot, optimized online financial product sales platform, provided personalized active newsletter service, created a content distribution tool of “Central China Fortune Store” (中原財富小店), and enriched credit service activities, in order to gradually meet the general financial needs of customers through cloud computing, big data, artificial intelligence and other financial technology applications.

The Company’s online operations and business achieved preliminary results. During the Reporting Period, new Internet customers increased by 201.5% compared with the same period the previous year. As of the end of the Reporting Period, the registered users of the newly released Caishengbao APP3.0 platform increased by 208.6% compared with the end of the previous year, and the industry ranking of Caishengbao in terms of number of monthly active customers and the WCI index of average monthly influence of official WeChat was significantly improved. [Source: qianfan.analysys.cn and gsdata.cn]

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

(I) Industry landscape and development trend

The report of the 19th CPC National Congress pointed out, “We will deepen reform of the financial system, enhance the ability of the financial sector to serve the real economy, increase the proportion of direct financing, and promote the healthy development of a multi-tiered capital market.”. During the Reporting Period, as various policies and measures entered the concrete implementation stage, the capital market will not only play a more active role in stabilizing the economy, finance and expectations, but also bring major strategic opportunities to market participants.

As a special industry rooted in the capital market, the securities industry in recent years is facing challenges such as homogenized competition, intensified industrial differentiation, accelerated comprehensive opening up, and unsustainable traditional industrial model. It is in urgent need to deepen the understanding of the nature and law of finance, return to the source, and achieve high-quality development. As the most important intermediary in the capital market, securities companies should actively grasp the historic opportunity brought by the new round of capital market reform and opening up, focus on providing financial services with better quality and efficiency to the real economy, build differentiated core competitiveness, and actively promote high-quality development. The three aspects have become the basic path for securities companies to practice high-quality development: adhering to the concept of differentiation and formulating the corresponding company strategy to clearly define the development positioning; identifying development path and expansion mode based on its strategic positioning; optimizing the top-level system and innovating the service content and mode.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

In 2019, the transformation of brokerage business to wealth management became an industry consensus under the background of the normalization of the use of Internet and mobile internet as the business development's carrier, and cultivating investment advisory team was the focus of the transformation from brokerage business to wealth management at the current stage. The successful implementation of the registration system of the science and technology innovation board and a number of institutional innovations forced securities companies to truly realize the deep integration and collaboration of investment banking, research, alternative investment, credit innovation and other businesses, and promoted securities companies to gradually become a "one-stop" comprehensive financial service provider in a real sense. The restrictions on the proportion of foreign capital stocks were released in advance, the opening up of the industry was further accelerated, and the business advantages of international investment banks would be gradually reflected in the medium and long term, thus impacting the existing competitive pattern of China's securities industry and the existing business model of securities companies. The industry status quo of "the strong are always strong" increased the urgency for securities companies to achieve differentiated operation. On the whole, the overall competitive pattern of the securities industry will be more complex, and the competition will be intensified.

In 2020, the vitality of the capital market will be further stimulated to attract more OTC funds, and the industry brokerage business is expected to continue to contribute positive marginal revenue. The industry investment banking business will keep growing and the growth rate is expected to expand. The credit business will operate in a relatively smooth way, and the industry's net interest income is expected to maintain positive year-on-year growth. On the whole, with the unprecedented improvement of the status of the capital market and the gradual implementation of supporting policies and measures for the key tasks in 12 aspects of comprehensively deepening the reform of the capital market, the securities industry will welcome historic development opportunities.

(II) Development strategy of the Company

Focusing on strengthening the investment banking business and optimizing investments, the Company will continue to deepen the internal reform of the Company, build core competitiveness, improve the professional service level in an all-round way so as to accelerate the transition to wealth management. Therefore, the Company will vigorously raise the level of compliance risk control and significantly improve the professional ability of cadres and employees, thereby bringing the Company's capital strengths and profitability 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".

(III) Operating plan

In 2020, the Company will take the opportunity of the implementation of the professional manager system, fully implement the rank management, continuously improve the professional ability, accelerate the development of its main business, and strive to achieve a new level of business results.

The Company will focus on improving the overall management efficiency. We will actively carry out the management reform of all ranks, establish a more reasonable assessment mechanism, enhance the attraction of talents, mobilize the enthusiasm of employees, and achieve a "win-win" result for the Company development and employee growth. We will strengthen the Company's risk management ability, conscientiously implement the sound risk preference, strengthen the management and control of business operation process, and realize the full coverage of the parent company's risk management over its subsidiaries. We will actively promote digital transformation and the in-depth integration of financial technology and business management, so as to further improve the Company's operation and management efficiency through technology.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

The Company will spare no efforts to promote the development of various businesses. We will vigorously improve the service support ability and accelerate the transformation of wealth management to depth; continue to strengthen internal control management to ensure the steady development of proprietary business; seize the opportunity of a new round of capital market reform and opening up, and promote the overall achievements of investment banking business; accelerate the transformation and development of the asset management business, focusing on the improvement of the active management ability; promote the steady development of stock pledge financing business, enhance the ability to serve institutional clients; continue to revitalize assets, adjust the structure and return to the source for the market-making business. Equity Exchange Co. will take the quality improvement as the goal of transformation, promote the excellent enterprises in Henan province to enter the main board and science and technology innovation board, and help the development of small, medium and micro enterprises. Central China Blue Ocean and ZDKY Venture Capital will strengthen comprehensive cooperation with investment banking teams, increase investment in high-quality equity projects, and continue to improve the capacity to serve the real economy. Central China Futures will focus on the transformation of brokerage business, develop core competitiveness for asset management, and steadily operate risk management business so as to comprehensively improve the development quality. Central China Micro-lending will continue to improve the new operation mode, and gradually form the market positioning and unique advantages centering on personal loan and group interaction. Central China International will strengthen domestic and overseas business interaction and achieve stable development on the basis of properly mitigating risks and the orientation of investment banking business.

(IV) Potential risks

In 2019, the Company continued to optimize and improve the construction of comprehensive risk management system, constantly improved the risk management mechanism and system, perfected the risk management organization structure, enhanced the construction of risk management information technology system, optimized the risk control index system, enhanced the construction of professional talent teams, and strengthened risk response mechanism. The Company has formulated the risk preference and tolerance system, which was organically combined with the Company's development strategy, evaluated the extreme risks through regular and irregular stress tests, and covered the whole company with a multilevel risk management system. The Company continuously promoted the construction of risk management information system, establish special budget for risk management information system, constructed centralized, time-effective and quantitative risk management technical pillars, effectively improved the informationalization level of risk management of the Company, and further enhanced the ability of the Company in risk identification, quantitative evaluation and control. The Company will include all subsidiaries into the comprehensive risk management system, and explore the establishment of an effective subsidiary risk management model, so as to ensure that the comprehensive risk management system is compatible with the Company's development strategy and provides guarantee for the sound and sustainable development of the Company's businesses.

The key risks faced by the Company include credit risk, market risk, liquidity risk, operation risk, compliance risk and information technology risk. The Company measured the risk through duration analysis, sensitivity analysis, scenario analysis, and internal modeling method, and differentiated, prevented and managed all kinds of risks through screening, classification, analysis and other measures, with an aim to fully reveal the Company's operating risks and control them within a bearable range, in order to ensure the realization of the Company development strategy goals and maximize the interests of shareholders. Specific details are set out as follows:

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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. Currently the Company's credit risk mainly comes from bond investment, margin financing and securities lending, and securities-backed lending, 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' becoming bad debts.

To deal with credit risks, the Company adopted the methods of collecting deposit, qualified collaterals and net settlement to mitigate the credit risks. The Company implemented access management on credit risk. Before carrying out credit risk-related business, it would conduct credit rating on customers, and only extend credit to and carry out business with those whose credit rating is within the access rating. Each business department would carry out due diligence investigation before credit rating and credit extension. For customers whose credit rating meets the access criteria, the credit line would be determined according to the specific situation. The Company regularly rechecked the access standard and discount rate, and carried out irregular rechecks in case of major changes in the market or policy or major credit events among relevant credit subjects. The detailed actions are as follows: (1) We set access criteria for bond investment business, conducted whitelist 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 as well as the securities-backed lending, we established strict standards on collateral scope and conversion rate, deposit ratio, maintenance guarantee ratio standards according to the business characteristics, carried out front-end control from credit investigation, credit granting, marking to market, closing positions and other aspects, and conducted dynamic monitoring in the duration on the risk conditions such as concentration degree, contract expiration, maintenance guarantee ratio or performance guarantee ratio, and significant events. (3) For the credit risk of the receivables, the Company made full provision for the bad debt according to the operating conditions, cash flow conditions and bad debt reserve policies of the debtor. Provision for credit impairment has been made for margin financing and securities lending, securities-backed lending and securities repurchases. (4) The Company analyzed credit risk factors in various businesses, identified potential credit risks therein, and calculated the expected and unexpected losses through default probability, default loss rate, and credit risk exposure, measured, evaluated and analyzed the credit risks of its businesses, and reduced the net risk exposure and expected loss assumed by the Company through various risk mitigation measures.

The subsidiaries are also exposed to credit risks when carrying out financing business, investment business, over-the-counter derivatives business and other businesses. The Company has incorporated the risk management of the subsidiaries into the comprehensive risk management system, and manages and controls the risks of the subsidiaries by appointing persons in charge of risk control and establishing the regular and irregular risk reporting system. Under the Company's unified risk preference, the relevant subsidiaries have formulated supporting credit risk management and control measures and processes according to their market environment and business characteristics, and continuously improve such measures and processes, including but not limited to the due diligence and investment decision-making processes. The Company will continue to strengthen the risk tolerance of the subsidiaries in such aspects as system construction, quota system, monitoring mechanism, information system and risk report in accordance with the overall plan of the Group's comprehensive risk management, in order to improve the credit risk management and reduce credit risk exposure at the Group level.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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. 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. Quantitatively, market price fluctuations of financial instruments held for trading will proportionately impact the Company's profit; and the market price fluctuations of available-for-sale financial instruments will proportionately impact shareholders' equity of the Company. Interest rate fluctuation risk refers to the risk of fluctuations in the Company's financial position and cash flow due to interest rate changes in the market. In particular, the interest-bearing assets susceptible to market interest rate changes are mainly bank deposits, settlement reserves, refundable deposits and bond investments. Exchange rate risk refers to the possibilities that the Company may suffer losses from operating activities which involve holding or using foreign exchange due to change in exchange rate. The exchange rate fluctuation will bring some extent of exchange risks. The Company has had relatively few foreign currency assets susceptible to exchange rate fluctuations. The Company continuously strengthens the mechanism development and internal management as well as hedges and slowly releases the exchange rate risk through a series of measures to support the expansion of overseas business of the Company.

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

SECTION 4 REPORT OF 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.

4. Operational risk and policies

Operational risk refers to risk of loss resulting from flaws or error of internal procedures, systems and external events. With respect to operational risk management, (1) The Company has formulated operational risk management methods to standardize the whole process of operational risk identification, assessment, monitoring, control and reporting; (2) 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 products, business, process and system are fully assessed before they are launched; (3) The Company has established a real-time risk monitoring system for brokerage, self-management, asset management, financing and other businesses, and formed a risk management manual and other business risk control system; (4) A reporting mechanism for operational risk events has been established, which requires each unit to establish an effective operational risk reporting process and report operational risk events regularly and irregularly; (5) we improved the assessment, measurement, monitoring and reporting of operational risks through the construction of risk management system.

5. Compliance risk and policies

Compliance risk refers to the risk of the Company being legally held accountable, subjected to supervisory measures, given self-discipline penalty or suffering from loss of property or reputation arising from violation of laws, regulations or rules by the operation and management or licensed practices of the Company or its personnel. The Company established and continuously improved a scientific and efficient compliance management system to effectively identify, evaluate and manage compliance risks. The compliance department of the Company continuously organized and tracked the changes of laws, regulations and regulatory rules, timely revised and improved the relevant systems of compliance management, and supervised relevant departments to timely evaluate, revise and improve the relevant systems and business processes. In addition, we strengthened information barriers and conflict of interest management, carried out in-depth anti-money laundering and other work, and earnestly performed the duties of compliance review and consultation, monitoring and inspection, publicity and training, compliance effectiveness assessment, compliance assessment and accountability, integrating compliance management into the whole process of the Company's decision-making, execution, supervision and feedback. The Company has actively cultivated the compliance culture and improved the self-restraint mechanism, laying a solid foundation for the sustained healthy development of the Company.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

6. Information technology risk, policies and investment

The Company is in an industry which highly relies on information technology. Information technology risk has become one of the main risks faced by securities companies. Information technology capability has become an important aspect of the core competitiveness of securities companies. Any hardware and software failure and security 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. Any failure to improve the information systems in a prompt, effective and steady way would adversely affect the Company's competitiveness, business operations and working efficiency, etc.

As for potential information system risk, 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 promotes the normalization, standardization, streamlining and refinement development, proactively conducts self-inspection rectification, continuously improves and optimizes the IT operation systems, so as to ensure full safe operation of information systems.
- (2) By investments in updating the core network equipment, integrating the communication lines, expanding the cloud computing capacity, applying new monitoring platform, accelerating and optimizing exchange quotations, strengthening data security and updating infrastructure, the Company has laid a solid foundation for IT system operation & maintenance, further improving the robustness of the IT system.
- (3) With regard to security and emergency response, the Company has improved the security, effectiveness and stability of the IT system through regular penetration test and vulnerability scanning, real time safe early-warning, host security strengthening, regular safety self-examination and regular emergency drill.
- (4) The Company actively implemented the Standards of Comprehensive Risk Management of Securities Companies, and continued to promote the construction of comprehensive risk management system and compliance management platform system, thus greatly improving the overall compliance and risk control capacity of the Company.

In 2019, the Company constantly improved and optimized the IT operation & maintenance system, actively and quickly responded to the business demand, enhanced the investment in new technology application, safety strengthening and infrastructure update, 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.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

V. DIRECTORS

Please refer to Section 7 “DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES” of this preliminary results announcement.

VI. 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.

VII. PERMITTED INDEMNITY PROVISION

Please see the paragraph headed “I. (II) 1. Composition of the Board” under Section 8 of this preliminary results announcement.

VIII. 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 2019, 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 total number of issued shares (%)	Percentage of the Company’s total issued H shares (%)	Long position/ short position/ lending pool
JIAN Mingjun	H Shares	Beneficial owner	750,000	0.019	0.063	Long position
		Beneficiary of a trust	539,754	0.014	0.045	Long position

Save as disclosed above, as of 31 December 2019, no Directors, Supervisors or their respective spouse or children under the age of 18 have been given the right to purchase the shares or debentures of the Company to obtain benefit, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the Directors, Supervisors or their respective spouse or children under the age of 18 in any other body corporate.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

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

As of 31 December 2019, 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	21.271	30.781	Long position
	H Shares	Beneficial owner/ Interest of corporation controlled by the substantial shareholder	72,034,000 ^{Note 1}	1.862	6.026	Long position
Bohai Industrial Investment Fund	A Share	Beneficial owner	534,309,767	13.810	19.984	Long position
Bohai Industrial Investment Fund Management Co., Ltd. (on behalf of the Bohai Industrial Investment Fund)	A Share	Investment manager	534,309,767	13.810	19.984	Long position
Anyang Iron & Steel Group	A Share	Beneficial owner	177,514,015	4.588	6.639	Long position

Notes:

- As known to the Directors, as at the end of the Reporting Period, Dahe Paper (Hong Kong) Co., Limited, a wholly-owned subsidiary of Henan Investment Group, directly held 46,733,000 H Shares of the Company, Henan Investment Group held 25,301,000 H Shares of the Company through Stock Connect; Henan Investment Group directly and indirectly held a total of 72,034,000 H Shares of the Company, accounting for approximately 6.026% of the Company's issued H shares as at the end of the Reporting Period.

Save as disclosed above, as of 31 December 2019, 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.

X. 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.

SECTION 4 REPORT OF THE BOARD OF DIRECTORS

XI. NON-COMPETITION UNDERTAKING OF CONTROLLING SHAREHOLDERS

Please refer to the paragraph headed “VI. EXPLANATION ON LACK OF INDEPENDENCE OR INDEPENDENT OPERATING ABILITY IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATIONS AND FINANCE BY THE COMPANY FROM ITS CONTROLLING SHAREHOLDER” under Section 8 of this preliminary results announcement.

XII. OTHER DISCLOSURES

(I) Share capital

Please refer to the Unaudited Consolidated Statement of Financial Position and Note 11 to the Unaudited Consolidated Financial Statements as set out in this preliminary results announcement.

(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 preliminary results announcement, 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 and 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 in 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 RMB6 million.

(IX) Employees

Please refer to the paragraph headed "VI. EMPLOYEES OF THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES" under Section 7 of this preliminary results announcement.

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

SECTION 5 SIGNIFICANT EVENTS

I. PERFORMANCE OF UNDERTAKINGS

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

Background	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 1	Yes	Yes		

Note 1: (1) For the three consecutive years from 2020 to 2022, the Company's investment in compliance risk control of each year shall not be less than 3% of the Company's operating income in the previous year; (2) for the three consecutive years from 2020 to 2022, the Company's investment in information technology of each year shall not be less than 6% of the Company's operating income in the previous year; (3) according to the plan for use from proceeds from the proposed 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; and (5) on the premise of the use of proceeds from the proposed 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.

SECTION 5 SIGNIFICANT EVENTS

II. ANALYSIS AND EXPLANATION BY THE COMPANY ON THE REASON AND INFLUENCE OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

SECTION 5 SIGNIFICANT EVENTS

III. MATERIAL LITIGATION AND ARBITRATION

Unit: 0'000 Currency: RMB

During the Reporting Period:

Prosecution (petitioner)	Defendant (respondent)	Party bearing joint liability	Type of litigation or arbitration	Background of litigation (arbitration)	Amount involved in litigation (arbitration)	Any estimated liabilities incurred in litigation (arbitration) and the amount	Development of litigation (arbitration)	Trial outcome of litigation (arbitration) and the influence	Enforcement of the judgment on litigation (arbitration)
Central China Securities	Shenwu Technology Group Corporation Limited* (神霧科技集團股份有限公司)	None	Contract dispute	Note 1	20,000.00	None	Note 1	A judgment has been issued and was in force.	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	None	Note 2	A first-instance judgment has been obtained, but it was not yet effective.	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	None	Note 3	The second instance judgment has not been issued.	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)	None	Contract dispute	Note 4	20,000.00	None	Note 4	A judgment has been issued and was in force.	Note 4
Central China Securities	Kedi Food Group Co., Ltd	None	Contract dispute	Note 5	43,165.83	None	Note 5	No judgment issued	Note 5
Central China Blue Ocean Investment Management Company Limited	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	None	Note 6	A judgment has been issued and was in force.	Note 6
Central China International Financial Holdings Company Limited	Ke Wentuo (柯文托), Ke Jinzhi (柯金治), Shi Kaihua (施凱華), Fujian Grace Environmental Wall paper CO., LTD	None	Contract dispute	Note 7	17,210.92	None	Note 7	No judgment issued	Note 7
Central China International Investments Limited	Ke Wentuo (柯文托), Ke Jinzhen (柯金珍)	None	Contract dispute	Note 8	24,688.40	None	Note 8	No judgment issued	Note 8

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 Provincial High Court, the defendant Shenwu Group filed an appeal. On 22 August 2019, the Company received the (2019) Supreme Court No. 706 civil judgment issued by the Supreme People's Court, which rejected the appeal and upheld the original judgment. The Henan Provincial High Court accepted the case for compulsory enforcement on 23 September 2019. As at the end of the Reporting Period, the case was under the process of compulsory enforcement. The Company has made provisions for impairment of the transaction.

SECTION 5 SIGNIFICANT EVENTS

- 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 securities-backed lending contract. The Henan Provincial High Court accepted and then transferred the case to the Jinhua Intermediate People’s Court since Neoglory Holdings applied for bankruptcy and reorganization. The Jinhua Intermediate People’s Court accepted the bankruptcy and reorganization application on 25 April 2019, for which the Company has declared its credits. On 30 December 2019, the Company received the (2019) Zhe 07 Minchu No. 198 Civil Judgment issued by the Jinhua Intermediate People’s Court of Zhejiang Province, which supported the Company’s claims including payment to be made by Neoglory Holdings for the amount of RMB200 million in financing principal and interest, liquidated damages, and attorney’s fees. It is confirmed that the Company has a preferential right of compensation for the 31,850,000 shares of Neoglory Prosperity Inc. (stock code: 002147) pledged by Neoglory Holdings within the scope of the creditor’s rights determined by the above judgment. As of the end of the Reporting Period, the judgment has not yet been effective. The Company has made provisions for impairment of the transaction.
- 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. On 23 September 2019, the Company received the (2019) Yuminchu No. 8 civil judgment issued by the Henan Province Higher People’s Court, which supported the Company’s claims including the payment to be made by Ruichen Investment for the amount of approximately RMB188 million in financing principal and interest, liquidated damages, attorney’s fees and insurance premiums. 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. (stock code: 300221) pledged by the defendant Ruichen Investment to the Company. It is confirmed that Tan Songbin bears unlimited joint and several liability for the above payment obligation, and Zhou Juan bears the liability for the above payment obligation within the limit of RMB6 million that Zhou Juan invested into Ruichen Investment. On 5 October 2019, the defendants Ruichen Investment, Tan Songbin and Zhou Juan filed an appeal. As of the end of the Reporting Period, no judgment has been made in the second-instance process of the case. The Company has made provisions for impairment of the transaction.
- Note 4: The Company filed a lawsuit against Great Wall Film & Culture Company Group Limited (hereinafter referred to as “Great Wall Film”), asserting the defendant’s breach of securities-backed lending contract. On 10 December 2019, the Company received the (2019) Yuminchu No. 11 civil judgment issued by Henan Province Higher People’s Court, which supported the Company’s claims including the payment to be made by Great Wall Film for the amount of RMB200 million in financing principal 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 obligation, the Company has the preferential right of compensation for the discount, auction, or sale proceeds of the 50,400,000 shares of Great Wall Film held by the Company. As of the end of the Reporting Period, the judgment has been effective and has been submitted for compulsory enforcement. The Company has made provisions for impairment of the transaction.
- Note 5: The Company filed a lawsuit against Kedi Food Group Co., Ltd., asserting the defendant’s breach of securities-backed lending contract and requesting payment of financing principal, interest, liquidated damages and attorney’s fees amounted to RMB431,658,300 in total. On 29 November 2019, the Intermediate People’s Court of Zhengzhou City accepted the case. The case was heard on 20 December 2019. As of the end of the Reporting Period, no judgment has been issued for this case. The Company has made provisions for impairment of the transaction.
- 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 the Intermediate People’s Court of Zhengzhou City, which supported Central China Blue Ocean’s claims including the payment to be made by Zhongyi Real Estate for the amount of RMB99.69 million in the trust loan principal 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 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. As of the end of the Reporting Period, the judgment has become effective and has been submitted for compulsory enforcement. The Company has made provisions for impairment of the transaction.

SECTION 5 SIGNIFICANT EVENTS

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. The Intermediate People's Court of Quanzhou City, Fujian Province accepted the case on 21 October 2019, and heard this case on 17 January 2020. As of the end of the Reporting Period, the case has not been heard. The Company has made provisions for impairment of the transaction.

Note 8: Central China International Investment Co., Ltd. filed a lawsuit against Ke Wentuo and Ke Jinzhi, asserting the defendants' breach of guarantee contract. The Intermediate People's Court of Quanzhou City, Fujian Province accepted the case on 21 October 2019. As of the end of the Reporting Period, the case has not been heard. The Company has adjusted the valuation of the transaction downward.

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

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.

V. CONNECTED TRANSACTIONS

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

(I) Non-exempt continuing connected transactions

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, are 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.

SECTION 5 SIGNIFICANT EVENTS

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.

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 2019, 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 2019 <i>(in millions of RMB)</i>	Actual amounts in 2019 <i>(in millions of RMB)</i>
Securities and financial products transactions		
Total net cash outflow from the Group	123.00	11.00
Total net cash inflow to the Group*	34.00	23.50
Securities and financial services		
Revenue from provision of securities and financial services to Henan Investment Group and its associates	33.81	3.54

* The figure represents gains derived from subscriptions by the Group of 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.

SECTION 5 SIGNIFICANT EVENTS

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.

In 2019, 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 2019 <i>(in millions of RMB)</i>	Actual amounts in 2019 <i>(in millions of RMB)</i>
Securities and financial products transactions		
Total net cash inflow to the Group	75.00	20.00
Total net cash outflow from the Group*	2.40	0.00
Securities and financial services		
Revenue from provision of securities and financial services to Equity Exchange Co.	1.95	0.00
Expenses incurred by provision of securities and financial services to the Group	10.10	0.10

* 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.

SECTION 5 SIGNIFICANT EVENTS

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.

(II) Non-exempt connected transactions

Entering Into the Deed of Reorganization regarding the Reorganization of Central China International Financial Group and Its Subsidiaries

On 4 July 2019, Central China International and Central China International Holdings (both wholly-owned subsidiaries of the Company) entered into a deed of reorganization ("the Deed of Reorganization") with Success Plan Management Co., Ltd., Sino Oriental International Limited, Leap Success International Co., Ltd., Access King Global Co., Ltd., and Central China International Financial Group, Central China Finance Holdings Limited, Central China International Finance Co., Ltd. and Central China International Asset Management Co., Ltd. regarding the reorganization of Central China International Financial Group and its subsidiaries. Pursuant to the Deed of Reorganization:

Central China International Holdings, an indirect wholly-owned subsidiary of the Company which held 48% equity interest in and actually controlled Central China International Financial Group on the date of the Deed of Reorganization, agreed to purchase and the selling shareholders of Central China International Financial Group (namely, Success Plan Management Co., Ltd., Sino Oriental International Limited, Leap Success International Co., Ltd., and Access King Global Co., Ltd.) agreed to sell the 52% equity interest they held in aggregate in Central China International Financial Group in a total consideration of HK\$847,080,000, which shall be paid in installment by Central China International Holdings in cash. Upon completion of the transaction, Central China International Financial Group will become a direct wholly-owned subsidiary of Central China International Holdings and an indirect wholly-owned subsidiary of the Company.

After the relevant transaction in relation to the acquisition of 52% equity interest from the selling shareholdings of Central China International Financial Group as mentioned above is completed, Central China Finance Holdings Limited agreed to sell and Central China International agreed to purchase 100% equity interest in the retaining subsidiaries of Central China International, namely Central China International Securities Co., Ltd., Central China International Investment Co., Ltd., Central China International Futures Co., Ltd., and Central China International Capital Limited (collectively referred to as "Central China International Retaining Subsidiaries"), in a total consideration of HK\$664,416,272, which shall be offset against relevant inter-Group receivables.

After both the acquisition of 52% equity interest from the selling shareholders of Central China International Financial Group and the internal transfer of the Retaining Subsidiaries of Central China International are completed, Central China International Finance Group agreed to sell and Success Plan Management Co., Ltd. agreed to purchase 100% equity interest in Central China Finance Holdings Limited. (together with its wholly-owned subsidiaries Central China International Finance Co., Ltd., and Central China International Asset Management Co., Ltd.) in a total consideration of HK\$40,200,000, which shall be paid by Success Plan Management Co., Ltd. in cash in one lump sum.

SECTION 5 SIGNIFICANT EVENTS

As at the date of the Deed of Reorganization, Central China International Financial Group is a significant subsidiary of the Company under the Hong Kong Listing Rules. Pursuant to Rule 14A.07 of the Hong Kong Listing Rules, Success Plan Management Co., Ltd., as a substantial shareholder of Central China International Financial Group (holding 34% equity interest in Central China International Financial Group as at the date of the Deed of Reorganization), is a connected person of the Company. Therefore, each of the acquisition and disposal transactions to be conducted between the Company and Success Plan Management Co., Ltd. under the Deed of Reorganization constitutes a connected transaction of the Company.

Since the sales of the relevant equity interest by Success Plan Management Co., Ltd. and other selling shareholders of Central China International Financial Group under the Deed of Reorganization shall be simultaneously conducted and completed and are inter-related, the Company has deemed the acquisition from other selling shareholders of Central China International Financial Group contemplated under the Deed of Reorganization as connected transactions of the Company, and has aggregated such transactions with the acquisition from Success Plan Management Co., Ltd. contemplated under the Deed of Reorganization.

For details of the connected transactions mentioned above, please refer to the announcements of the Company dated 04 July 2019 and 10 July 2019, respectively on the HKExnews website of the Hong Kong Stock Exchange.

SECTION 5 SIGNIFICANT EVENTS

VI. 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	421,016,600.00
Total balance of guarantees provided to subsidiaries at the end of the Reporting Period (B)	421,016,600.00

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

Total amount of guarantees (A+B)	421,016,600.00
Percentage of total guarantees over the net assets of the Group (%)	4.35

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 RMB421,016,600.00 in total (equivalent to HK\$470,000,000.00)

SECTION 5 SIGNIFICANT EVENTS

VII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

Plan for non-public issuance of A shares

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

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

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

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

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

SECTION 5 SIGNIFICANT EVENTS

On 21 October 2019, the Company received the “Receipt of Application for Administrative License from CSRC” issued by the CSRC (Serial No.: 192628). The application materials for administrative license of “Approval of Non-Public Issuance of New Shares by Listed Companies” submitted by the Company were reviewed, and it was considered that the Company’s application materials for non-public issuance of A shares were complete, and it was decided to accept the administrative license application.

On 21 November 2019, the Company received the “Notice of Feedback for the Review of Administrative License Projects of the CSRC” issued by the CSRC. On 19 December 2019, the Company and relevant agencies, in line with the principle of diligence, responsibility and good faith, carefully checked and discussed the issues raised in the feedback, made written descriptions and explanations, and made public disclosure of the reply to the feedback as required.

In accordance with the authorization granted under the Resolution on the Grant of Authorization to the Board and Its Authorized Persons by the Shareholders’ General Meeting to Deal with the Relevant Matters relating to the Non-public Issuance of A Shares considered and approved at the annual general meeting for the year 2018, the first A share class meeting in 2019 and the first H share class meeting in 2019 of the Company, the authorized persons of the Board have made adjustment to the contents in relation to “amount and use of the proceeds” of the Non-public Issuance on 29 March 2020, reducing the proceeds invested to supplement working capital by RMB0.25 billion, after taking into account the Company’s future development, its own strategy-related planning, implementation conditions and other factors prudently. After such adjustment, the proceeds raised from the Non-public Issuance for working capital arrangement shall not exceed RMB0.15 billion, and the total proceeds shall not exceed RMB5.25 billion (originally not exceeding RMB5.5 billion).

Pursuant to the Decision on Revising the Administrative Measures for the Issuance of Securities by Listed Companies (《關於修改<上市公司證券發行管理辦法>的決定》), the Decision to Amend the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《關於修改<上市公司非公開發行股票實施細則>的決定》) and the Issuance Regulation Questions and Answers — Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies (Revision) (《發行監管問答 — 關於引導規範上市公司融資行為的監管要求 (修訂版)》) issued by the CSRC on 14 February 2020 in relation to the amendments to the rules on non-public issuance by listed companies, in order to ensure the smooth progress of the Non-public Issuance and safeguard the legitimate rights and interests of the Company and its shareholders, the Board considered and approved the proposed adjustments to relevant terms of the plan of the Non-public Issuance, including target subscribers and subscription method, issue price and pricing principles, arrangements for lock-up period and extension of the validity period of the resolution on the Non-public Issuance, and the proposed extension of the validity period of the authorization to the Board and its authorized persons to deal with the relevant matters relating to the Non-public Issuance at the meeting held on 30 March 2020 according to the aforesaid amendments to the rules and the actual situation of the Company. The aforesaid proposed adjustments to relevant terms of the plan of the Non-public Issuance and the proposed extension of the validity period of the authorization to the Board and its authorized persons to deal with the relevant matters relating to the Non-public Issuance are still subject to the approval by the shareholders’ general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, respectively as well as the approval by the CSRC.

For details of the above information, please refer to the announcements of the Company dated 18 April 2019, 11 June 2019 and 30 March 2020, respectively on the HKExnews website of the Hong Kong Stock Exchange, as well as the Company’s Circular dated 21 May 2019, and the Company’s relevant announcements on the SSE website dated 19 April 2019, 12 June 2019, 22 October 2019 and 19 December 2019 (Announcement No.: 2019-024, 2019-041, 2019-060, and 2019-073).

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARE CAPITAL

During the Reporting Period, the total number of ordinary shares and the share capital structure have not changed.

II. ISSUANCE AND LISTING OF SECURITIES

Particulars about issuances of securities during the Reporting Period:

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
2019 Corporate Bonds Publicly Issued to Qualified Investors (Tranche 1) of Central China Securities Co., Ltd.	2019/3/25	3.9%	2,000.00	2019/4/3	2,000.00	2022/3/26
2019 Non-publicly-issued Corporate Bonds (Tranche 1) of Central China Securities Co., Ltd.	2019/4/15	3.8%	1,500.00	2019/4/25	1,500.00	2020/4/16
2019 Non-publicly-issued Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	2019/10/29	4.9%	1,000.00	2019/11/11	1,000.00	2020/10/30

During the Reporting Period, the Company issued three bonds, namely "19 Central China 01", with an amount of RMB2 billion, an interest rate of 3.9%, and a term of 3 years; "19 Central China F1", with an amount of RMB1.5 billion, an interest rate of 3.8%, and a term of 1 year; and "19 Central China C1", with an amount of RMB1 billion, an interest rate of 4.9%, 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 holders of ordinary shares as at the end of the Reporting Period 118,999
(of which 118,955 were holders of A shares and 44 were registered holders of H shares)

Total number of holders of ordinary shares as at the end of last month prior to the date of disclosure of this preliminary results announcement 120,568
(of which 120,525 were holders of A shares and 43 were registered holders of H shares)

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

Unit: Share

Shareholdings of the top ten shareholders

Name of shareholders (Full name)	Changes during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Shares pledged or frozen Status	Number of shares	Nature of shareholders
HKSCC Nominees Limited		1,195,137,900	30.89				Overseas legal person
Henan Investment Group Co., Ltd.		822,983,847	21.27	822,983,847			State-owned legal person
Bohai Industrial Investment Fund Management Co., Ltd. — Bohai Industrial Investment Fund (Tranche 1)	-73,690,233	534,309,767	13.81				Others
Anyang Iron & Steel Group Co., Ltd.		177,514,015	4.59		Pledged	42,287,900	State-owned legal person
China Pingmei Shenma Energy & Chemical Group Co., Ltd.		75,046,245	1.94				State-owned legal person
Anyang Economic Development Group Co., Ltd.		48,824,693	1.26		Pledged	24,412,346	State-owned legal person
National Council for Social Security Fund (Transfer Account No.1)		47,979,175	1.24	47,979,175			Others
Jiangsu SOHO Holdings Group Co., Ltd.		26,073,089	0.67				State-owned legal person
Guangzhou Liby Investment Co., Ltd.		20,000,000	0.52				Domestic non state-owned legal person
Henan Shenhua Group Co., Ltd.		17,749,930	0.46		Pledged	17,749,900	State-owned legal person

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	1,195,137,900	Overseas-listed foreign shares	1,195,137,900
Bohai Industrial Investment Fund Management Co., Ltd. — Bohai Industrial Investment Fund (Tranche 1)	534,309,767	RMB-denominated ordinary shares	534,309,767
Anyang Iron & Steel Group Co., Ltd.	177,514,015	RMB-denominated ordinary shares	177,514,015
China Pingmei Shenma Energy & Chemical Group Co., Ltd.	75,046,245	RMB-denominated ordinary shares	75,046,245
Anyang Economic Development Group Co., Ltd.	48,824,693	RMB-denominated ordinary shares	48,824,693
Jiangsu SOHO Holdings Group Co., Ltd.	26,073,089	RMB-denominated ordinary shares	26,073,089
Guangzhou Liby Investment Co., Ltd.	20,000,000	RMB-denominated ordinary shares	20,000,000
Henan Shenhua Group Co., Ltd.	17,749,930	RMB-denominated ordinary shares	17,749,930
Henan Jinlong Industrial Co., Ltd.	16,000,000	RMB-denominated ordinary shares	16,000,000
Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd.	15,000,000	RMB-denominated ordinary shares	15,000,000

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

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

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.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	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	Henan Investment Group Co., Ltd.	822,983,847	3 January 2020	822,983,847	Not transferable within 36 months commencing from the listing date
2	National Council for Social Security Fund (Transfer Account No.1)	47,979,175	3 January 2020	47,979,175	Not transferable within 36 months commencing from the listing date
Explanation on related party or concert party relationship among the above shareholders		The Company is not aware of any related party relationship among the abovementioned 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

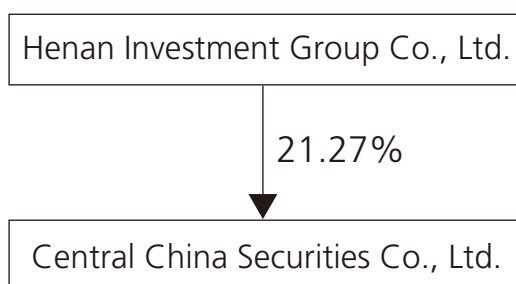
IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

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 foreign-listed companies during the Reporting Period	The controlling interests in domestic listed companies are: 738,700,684 shares in YUNENG Holdings (the shares of which are listed on Shenzhen Stock Exchange, stock code: 001896) which accounts for 64.20% of its total share capital; 278,907,035 shares in City Development Environment (the shares of which are listed on Shenzhen Stock Exchange, stock code: 000885) which accounts for 56.19% of its total share capital; and 407,835,649 shares in Ancai Hi-Tech (the shares of which are listed on SSE, stock code: 600207) which accounts for 47.26% of its total share capital. The investments in domestic listed companies include those in China Aviation Optical (the shares of which are listed on Shenzhen Stock Exchange, stock code: 002179) and Zhengzhou Bank (the shares of which are listed on Shenzhen Stock Exchange, stock code: 002936). The investments in overseas listed companies include those in Zhongyuan Bank (the shares of which are listed on Hong Kong Stock Exchange, stock code: 01216) and Zhengzhou Bank (the shares of which are listed on Hong Kong Stock Exchange, stock code: 06196).
Other description	None

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

(II) De facto controller



1. Legal person

Name	Finance Department of Henan Province
Person in charge of the entity or legal representative	Wang Dongwei
Other description	Henan Investment Group is under the People's Government of Henan Province. Responsibilities of investor are performed by Finance Department of Henan Province while regulatory responsibilities are performed by Finance Department of Henan Province authorized by the government of Henan Province. Finance Department of Henan Province is the de facto controller of the Company.

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

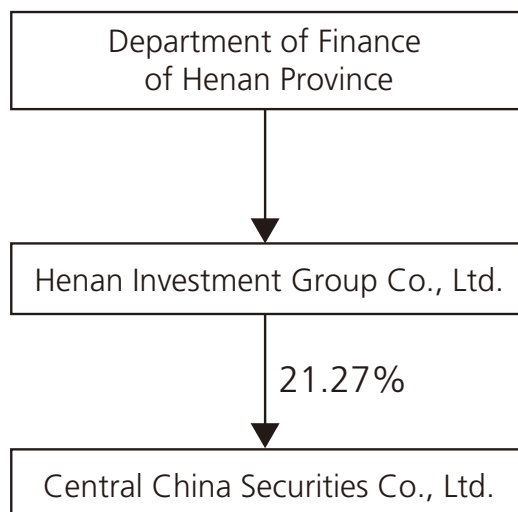
According to the "Reply of the People's Government of Henan Province on Changing Henan Investment Group Co., Ltd. for Performing Responsibilities of Investor" (YZW [2019] No.128), (《河南省人民政府關於變更河南投資集團有限公司履行出資人職責機構的批覆》(豫政文[2019]128號)) the People's Government of Henan Province authorized the Finance Department of Henan Province to perform the responsibilities of investor to 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 investor has been changed from Henan Province Development and Reform Commission to the Finance Department 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 Finance Department of Henan Province. The final investor of Henan Investment Group, the controlling shareholder of the Company, has always been the People's Government of Henan Province. The ultimate actual controlling of the Company by the People's Government of Henan Province has not changed.

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

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

2. Chart of the ownership and controlling relationships among the Company, the de facto controller and the controlling shareholder



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

Henan Investment Group is under the People's Government of Henan Province. Responsibilities of promoter as well as supervision function are performed by Department of Finance of Henan Province as authorized by the government of Henan Province. The Department of Finance of Henan Province is the de facto controller of the Company.

SECTION 6 CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

V. OTHER INSTITUTIONAL SHAREHOLDER WITH SHAREHOLDING OVER 10%

Unit: hundred million Yuan Currency: RMB

Name of legal person shareholders	Person in charge of the entity or legal representative	Date of establishment	Enterprise code	Registered capital	Principal business or management events
Bohai Industrial Investment Fund Management Co., Ltd. (holds the equity interest in the Company on behalf of the Bohai Industrial Investment Fund)	Lin Jingzhen	28 December 2006	911200007178678241	2	Promotion for the establishment and management of industrial investment fund; principal entrusted management of Bohai Industrial Investment Fund; provision of related investment and consultation services and engagement in other asset management business approved by relevant government authorities. (For projects subject to approval, the operating activities can only be commenced with approvals from relevant authorities.)
Description	As at the end of the Reporting Period, there was no other shareholder directly holding more than 10% shares in the Company. The shares held by HKSCC Nominees Limited are for the non-registered holders of H shares.				

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

Changes in the shareholding and remuneration of incumbent Directors, Supervisors and senior management and those leaving office during the Reporting Period

Name	Positions ^(Wee)	Gender	Age	Date of taking office	Date of leaving office	Number of A shares held at the beginning of the year	Number of A shares held at the end of the year	Changes in shares held during the year	Reason for changes	Total pre-tax remuneration received from the Company during the Reporting Period (RMB'0,000)	Total after-tax remuneration received from the Company during the Reporting Period (RMB'0,000)	Whether received remuneration from related parties of the Company
Jian Mingjun	Chairman and Executive Director	Male	57	10 September 2015	16 October 2021				N/A	97.66	73.58	No
Chang Junsheng	Vice Chairman Executive Director	Male	49	16 October 2018 17 May 2018	16 October 2021 16 October 2021				N/A	160.03	112.51	No
Li Xingjia	President	Male	55	25 April 2018	16 October 2021				N/A	0	0	Yes
Wang Lin	Non-executive Director	Male	53	12 October 2015	16 October 2021				N/A	3.60	3.07	Yes
Tian Shengchun	Non-executive Director	Male	45	10 September 2015	16 October 2021				N/A	0	0	No
Zhang Xiaoj	Non-executive Director	Male	34	16 October 2018	16 October 2021				N/A	3.60	3.07	No
Lu Benson Cheng	Non-executive Director	Male	38	10 September 2015	16 October 2021				N/A	3.60	3.51	No
Yuen Chi Wai	Non-executive Director	Male	44	1 November 2018	16 October 2021				N/A	25.00	22.69	No
Ning Jincheng	Independent Non-executive Director	Male	63	10 September 2015	16 October 2021				N/A	25.00	21.00	No
Yu Xugang	Independent Non-executive Director	Male	51	7 December 2015	16 October 2021				N/A	25.00	21.00	No
Zhang Dongming	Independent Non-executive Director	Female	67	16 October 2018	16 October 2021				N/A	25.00	21.00	No
Lu Zhili	Chairman of the Supervisory Committee	Male	53	10 September 2015	16 October 2021				N/A	84.47	64.52	No
Cao Zongyuan	Shareholder Representative Supervisor	Male	53	17 May 2018	16 October 2021				N/A	0	0	Yes
Zhang Xiansheng	Shareholder Representative Supervisor	Male	54	17 May 2018	16 October 2021				N/A	0	0	No
Xie Junsheng	Shareholder Representative Supervisor	Male	53	13 October 2016	16 October 2021				N/A	0	0	No

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Positions ^(Wea)	Gender	Age	Date of taking office	Date of leaving office	Number of A shares held at the beginning of the year	Number of A shares held at the end of the year	Changes in shares held during the year	Reason for changes	Total pre-tax remuneration received from the Company during the Reporting Period (RMB'0,000)	Total after-tax remuneration received from the Company during the Reporting Period (RMB'0,000)	Whether received remuneration from related parties of the Company
Xiang Siying	Independent Supervisor	Female	56	10 September 2015	16 October 2021			N/A	N/A	12.00	10.08	No
Xia Xiaoning	Independent Supervisor	Male	59	9 May 2016	16 October 2021			N/A	N/A	12.00	11.29	No
Han Junyang	Employee Representative Supervisor	Male	50	10 September 2015	2 June 2019			N/A	N/A	61.74	47.90	No
Zhang Lu	Chief Information Officer	Female	51	29 October 2019	16 October 2021			N/A	N/A	67.78	52.59	No
Xiao Yichen	Employee Representative Supervisor	Female	35	12 January 2018	16 October 2021			N/A	N/A	37.39	29.07	No
Zhang Huanin	Employee Representative Supervisor	Male	48	3 June 2019	16 October 2021			N/A	N/A	53.77	42.28	No
Zhu Jianmin	Executive Vice President	Male	56	10 September 2015	16 October 2021			N/A	N/A	84.19	63.77	No
Zhu Junhong	Vice President	Female	50	10 September 2015	16 October 2021			N/A	N/A	71.14	54.01	No
Xu Haijun	Vice President	Male	49	3 September 2016	16 October 2021			N/A	N/A	68.91	52.35	No
Li Zhaoxin	Chief Accountant, Person in-charge of Finance Department	Male	50	29 January 2018	16 October 2021			N/A	N/A	65.72	50.73	No
Hua Jinzhong	Chief Compliance Officer	Male	47	12 April 2018	16 October 2021			N/A	N/A	73.49	56.88	No
Xie Xuezhu	Vice President	Female	49	25 February 2019	16 October 2021			N/A	N/A	34.24	27.32	No
Zhao Huiwen	Vice President	Female	43	3 September 2016	25 February 2019			N/A	N/A	126.21	91.81	No
Zhu Qiben	Secretary to the Board	Male	55	9 January 2019	16 October 2021			N/A	N/A	65.72	50.62	No
Li Feng	Chief Risk Officer	Male	49	18 January 2018	16 October 2021			N/A	N/A	65.19	50.26	No
Total	/	/	/	/	/			/	/	1,352.45	1,036.91	/

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Notes:

1. Jian Mingjun: the remuneration before tax is temporarily fixed at RMB976,600, which is subject to the approval of the Board, the general meeting and relevant authorities.
2. Chang Junsheng: the remuneration before tax is temporarily fixed at RMB1,600,300, which is subject to the approval of the Board, the general meeting and relevant authorities.
3. Lu Zhili: the remuneration before tax is temporarily fixed at RMB844,700, which is subject to the approval of the Supervisory Committee, the general meeting and relevant authorities.
4. Zhu Jianmin, Zhu Junhong, Xu Haijun, Li Zhaoxin and Zhao Huiwen: the remuneration before tax listed in the above table is temporarily-fixed amount, which is subject to the approval of the Board and relevant authorities.

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 Department of Public Offering Supervision, the assistant researcher, deputy division head, researcher and head of audit division II of the Department of Public Offering Supervision, division head of regulatory division I of the Department of Unlisted Public Company Supervision, and the deputy director of the Department of Public Offering Supervision.
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.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
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 head 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 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). He now serves as the managing director of Venture Executive Services Limited.
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 and the deputy division head and division head of the Academic Affairs Office of Fiscal Sciences of the Ministry of Finance, senior economist and researcher, the researcher of the Foreign Financial Research Center.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
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 its registration in November 2002, served as the vice president of the Company from November 2002 to March 2013 and 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.
Cao Zongyuan	Born in 1966, Mr. Cao Zongyuan is a senior accountant with a master's degree of economics. He served as a credit loan administrator of the Financial Development Company of the Department of Finance of Henan Province from June 1989 to January 1992, the credit officer, deputy director and director of the credit department of Henan Economic Technology Development Company from January 1992 to July 2001, the assistant to general manager and deputy general manager of Henan Economic Technology Development Company from July 2001 to October 2007, temporary person in charge and director of the asset management department VIII of Henan Investment Group from October 2007 to September 2008, the general manager of Xupingnan Expressway Co., Ltd. from September 2008 to July 2013, the director of the asset management department II and I of Henan Investment Group from July 2013 to June 2016. He has been the director of the financial management department of Henan Investment Group from June 2016 to June 2019. He has been the director of the asset 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 since October 2010.

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: 0383) 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.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
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. Mr. Zhang has served as the supervisor of Central China Micro-lending since October 2018.
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 since September 2015 and the deputy secretary of the Party Committee of the Company since September 2018. He is currently a member of the Professional Committee of Securities Brokerage of Securities Association of China and the vice president of the Henan Securities and Futures Association.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
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.
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.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major working experience
Zhao Huiwen	Born in 1977, Ms. Zhao Huiwen holds a master's degree. She is a certified public accountant and asset appraiser. She once served as the managing officer of the Investigation Bureau I of the CSRC, deputy division head and division head of the comprehensive division of the Enforcement Bureau of the CSRC, the head of the audit division V of the Department of Public Offering Supervision of the CSRC, and the division head of the supervision division VI of the Institution Department of the CSRC. She joined the Company in October 2018, and has been the vice president of the Company since January 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.
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.

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

II. POSITION OF CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE LEAVING OFFICE DURING THE REPORTING PERIOD

(I) Positions held in shareholders

Name	Name of shareholder	Positions held in shareholder	Date of taking office	Date of leaving office
Li Xingjia	Henan Investment Group	Director and deputy general manager	June 2010	
Tian Shengchun	Anyang Iron & Steel Group	Deputy division director	December 2016	
Wang Lixin	Bohai Industrial Investment Fund Management Co., Ltd.	Deputy general manager	June 2013	
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			

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(II) Positions held in other entities

Name	Name of other institutions	Position held in other institutions	Date of taking office	Date of leaving office
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	Zhuhai Rongze Tongyuan Investment Management LP	Managing director	January 2014	
Cheng	Venture Executive Services Limited	Managing director	August 2014	
Yuen Chi Wai	Law Faculty of Zhengzhou University	Professor, doctoral tutor	November 2010	
Ning Jincheng	Zhengzhou Arbitration Commission	Arbitrator	May 2009	
	Henan Shi Dao Law Firm	Lawyer	November 2016	
	Xi'an Hongsheng Technology Co., Ltd	Independent director	January 2019	
Yu Xugang	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	

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Name	Name of other institutions	Position held in other institutions	Date of taking office	Date of leaving office
Lu Zhili	Central China Futures	Director	March 2008	May 2019
Cao Zongyuan	Central China Trust Co., Ltd.	Director	April 2016	
	Henan Investment Group Guarantee Co., Ltd.	Executive director	November 2015	
	Henan Asset Management Company Limited	Director	April 2018	December 2019
	Zhongyuan Yuze Financial Leasing (Shanghai) Co., Ltd.	Chairman	December 2015	
	Zhongyuan Capital International Holdings Co., Ltd.	Director	November 2018	September 2019
	Zhongfu Payment Service Co., Ltd.	Executive director	December 2015	July 2019
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	
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 2017	
	Central China International	Director, chairman	September 2019	
	Central China Blue Ocean	Executive director (legal representative)	September 2019	
Li Zhaoxin	Financial Accounting Committee of the Securities Association of China	Committee member	March 2019	
	ZDKY Venture Capital	Executive director (legal representative)	September 2019	
Zhao Huiwen	Investment Banking Committee of the Securities Association of China	Committee member	March 2019	
Explanations	Nil			

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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 and considered and determined by the general meeting; the remuneration and assessment plans of the Supervisors shall be proposed by the board of supervisors, 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 the paragraph headed "I. CHANGES IN THE SHAREHOLDING AND REMUNERATION" in this section in this preliminary results announcement.

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, Mr. Zhang Xiansheng and Mr. Xie Junsheng, waived their allowance since their appointment while they would continue to perform their relevant duties.

At the end of the Reporting Period, the total remuneration received by all Directors, Supervisors and senior management was RMB13,524,500 (before tax).

SECTION 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Position	Change	Reason for the change
Zhang Huamin	Employee Representative Supervisor	Elected	
Han Junyang	Employee Representative Supervisor	Resigned	Work adjustment
Hua Jinzhong	Vice President	Appointed	
Xie Xuezhu	Vice President	Resigned	Work adjustment
Zhao Huiwen	Vice President	Appointed	
Li Feng	Chief Risk Officer	Appointed	
Han Junyang	Chief Information Officer	Appointed	

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

On 24 May 2017, the Company received the “Decision Letter on Administrative Regulatory Measures of the Henan Branch of the CSRC ([2017] No.10)” titled “Decision on the Order of Rectification against Central China Securities Co., Ltd.” (《河南證監局行政監管措施決定書([2017]10號)《關於中原證券股份有限公司實施責令改正等措施的決定》》). The Company attaches great importance to self-examination and self-correction and arranges rectification measures to continue the rectification and improvement work. In accordance with the requirements of the regulatory authorities, the Company submitted a special written rectification report to the Henan Branch of the CSRC in a timely manner, and implemented two internal compliance inspections in August and November 2017, and submitted a compliance inspection report to the Henan Branch of the CSRC. For details, please refer to the relevant announcement disclosed on the website of Hong Kong Stock Exchange on 24 May 2017 and the announcement (Announcement No.: 2017-041) disclosed on the website of SSE on 25 May 2017 by the Company.

In December 2017, Henan Branch of the CSRC carried out a special inspection on the investment banking business of the Company, and issued the “Decision Letter on Administrative Regulatory Measures of the Henan Branch of the CSRC ([2018] No.1)” titled “Decision on the Supervisory and Regulatory Measures including Order of Rectification against Central China Securities Co., Ltd.” (《河南證監局行政監管措施決定書([2018]1號)《關於對中原證券股份有限公司實施責令改正等監督管理措施的決定》》) to the Company on 9 February 2018. Upon the receipt of relevant letter, the Company attached great importance, forthwith organised the rectification and submitted the rectification report to the Henan Branch of the CSRC. For details, please refer to the relevant announcement (Announcement No.: 2018-010) disclosed by the Company on the website of SSE on 13 February 2018.

On 2 August 2018, the Company received the “Decision Letter on the Administrative Penalty of the CSRC ([2018] No.76)” (《中國證監會《行政處罰決定書》([2018]76號)》). For details, please refer to the relevant announcement disclosed on the website of Hong Kong Stock Exchange on 2 August 2018 and the announcement (Announcement No.: 2018-050) disclosed on the website of SSE on 3 August 2018 by the Company.

Save as disclosed above, the Company has no other punishment 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	2,478
Number of in-service employees of the major subsidiaries	357
Total number of in-service employees	2,835

Composition of professions

Type of professions	Number of staff
Brokerage business personnel	1,639
Investment banking personnel	317
Asset management business personnel	60
Securities investment business personnel	51
Researcher	36
International business personnel	54
Legal compliance, risk control and audit personnel	96
IT personnel	114
Financial personnel	121
Administration and management personnel	276
Others	71
Total	2,835

Education level

Type of education level	Number of persons
Doctorate	15
Master	671
University graduates	1,927
College graduates and below	222
Total	2,835

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, 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 15 internal training classes, which were attended by 1,457 employees in total; the Company participated in trainings organized by superior and external training institutions, including 115 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 232 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 RMB3.5 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 2020, 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 the sustainable development of the Company.

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(IV) Labour outsourcing

Total working hours on labor outsourcing

436,800 hours

Total payment for labor outsourcing

RMB5,183,900

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, certificate 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 at the end of 2019, the number of securities brokers of the Company amounted to 363.

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, and other laws, regulations, and regulatory provisions, the Company has completed and improved its corporate governance and formed a corporate governance structure under which the general meeting, the Board, the Supervisory Committee, and the management have their powers separated for checks and balances and perform their respective duties, 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; and
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 at 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.

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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 all its Shareholders. The president manages the business operations of the Company, organizes execution of the Board's resolutions, and reports relevant work to the Board.

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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 includes 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 22 April 2019, Mr. Han Junyang, an employee representative Supervisor, resigned as a Supervisor of the Company due to change of works. On 23 April 2019, the Company convened the Labour Union Committee meeting and the employee representative meeting, at which Mr. Zhang Huamin was elected and appointed as the employee representative Supervisor of the sixth session of the Supervisory Committee; on 3 June 2019, Mr. Zhang Huamin was approved as a supervisor, and he has officially performed his duties as an employee representative Supervisor of the Company until the expiry of the term of the sixth session of the Supervisory Committee of the Company. As at 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 (Mr. Cao Zongyuan, 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.

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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.

The Supervisors shall attend the Board meeting as observers and raise inquiries or suggestions on matters required to be resolved by the Board.

II. SUMMARY OF GENERAL MEETING

General meeting	Date of convention	Directory to the designated website of the publication of the resolution	Date of disclosure of the publication of resolution
2018 Annual General Meeting	11 June 2019	http://www.sse.com.cn/ http://www.hkexnews.hk	12 June 2019 11 June 2019
2019 First Class Meeting for Holders of A Shares	11 June 2019	http://www.sse.com.cn/ http://www.hkexnews.hk	12 June 2019 11 June 2019
2019 First Class Meeting for Holders of H Shares	11 June 2019	http://www.sse.com.cn/ http://www.hkexnews.hk	12 June 2019 11 June 2019
2019 First Extraordinary General Meeting	7 November 2019	http://www.sse.com.cn/ http://www.hkexnews.hk	8 November 2019 7 November 2019

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Particulars of general meetings

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

1. The Company convened the 2018 Annual General Meeting on 11 June 2019, and considered and approved the Work Report of the Board for the Year of 2018, the Work Report of the Supervisory Committee for the Year of 2018, the Annual Report for the Year of 2018, the Profit Distribution Plan for the Second Half of 2018, the Financial Statements of the Company for the Year of 2018, the Resolution on the Re-appointment of Domestic and Overseas Auditing Firms for the Year of 2019, the Evaluation and remuneration of the Directors of the Company for the Year of 2018, the Evaluation and Remuneration of the Supervisors of the Company for the Year of 2018, the Resolution on the Provision of Guarantee for Central China International Financial Holdings Company Limited, the Resolution on the Provision for Credit Impairment, the Resolution on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2019, the Resolution on Fulfillment of the Conditions for Non-public Issuance of A Shares by the Company, the Resolution on the Plan of the Non-public Issuance of A Shares by the Company, the Resolution on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company, the Resolution on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company, the Resolution on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures, the Resolution on Shareholders' Return Plan for the Next Three Years (2019–2021), and the Resolution on the Grant of Authorization to the Board and its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares;
2. The Company convened the 2019 First Class Meeting for Holders of A Shares on 11 June 2019, and considered and approved the Resolution on the Plan of the Non-public Issuance of A Shares by the Company and the Resolution on the Grant of Authorization to the Board and its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares;
3. The Company convened the 2019 First Class Meeting for Holders of H Shares on 11 June 2019, and considered and approved the Resolution on the Plan of the Non-public Issuance of A Shares by the Company and the Resolution on the Grant of Authorization to the Board and its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares;
4. The Company convened the 2019 First Extraordinary General Meeting on 7 November 2019, and considered and approved the Profit Distribution Plan for the First Half of 2019, the Resolution on the Provision for Credit Impairment, the Resolution of the General Mandate for the Issuance of Onshore and Offshore Debt Financing Instruments of the Company, and the Resolution on the Amendments to the Articles of Association.

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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				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	Number of absence		
Jian Mingjun	No	12	12	10	0	0	No	1
Chang Junsheng	No	12	12	10	0	0	No	4
Li Xingjia	No	12	12	10	0	0	No	4
Wang Lixin	No	12	12	10	0	0	No	0
Tian Shengchun	No	12	12	10	0	0	No	3
Zhang Xiaoqi	No	12	12	10	0	0	No	0
Lu Benson Cheng	No	12	12	10	0	0	No	0
Yuen Chi Wai	Yes	12	12	10	0	0	No	4
Ning Jincheng	Yes	12	12	10	0	0	No	4
Yu Xugang	Yes	12	12	10	0	0	No	1
Zhang Dongming	Yes	12	12	10	0	0	No	4
Number of Board meetings convened during the year								12
Among which: number of on-site meetings								0
Number of meetings held through communication								10
Number of meeting held by means of on-site combined with communication								2

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(II) Particulars of meetings of the Board

During the Reporting Period, the Board convened a total of 12 meetings, and details of the meetings and resolutions are as follows:

1. The Company convened the third meeting of the sixth session of the Board on 9 January 2019, and considered and approved the Resolution on the Appointment of Senior Management Personnel, the Resolution on the Provision for Credit Impairment, the Resolution on Formulating the Administrative Measures for Integrity in Practice of Central China Securities Co., Ltd., and the Resolution on Proposed Amendments to the Administrative Measures for Compliance and Accountability (Provisional) of Central China Securities Co., Ltd.;
2. The Company convened the fourth meeting of the sixth session of the Board on 30 January 2019, and considered and approved the Resolution on the Establishment, Dissolution, and Adjustment of Function of Certain Headquarters Departments and the Resolution on Risk Preference and Tolerance for the Year of 2019;
3. The Company convened the fifth meeting of the sixth session of the Board on 25 February 2019, and considered and approved the Resolution on Appointment and Removal of Vice President, the Resolution on Changing Two Securities Exchanges into Branches, the Resolution on the Estimated Ordinary Related Party/Continuing Connected Transactions for the Year of 2019, the Resolution on Entering into of the Framework Agreement for Continuing Connected Transactions and Setting the Annual Transaction Caps, the Resolution on the Business Scale and Affordable Risk Limits of Securities Proprietary Trading for the Year of 2019, the Resolution 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 2019, the Resolution on the Determination of Business Scale of Margin Financing and Securities Lending, Stock Pledge, Agreed Repurchase, and Refinancing for the Year of 2019, and the Resolution on Determining Liquidity Management Risk Limits for the Company for the Year of 2019;
4. The Company convened the sixth meeting of the sixth session of the Board on 28 March 2019, and considered and approved the Work Report of the Board for the Year of 2018, the Work Report of the President for the Year of 2018, the Duty Report of Independent Directors for the Year of 2018, the Annual Report for the Year of 2018 (A Shares) and the Summary of the Report, the Annual Report for the Year of 2018 (H Shares) and the Results Announcement for the Year Ended 31 December 2018, the 2018 Social Responsibility Report, the Work Report of the Audit Committee of the Board for the Year of 2018, the Work Report of the Risk Control Committee of the Board for the Year of 2018, the Work Report of the Development and Strategy Committee of the Board for the Year of 2018, the Work Report of the Remuneration and Nomination Committee of the Board for the Year of 2018, the 2018 Compliance Report, the Profit Distribution Plan for the Second Half of 2018, the Resolution on the Changes in Accounting Policies, the Financial Statement for the Year of 2018, the Resolution on the Re-appointment of Domestic and Overseas Auditing Firms for the Year of 2019, the 2018 Internal Control Assessment Report, the Evaluation and remuneration of the Directors of the Company for the Year of 2018, the Resolution on the Provision of Guarantee for Central China International Financial Holdings Company Limited, and the Resolution on the Grant of Authorization to Convene the 2018 Annual General Meeting;

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5. The Company convened the seventh meeting of the sixth session of the Board on 18 April 2019, and considered and approved the 2019 First Quarterly Report, the Resolution on Fulfillment of the Conditions for Non-public Issuance of A Shares by the Company, the Resolution on the Plan of the Non-public Issuance of A Shares by the Company, the Resolution on the Proposal of the Non-public Issuance of A Shares by the Company, the Resolution on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company, the Resolution on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company, the Resolution on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures, the Resolution on Shareholders' Return Plan for the Next Three Years (2019–2021), the Resolution on the Grant of Authorization to the Board and its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares, and the Resolution on the Convening of the 2018 Annual General Meeting, 2019 First Class Meeting for Holders of A Shares, and 2019 First Class Meeting for Holders of H Shares;
6. The Company convened the eighth meeting of the sixth session of the Board on 4 June 2019, and considered and approved the Resolution to Optimize the Equity Structure of the Hong Kong Subsidiary and the Resolution on Capital Reduction of the Wholly-owned Subsidiary Zhongding Kaiyuan Venture Capital Management Co., Ltd.;
7. The Company convened the ninth meeting of the sixth session of the Board on 4 July 2019, and considered and approved the Resolution on Equity Structure Adjustment and Asset Transfer of Central China International Financial Group;
8. The Company convened the tenth meeting of the sixth session of the Board on 27 August 2019, and considered and approved the Resolution on Consideration of the Half Year Report of 2019 and the Summary of the Report, the Interim Results Announcement for the Six Months ended 30 June 2019 and the 2019 Interim Report, the Profit Distribution Plan for the First Half of 2019, the Resolution on the Provision for Credit Impairment, the Resolution on Changing Securities Branches into Branch Offices, the Resolution on Determining the 2019 External Donation Budget and on Donations to Henan Charity General Federation and the Henan Province Foundation for Poverty Alleviation, the Resolution of the General Mandate for the Issuance of Onshore and Offshore Debt Financing Instruments of the Company, the Resolution on Adjusting the Volume of Estimated Ordinary Related Party/Continuing Connected Transactions for the Year of 2019, the Resolution on Revising the Annual Transaction Cap of Continuing Connected Transactions, the Resolution on the Amendments to the Articles of Association, and the Resolution on the Grant of Authorization to Convene the First Extraordinary General Meeting;
9. The Company convened the eleventh meeting of the sixth session of the Board on 19 September 2019, and considered and approved the Resolution on Setting up the Posts for the Chief Information Officer, Chief Investment Officer and Senior Management, the Proposal on the Appointment of Senior Management Personnel of Managers of the Company, and the Resolution on Amendments to the Internal Control System of Anti-money Laundering and Anti-terrorist Financing of Central China Securities Co., Ltd.;
10. The Company convened the twelfth meeting of the sixth session of the Board on 30 October 2019, and considered and approved the 2019 Third Quarterly Report, the Resolution on Provision for Impairment on Assets, the Resolution on Optimizing and Adjusting Three Branches, and the Resolution on Amendments to the 'Internal Control Assessment System of Central China Securities Co., Ltd.';

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11. The Company convened the thirteenth meeting of the sixth session of the Board on 15 November 2019, and considered and approved the Resolution on Donations to the Henan Province Foundation for Poverty Alleviation and Henan Provincial Samaritan Foundation;
12. The Company convened the fourteenth meeting of the sixth session of the Board on 11 December 2019, and considered and approved the Resolution on Additional External Donation Budgets and the Resolution on the Grant of Authorization to Establish Branches of Brokerage Businesses.

(III) Particulars of Directors' trainings

The Company attaches great importance to the continuous training for Directors to ensure that Directors have adequate knowledge of the Company's operations and businesses and their duties imposed by CSRC, SSE, Hong Kong Stock Exchange, the Articles of Association, and other relevant laws and regulations.

During the Reporting Period, the Company arranged a special training for all Directors and Supervisors and sent Monthly Performance Report to the Directors and Supervisors each month to keep them informed of the latest business development of the Company in a timely manner. Details of the trainings for Directors are specified as follows:

1. In June 2019, Mr. Lu Benson Cheng, being a Director, participated in the First Training Session for Directors, Supervisor and Senior Management of Listed Companies in Henan in 2019;
2. In July 2019, Mr. Yuen Chi Wai, Mr. Ning Jincheng and Mr. Yu Xugang, all being independent Directors, participated in the Third Follow-up Training Session for Independent Directors of Listed Companies organized by the SSE in 2019;
3. In September 2019, Mr. Jian Mingjun and Mr. Chang Junsheng, all being Directors, participated in the Follow-up Training for Securities Practitioners organized by the Securities Association of China.

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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 at the date of this preliminary results announcement, the composition of specialized committees under the Board of the Company is as follow:

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 three meetings with attendance by all members of the Development and Strategy Committee, and considered and approved the Resolution on the Establishment, Dissolution, and Adjustment of Function of Some Headquarters Departments, the Work Report of the Board for the Year of 2018, the Work Report of the President for the Year of 2018, the Work Report of the Development and Strategy Committee of the Board for the Year of 2018, the 2018 Social Responsibility Report, the Resolution on Fulfillment of the Conditions for Non-public Issuance of A Shares by the Company, the Resolution on the Plan of the Non-public Issuance of A Shares by the Company, the Resolution on the Proposal of the Non-public Issuance of A Shares by the Company, the Resolution on the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company, the Resolution on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company, the Resolution on the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures, the Resolution on Shareholders' Return Plan for the Next Three Years (2019–2021), and the Resolution on the Grant of Authorization to the Board and its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters Relating to the Non-public Issuance of A Shares, which were submitted to the Board for consideration.

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, and considered and approved the Resolution on Risk Preference and Tolerance for the Year of 2019, the Work Report of the Risk Control Committee of the Board for the Year of 2018, the 2018 Internal Control Assessment Report, and the 2018 Compliance Report, which were submitted to the Board for consideration.

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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 four meetings with attendance by all members, focusing mainly on matters in relation to the remuneration of the chairman of the Board and president of the Company, and the concurrent holding of the position of president by the chairman of the Board, the details of which are as follows: the Remuneration and Nomination Committee considered and approved the Resolution on the Appointment of Senior Management Personnel, the Resolution on Appointment and Removal of Vice President, the Work Report of the Remuneration and Nomination Committee of the Board for the Year of 2018, the Evaluation and remuneration of the Directors of the Company for the Year of 2018, and the Proposal on the Appointment of Senior Management Personnel of Managers of the Company, which were submitted to the Board for consideration.

The candidates for Director shall be nominated by the Board, or the shareholders individually or jointly holding no less than 3% of the total of the Company's shares according to the Articles of Association. The nomination methods and procedures of independent non-executive Directors shall be performed in accordance with the laws, regulations, relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed, and relevant rules in relation to independent non-executive directors. The name list of candidates for Directors and Supervisors shall be included in a proposal to be submitted to general meetings for approval. The qualifications of Directors, Supervisors, and independent non-executive Directors shall be filed or approved according to the relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed.

Before the name list of candidates for Directors is presented to the Board, the Remuneration and Nomination Committee must examine the name list and make suggestions to the Board and shareholders. The Remuneration and Nomination Committee will review the candidates' curriculum vitae, conduct due diligence on the candidates, and evaluate the candidates' education background, professional qualifications, and industry-related experience, characters, and integrity with reference to the diversity policy of the Board.

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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 seven meetings with attendance by all members, focusing mainly on discussing the Company's results announcement for the year ended 31 December 2018, 2018 annual report, profit distribution for 2018, re-appointment of domestic and overseas auditing firms, and the work report of the Audit Committee of the Board for the year of 2018 and giving suggestions to the Board. During the Reporting Period, the Audit Committee considered and approved the Resolution on the Provision for Credit Impairment, the Resolution on the Estimated Ordinary Related Party/Continuing Connected Transactions for the Year of 2019, the Resolution on Entering into of the Framework Agreement for Continuing Connected Transactions and Setting the Annual Transaction Caps, the Annual Report for the Year of 2018 (A Shares), the Annual Report for the Year of 2018 (H Shares) and the Results Announcement for the Year Ended 31 December 2018, the Work Report of the Audit Committee of the Board for the Year of 2018, the 2018 Compliance Report, the Profit Distribution Plan for the Second Half of 2018, the Final Accounts Report for the Year of 2018, the Resolution on the Re-appointment of Domestic and Overseas Auditing Firm for the Year of 2019, the Resolution on Changes in Accounting Policies, the 2018 Internal Control Assessment Report, the Resolution on the Provision of Guarantee or Counter-guarantee for Central China International Financial Holdings Company Limited and Its Subsidiaries, the 2019 First Quarterly Report, the Resolution on Equity Structure Adjustment and Asset Transfer of Central China International Financial Group, the Resolution on Consideration of the Half Year Report of 2019 and the Summary of the Report, the Interim Results Announcement for the Six Months ended 30 June 2019 and the 2019 Interim Report, the Profit Distribution Plan for the First Half of 2019, the Resolution on the Provision for Credit Impairment, the Resolution on Adjusting the Volume of Estimated Ordinary Related Party/Continuing Connected Transactions for the Year of 2019, the Resolution on Revising the Annual Transaction Caps for Continuing Connected Transactions, the 2019 Third Quarterly Report, the Resolution on Provision for Impairment on Assets, and the Resolution on Amendments to the Internal Control Assessment System of Central China Securities Co., Ltd.

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

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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	0	0	No	4
Cao Zongyuan	No	7	7	5	0	0	No	0
Zhang Xiansheng	No	7	5	5	0	0	No	0
Xie Junsheng	No	7	7	5	0	0	No	3
Xiang Siying	Yes	7	7	5	0	0	No	3
Xia Xiaoning	Yes	7	7	5	0	0	No	3
Han Junyang	No	4	4	3	0	0	No	0
Zhang Lu	No	7	7	5	0	0	No	4
Xiao Yichen	No	7	7	5	0	0	No	3
Zhang Huamin	No	3	3	2	0	0	No	4
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 9 January 2019, the Company convened the third meeting of the sixth session of the Supervisory Committee and considered and approved the Resolution on the Provision for Credit Impairment;
- On 25 February 2019, the Company convened the fourth meeting of the sixth session of the Supervisory Committee and considered and approved the Resolution on the Estimated Ordinary Related Party/Continuing Connected Transactions for the Year of 2019 and the Resolution on Entering into of the Framework Agreement for Continuing Connected Transactions and Setting the Annual Transaction Caps;

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3. On 28 March 2019, the Company convened the fifth meeting of the sixth session of the Supervisory Committee and considered and approved the Work Report of the Supervisory Committee for the year of 2018, the Profit Distribution Plan for the Second Half of 2018, the Resolution on Changes in Accounting Policies, the Final Accounts Report for the Year of 2018, the Annual Report for the Year of 2018 (A Shares) and the Summary of the Report, the Annual Report for the Year of 2018 (H Shares) and the Results Announcement for the Year Ended 31 December 2018, the 2018 Social Responsibility Report, the 2018 Compliance Report, the 2018 Internal Control Assessment Report, and the Evaluation and Remuneration of the Supervisors of the Company for the Year of 2018, and received the 2018 Annual Risk Management Report and the 2018 Audit Report;
4. On 18 April 2019, the Company convened the sixth meeting of the sixth session of the Supervisory Committee and considered and approved the 2019 First Quarterly Report;
5. On 4 July 2019, the Company convened the seventh meeting of the sixth session of the Supervisory Committee and considered and approved the Resolution on Equity Structure Adjustment and Asset Transfer of Central China International Financial Group;
6. On 27 August 2019, the Company convened the eighth meeting of the sixth session of the Supervisory Committee and considered and approved the Resolution on Consideration of the Half Year Report of 2019 and the Summary of the Report, the Interim Results Announcement for the Six Months ended 30 June 2019 and the 2019 Interim Report, the Profit Distribution Plan for the First Half of 2019, the Resolution on the Provision for Credit Impairment, the Resolution on Adjusting the Volume of Estimated Ordinary Related Party/Continuing Connected Transactions for the Year of 2019, and the Resolution on Revising the Annual Transaction Caps for Continuing Connected Transactions;
7. On 30 October 2019, the Company convened the ninth meeting of the sixth session of the Supervisory Committee and considered and approved the 2019 Third Quarterly Report and the Resolution on Provision for Impairment on Assets.

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VI. EXPLANATION ON LACK OF INDEPENDENCE OR INDEPENDENT OPERATING ABILITY IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATIONS, AND FINANCE BY THE COMPANY FROM ITS CONTROLLING SHAREHOLDER

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.

SECTION 8 CORPORATE GOVERNANCE REPORT

VIII. 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.

SECTION 8 CORPORATE GOVERNANCE REPORT

(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 defects in the internal control of the Company and the specific criteria for determination. 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 and sound 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 preliminary results announcement.

SECTION 8 CORPORATE GOVERNANCE REPORT

2. Procedures remedying the defects of the internal control

The internal control evaluation conducted annually by Company conducts self-evaluation on the effectiveness of the internal control, 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 various businesses, proposes rectifications and management recommendation for the problems identified during auditing, and urges the implementation of the rectifications; and the Compliance Department updates compliance management rules on a regular basis, 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 monitoring, identifications, 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 risk forms 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.

IX. ESTABLISHMENT OF COMPLIANCE MANAGEMENT SYSTEM OF THE COMPANY

(I) Establishment of compliance management system

The Board and management of the Company attached great importance to compliance management, with valuing compliance as the lifeline of the operation and development of the Company, and promoted the compliance culture throughout the Company, which gradually enhanced its capability to control compliance risks.

1. The Company built and continuously improved the organizational structure of compliance management. The Board determined the Company's objectives for compliance management and is responsible for the effectiveness of compliance management; the senior management is responsible for implementing the compliance management objectives and is responsible for compliance operations; the Supervisory Committee is responsible for monitoring the performance of compliance management duties by Directors and senior management; and the persons-in-charge of each unit under the Company are responsible for implementing the compliance management objectives of the unit and undertaking responsibility for the compliance operation of the unit. In respect of compliance management, the Company formed a four-tier vertical chain of compliance management covering the "Board, chief compliance officer, compliance management headquarters, and compliance officers of all departments", with the responsibilities of each level clearly defined and the reporting channels unimpeded. Being directly responsible to the Board, the chief compliance officer reviews, supervises, and inspects the compliance of operation and management of the Company and its staff; the compliance management headquarters is responsible to the compliance director and provides assistance for the work of the compliance director; and under the guidance of the compliance director and the compliance management headquarters, the compliance management personnel of each unit assist the persons-in-charge of the unit in implementing compliance management. The Company established a cooperative work mechanism between the compliance management department and other internal control departments, which effectively controlled the compliance operation of each unit of the Company.

SECTION 8 CORPORATE GOVERNANCE REPORT

2. Intensify efforts to implement the Company's compliance management. Firstly, it organized the revision and improvement of more than 17 compliance management systems according to the latest trend of supervision and actual situations of the Company in time, covering compliance management, compliance supervision and inspection, compliance publicity and training, compliance assessment and accountability, compliance performance guarantee, anti-money laundering, and core affairs management of the investment banking, and effectively improved the compliance management system of the Company. Secondly, the compliance publicity and training were vigorously promoted. The Company strengthened the compliance concept by using a combination of measures to continuously promote the compliance culture development. The Company actively organized the putting of the compliance system online, provided training on anti-money laundering operation practices and abnormal transactions for customers in the Sci-Tech Innovation Board, fully publicized the current regulatory situation, and communicated its compliance management requirements. In light of the regulatory focus and issues of frequent compliance risks in the industry, the Company released notices, prepared the regulatory case set, issued compliance newsletters, and sorted out compliance FAQs, to steadily enhance daily compliance publicity. Thirdly, the compliance supervision was reinforced. During the Reporting Period, the Company issued a variety of compliance supervision documents, urged from multiple perspectives each unit to strictly observe laws, regulations, and standards, and effectively identified and defused compliance risks. It constantly urged each unit to optimize their compliance management mechanism and working process, integrate the compliance management requirements into the system and process of each business, and realize the full process control over specific business through compliance management, which guaranteed the refined and feasible business system. Fourthly, the online compliance management platform was launched. The Company performed its compliance duties of consulting, auditing, inspection, publicity, and training online, achieved the organic integration of compliance management resources through a flexible process design and management module, and provided a unified interface to daily compliance management. With all this, the Company's compliance management efficiency was improved. As at the end of the Reporting Period, the Company's organizational system for compliance management operated effectively, all compliance management policies were effectively implemented, and the compliance management system operated well.

(II) Inspections completed by the compliance management department

In 2019, the Company organized or participated in a total of 20 internal inspections, including special inspections for bond trading compliance, compliance inspections for related parties of investment bank projects, investor suitability inspections, on-site branch inspections, on-site anti-money laundering inspections, special inspections for investment banking business, special inspections for compliance management of subsidiaries, and compliance inspections for asset management business in combination with the actual operation and management conditions according to the supervision and self-regulatory requirements. Through compliance inspection, 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.

X. 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 auditors, 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, carrying out audit works mainly on headquarters departments, branches, and subsidiaries of the Company. During the Reporting Period, the audit department of the Company completed 96 audits in total, including 6 ordinary audits to major business lines and function departments; 25 audits to the economic responsibility of the officers-in-charge and key personnels of each department, branch, and subsidiary; 61 ordinary audits to branches; and 4 ordinary audits to subsidiaries. It also organized and conducted 1 annual assessment on internal control of the Company and 1 assessment on internal control of the investment banking business. In addition, the audit department and the compliance control department formed a joint inspection team to conduct special inspections on certain businesses of the Company. Certain problems in the operational management of the Company were objectively reflected through supervision and inspection carried out by the auditors. The audit department continued to pay attention to the follow-up and rectification of the problems and deepened audit communication, 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.

SECTION 8 CORPORATE GOVERNANCE REPORT

XI. MONITORING OF RISK CONTROL INDEX 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 CSRC, and monitored, conducted warning for, and reported various indexes in strict accordance with 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 2019, 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. In 2019, 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, all risk control indicators including the Company's net capital met the 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 risk control indicators such as 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. To consider the further development requirements of all the businesses of the Company, in 2019, the Company continued to issue long-term subordinated bonds and prepared for private placement to continuously maintain and enforce its capital strength, according to its capital planning. The Company further intensified the capital management capability to enhance capital quality, to further improve capital's role in guiding and restricting the development of various businesses, continuously improved capital efficiency, and guaranteed sustainable, healthy, and rapid development of business lines with sufficient capital, thus maximizing value for the shareholders.

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.

SECTION 8 CORPORATE GOVERNANCE REPORT

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

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 one time during the Reporting Period. For details, please see the Articles of Association dated 3 January 2020 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 2019, the Company browsed the E Interactive Platform of Shanghai Stock Exchange 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) Review by the Audit Committee

The Audit Committee has reviewed the Company's unaudited annual results for the year of 2019 as set out in this preliminary results announcement.

(VIII) 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 preliminary results announcement, 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
2017 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	17 Central China 01	145644	2017/7/25	2020/7/26	15	5.15	Simple interest on an annual basis	SSE
2017 Subordinated Bonds (Tranche 2) of Central China Securities Co., Ltd.	17 Central China 02	145663	2017/11/16	2020/11/17	10	5.49	Simple interest on an annual basis	SSE
2018 Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	18 Central China 01	150323	2018/4/26	2021/4/27	15	5.58	Simple 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	2019/3/25	2022/3/26	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 F1	151407	2019/4/15	2020/4/16	15	3.8	Simple interest on an annual basis	SSE
2019 Non-Public Issuance of Subordinated Bonds (Tranche 1) of Central China Securities Co., Ltd.	19 Central China C1	162323	2019/10/30	2022/10/30	10	4.9	Simple interest on an annual basis	SSE

Interest payment and due repayment of corporate bonds

During the Reporting Period, the Company paid the interests of “17 Central China 01”, “17 Central China 02” and “18 Central China 01” in full as scheduled. “19 Central China 01”, “19 Central China F1” and “19 Central China C1” have not reached the maturity date and interest payment date and no due repayment or interest payment occurred.

SECTION 9 INFORMATION ON CORPORATE BONDS ISSUED BY THE COMPANY

II. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

For “17 Central China 01”, “17 Central China 02” and “18 Central China 01” subordinated bonds, the uses of proceeds agreed in the respective prospectuses are to satisfy the business operational needs of the Company, adjust debt structures of the Company and replenish the liquidity of the Company. The Company used the proceeds in strict compliance with the uses of proceeds agreed in the respective prospectuses. All proceeds were utilized 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 prospectus of “19 Central China 01” is to repay due debts, adjust and optimize debt structures and eliminate financial risks; such proceeds are otherwise used to replenish working capital and satisfy the business operational needs of the Company. After deducting issuance expenses, the Company strictly complied with the use of proceeds agreed in the prospectus. All proceeds were utilized to repay principal and pay interest of due interest-bearing debts, with no remaining amount recorded as of the end of the Reporting Period. The use of proceeds set out in the prospectus of “19 Central China F1” is to repay principal and pay interest of matured debts. The Company strictly complied with the use of proceeds agreed in the prospectus. All proceeds were utilized 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 prospectus of “19 Central China C1” is to repay the matured or repurchased debt financing instruments after deducting issuance expenses. The Company strictly complied with the use of proceeds agreed in the prospectus. All proceeds were utilized to repay principal and pay interest of matured debts, with the proceed amount of RMB534 million recorded as of the end of the Reporting Period.

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

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

IV. 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 RMB16 billion, in which RMB3.552 billion was utilized and in normal use. During the Reporting Period, various banking borrowings obtained by the Company have no breach or delay in repayment of principal and payment of interests.

V. IMPLEMENTATION OF AGREEMENTS OR COMMITMENTS AS SPECIFIED IN THE PROSPECTUS IN CONNECTION WITH ISSUANCE OF CORPORATE BONDS DURING THE REPORTING PERIOD

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

VI. 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 Issue and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》).

SECTION 10 UNAUDITED FINANCIAL INFORMATION

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UNAUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

(All amounts in RMB'000 unless otherwise stated)

		Year ended 31 December	
	Note	2019 (Unaudited)	2018 (Audited)
Revenue			
— Commission and fee income	3	1,146,159	910,394
— Interest income	4	979,726	1,291,898
— Net investment gains	5	722,269	347,964
		2,848,154	2,550,256
Other operating income		627,615	307,661
Total revenue and other income		3,475,769	2,857,917
Commission and fee expenses		(185,030)	(175,036)
Interest expenses		(951,228)	(1,032,165)
Staff costs		(889,463)	(635,930)
Depreciation and amortization		(129,423)	(74,005)
Other operating expenses		(887,473)	(542,173)
Impairment losses	6	(359,459)	(319,576)
Total expenses		(3,402,076)	(2,778,885)
Operating profit		73,693	79,032
Share of profit of associates		42,425	22,086
Profit before income tax		116,118	101,118
Income tax expense	7	(41,035)	(5,260)
Profit for the year		75,083	95,858
Attributable to:			
Equity holders of the Company		58,223	65,789
Non-controlling interests		16,860	30,069
		75,083	95,858
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
— Basic and diluted	8	0.02	0.02

The unaudited accompanying notes form an integral part of these unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019
(All amounts in RMB'000 unless otherwise stated)

	Year ended 31 December	
<i>Note</i>	2019 (Unaudited)	2018 (Audited)
Profit for the year	75,083	95,858
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Share of other comprehensive income of associates	2,251	—
Financial assets at fair value through other comprehensive income		
— Changes in fair value	2,939	4,469
— Income tax effect on changes in fair value	(735)	(1,117)
Foreign currency translation differences	7,962	40,847
Other comprehensive income for the period, net of tax	12,417	44,199
Total comprehensive income for the period	87,500	140,057
Total comprehensive income attributable to:		
— Equity holders of the Company	66,559	88,748
— Non-controlling interests	20,941	51,309
	87,500	140,057

The unaudited accompanying notes form an integral part of these unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(All amounts in RMB'000 unless otherwise stated)

		As at 31 December	
	Note	2019 (Unaudited)	2018 (Audited)
Assets			
Non-current assets			
Property and equipment		228,610	229,038
Right-of-use assets		275,295	
Investment properties		17,290	18,105
Goodwill		22,372	22,042
Intangible assets		66,893	158,630
Investment in associates		1,104,721	939,294
Financial assets at fair value through other comprehensive income		460,695	471,936
Financial assets at fair value through profit or loss	9	1,278,147	1,095,561
Financial assets at amortized costs		10,248	5,089
Financial assets held under resale agreements		13,210	378,822
Loans and advances to customers		93,141	275,904
Deferred income tax assets		345,626	251,316
Refundable deposits		395,170	282,711
Other non-current assets		29,328	25,759
Total non-current assets		4,340,746	4,154,207
Current assets			
Margin accounts receivable	10	6,060,740	4,720,498
Financial assets at fair value through other comprehensive income		204,001	253,692
Financial assets at fair value through profit or loss	9	15,948,871	12,836,196
Financial assets at amortized cost		628,042	688,805
Financial assets held under resale agreements		3,010,679	8,537,746
Loans and advances to customers		994,885	967,819
Derivative financial assets		11,384	62,986
Clearing settlement funds		2,518,050	2,340,353
Cash held for brokerage clients		6,581,562	4,654,821
Cash and bank balances		2,750,186	2,606,941
Other current assets		520,756	321,865
Total		39,229,156	37,991,722
Assets classified as held for sale		—	9,353
Total current assets		39,229,156	38,001,075
Total assets		43,569,902	42,155,282
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	11	3,869,071	3,869,071
Reserves		5,713,904	5,843,673
Retained earnings		88,232	238,155
Equity attributable to equity holders of the Company		9,671,207	9,950,899
Non-controlling interests		826,578	1,324,141
Total equity		10,497,785	11,275,040

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019
(All amounts in RMB'000 unless otherwise stated)

		As at 31 December	
	<i>Note</i>	2019 (Unaudited)	2018 (Audited)
Liabilities			
Non-current liabilities			
Financial assets sold under repurchase agreements		—	1,502,926
Bonds payable	12	4,623,940	4,097,519
Bank loans		13,203	—
Lease liabilities		91,446	
Deferred income tax liabilities		8,258	3,461
Total non-current liabilities		4,736,847	5,603,906
Current liabilities			
Financial assets sold under repurchase agreements		8,721,089	8,668,864
Bonds payable	12	4,080,866	4,136,652
Bank loans		1,568,748	1,874,987
Lease liabilities		86,391	
Financial liabilities at fair value through profit or loss		1,114,552	380,028
Tax payable		56,986	59,563
Short-term notes payable		374,581	537,577
Due to other financial institutions	13	2,361,160	2,241,402
Derivative financial liabilities		84	—
Accounts payable to brokerage clients		8,895,067	6,561,060
Other current liabilities		1,075,746	816,203
Total current liabilities		28,335,270	25,276,336
Total liabilities		33,072,117	30,880,242
Total equity and liabilities		43,569,902	42,155,282

The unaudited accompanying notes form an integral part of these unaudited consolidated financial statements.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets/liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, which have been measured at fair value, as further explained in the respective accounting policies below. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2 THE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

2 THE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1 January 2019

Operating lease commitments disclosed as at 31 December 2018	237,637
Less: short-term leases recognised on a straight-line basis as expense	(8,427)
Subtotal	229,210
Less: taxes	(6,614)
Total	132,279

As at 1 January 2019, the date of initial application, lease liability discounted using the lessee's incremental borrowing rate	126,594
Of which are	
Current lease liabilities	43,615
Non-current lease liabilities	82,979

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

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

1 January 2019

Buildings	158,369
Land use rights	90,317

3 COMMISSION AND FEE INCOME

	Year ended 31 December	
	2019 (Unaudited)	2018 (Audited)
Securities brokerage	613,891	486,527
Underwriting and sponsorship	143,735	47,762
Financial advisory	109,789	79,571
Investment advisory	78,741	52,366
Futures brokerage	81,473	110,237
Asset management and fund management	82,983	104,218
Listing service and others	35,547	29,713
Total	1,146,159	910,394

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

4 INTEREST INCOME

	Year ended 31 December	
	2019 (Unaudited)	2018 (Audited)
Margin financing and securities lending	389,238	418,923
Bank deposits	211,953	176,974
Financial assets held under resale agreements	193,981	509,854
Loans and advances to customers	100,539	126,022
Financial assets at fair value through other comprehensive income	45,067	14,744
Financial assets at amortized costs	38,948	45,358
Others	—	23
Total	979,726	1,291,898

5 NET INVESTMENT GAINS

	Year ended 31 December	
	2019 (Unaudited)	2018 (Audited)
Dividends and interest income from financial assets at fair value through profit or loss	676,473	569,389
Net gain/(losses) from financial assets at fair value through profit or loss	25,468	(210,040)
Net (losses)/gains from financial liabilities at fair value through profit or loss	(8,395)	124
Net losses from derivative financial instruments	(36,565)	(6,893)
Net losses from financial assets at fair value through other comprehensive income	11,813	—
Net gains from disposal of associates	54,249	2,076
Others	(774)	(6,692)
Total	722,269	347,964

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

6 IMPAIRMENT LOSSES

	Year ended 31 December	
	2019 (Unaudited)	2018 (Audited)
Financial assets held under resale agreements	177,420	209,817
Loans and advances to customers	39,402	42,348
Margin accounts receivable	5,408	14,518
Financial assets at amortized cost	121,734	15,467
Financial assets at fair value through other comprehensive income	17	131
Investment in associates	—	28,714
Others	15,478	8,581
Total	359,459	319,576

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2019 (Unaudited)	2018 (Audited)
Current		
— Mainland China	133,460	82,777
— Hong Kong	(2,664)	15,956
Total	130,796	98,733
Deferred	(89,761)	(93,475)
Total	41,035	5,260

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

7 INCOME TAX EXPENSE (Continued)

The PRC income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December	
	2019 (Unaudited)	2018 (Audited)
Profit before income tax	116,118	101,118
Tax calculated at applicable statutory tax rate of 25%	29,029	25,280
Effects of different applicable rates of tax prevailing in various regions	29,272	814
Income not subject to tax ⁽¹⁾	(38,861)	(26,597)
Items not deductible for tax purposes ⁽²⁾	5,084	4,332
Others	16,511	1,431
Total	41,035	5,260

- (1) The income not subject to tax mainly represents interest income arising from PRC treasury bonds and equity investment dividends, which is income tax free in accordance with the PRC tax regulations.
- (2) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses in excess of the relevant deductible thresholds under the relevant PRC tax regulations.

8 EARNINGS PER SHARE

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

	Year ended 31 December	
	2019 (Unaudited)	2018 (Audited)
Profit attributable to shareholders of the Company	58,223	65,789
Weighted average number of ordinary shares in issue	3,869,071	3,916,400
Basic and diluted earnings per share (in RMB yuan)	0.02	0.02

For year ended 31 December 2019 and 2018, there were no potential dilutive ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Non-current		
Equity investments for unlisted companies	695,610	667,073
Debt securities	261,781	20,000
Trust scheme products	—	100,233
Fund investments	308,102	90,902
Asset management schemes	12,654	217,353
Total	1,278,147	1,095,561
Analyzed into:		
Listed outside Hong Kong	226,849	—
Listed in Hong Kong	13,271	—
Unlisted	1,038,027	1,095,561
Total	1,278,147	1,095,561
Current		
Debt securities	13,548,486	8,822,289
Fund investments	1,382,978	2,487,450
Equity securities	752,766	1,091,910
Wealth management products	163,533	303,816
Asset management schemes	101,108	81,231
Trust scheme products	—	49,500
Total	15,948,871	12,836,196
Analyzed into:		
Listed outside Hong Kong	14,146,111	9,360,332
Listed in Hong Kong	1,215	104,434
Unlisted	1,801,545	3,371,430
Total	15,948,871	12,836,196

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

10 MARGIN ACCOUNT RECEIVABLE

	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Margin accounts receivable		
— Individuals	5,820,790	4,428,457
— Institutions	310,947	372,334
Subtotal	6,131,737	4,800,791
Less: Impairment allowance	(70,997)	(80,293)
Total	6,060,740	4,720,498

As at 31 December 2019, the Group received collateral with fair value amounted to RMB18,251.03 million (31 December 2018: RMB13,540.89 million) in margin financing business.

11 SHARE CAPITAL

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

	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Issued and fully paid ordinary shares of RMB1.00 each		
— Domestic shares	2,673,706	2,673,706
— H shares	1,195,365	1,195,365
Total	3,869,071	3,869,071
Share Capital		
— Domestic shares	2,673,706	2,673,706
— H shares	1,195,365	1,195,365
Total	3,869,071	3,869,071

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

12 BONDS PAYABLE

Non-current liabilities

	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Subordinated bonds	2,565,557	4,097,520
Corporate bond	2,058,383	—
Total	4,623,940	4,097,520

Current liabilities

	31 December 2019	31 December 2018
Subordinated bonds	2,540,420	2,573,068
Corporate bond	1,540,446	1,563,583
Total	4,080,866	4,136,651

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

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

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

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

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

On 30 October 2019, the Group issued RMB1.00 billion three-year subordinated bonds at par value, paying annual interest at 4.90%.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

13 SHORT-TERM NOTES PAYABLE

	31 December 2019 (Unaudited)	31 December 2018 (Audited)
Beneficiary certificates	374,581	537,577

As at 31 December 2019, the annual interest rates on the short-term notes payable are in the range of 2.75% to 6.00%.

14 DIVIDENDS

Under the Company Law of the PRC and the Company's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up cumulative losses from prior years, if any;
- (ii) 10% and 5% of the Company's profit is appropriated to the non-distributable statutory surplus reserve and discretionary surplus reserve;
- (iii) 11% of the Company's profit is appropriated to the non-distributable general reserve;
- (iv) 10% of the Company's profit is appropriated to the non-distributable transaction risk reserve;
- (v) Appropriations to the discretionary reserve with approval from the General Meetings of Shareholders; These funds form part of the shareholders equity.

The Profit Distribution Plan for the first half of 2018 was approved in the 2018 second extraordinary general shareholders' meeting held on 16 October 2018 in Zhengzhou. Total dividend of RMB38,690,707.00 was declared and paid out as of 31 December 2018 (RMB0.01 per share, tax inclusive).

The Profit Distribution Plan for the first half of 2019 was approved in the 2019 first extraordinary general shareholders' meeting held on 07 November 2019 in Zhengzhou. Total dividend of RMB77,381,414.00 was declared and paid out as of 31 December 2019 (RMB0.02 per share, tax inclusive).

In accordance with the relevant regulations, upon the occurrence of certain events, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with PRC Accounting Standards and (ii) the retained profit determined in accordance with IFRSs.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

15 SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide.

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

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

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

15 SEGMENT INFORMATION (Continued)

	Year ended 31 December 2019 (Unaudited)							
	Brokerage business	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total
Total revenue and other income								
Commission and fee income	788,611	216,795	—	(64,785)	(46,464)	(39,342)	9,838	(1,146,159)
Interest income	393,298	—	(145,453)	(25,410)	(34,596)	(396,294)	15,325	(979,726)
Net investment gains/(loss) and share of profits and losses of associates	17,982	—	(785,843)	(125,151)	169,612	(104,974)	99,644	(764,694)
Other gains/(loss)	590,207	200	(2,236)	(392)	1,931	(37,797)	1,286	(627,615)
Total expenses	(1,602,290)	(209,149)	638,639	50,649	241,124	687,817	(27,592)	3,402,076
Profit before income tax	187,808	7,846	(294,893)	(165,089)	331,607	109,410	98,501	(116,118)

	Year ended 31 December 2018 (Audited)							
	Brokerage business	Investment banking	Proprietary trading	Investment and asset management	Overseas business	Other	Elimination	Total
Total revenue and other income								
Commission and fee income	621,547	94,654	—	75,905	87,577	33,828	(3,117)	910,394
Interest income	406,864	—	283,176	34,570	44,647	522,641	—	1,291,898
Net investment gains/(loss) and share of profits and losses of associates	250	—	290,271	115,592	49,175	(70,585)	(14,653)	370,050
Other gains/(loss)	279,572	400	13,225	3,496	2,894	9,370	(1,296)	307,661
Total expenses	(1,075,616)	(136,143)	(555,697)	(79,926)	(193,872)	(741,974)	4,343	(2,778,885)
Profit before income tax	232,617	(41,089)	30,975	149,637	(9,579)	(246,720)	(14,723)	101,118

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB'000 unless otherwise stated)

17 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(1) Non-public issuance of new shares

On October 15, 2019, the Company submitted the Approval for the Non-public Issuance of New Shares by Listed Companies to the China Securities Regulatory Commission (hereinafter referred to as the "China Securities Regulatory Commission"). The company's non-public issuance of A shares is subject to the China Securities Regulatory Commission's approval.

(2) Non-public issuance of corporate bonds and subordinated corporate bonds

On March 24, 2020, the Company received the "No Objection Letter about the Listing Transfer of Corporate Bonds Non-public Issued by Central China Securities Co., Ltd." (Shang Zheng Han [2020] No. 543) and the "No Objection Letter about the Listing Transfer of Subordinated Corporate Bonds Non-public Issued by Central China Securities Co., Ltd." (Shang Zheng Han [2020] No. 544). According to the above no-objection letters, the company meets the transfer conditions of corporate bonds and subordinated bonds listed on the Shanghai Stock Exchange, and the company will issue corporate bonds and subordinate corporate bonds non-publicly.

(3) Evaluation of the impact of "COVID-19 outbreak"

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak, evaluate and actively response to its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

SECTION 11 INFORMATION DISCLOSURE OF SECURITIES COMPANY

I. RELEVANT INFORMATION ABOUT SIGNIFICANT ADMINISTRATIVE LICENSING ISSUES OF THE COMPANY

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

Newly established securities branches	Relocation of branch offices	Relocation of securities branches
3	2	8

1. Administrative licensing of establishment of new securities branches during the Reporting Period

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

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

No.	Name of branch office before relocation	Name of branch office after relocation	New address	Date of license
1	Central China Securities Co., Ltd. Yellow River Golden Triangle Demonstration Area Branch Office	Central China Securities Co., Ltd. Yellow River Golden Triangle Demonstration Area Branch Office	2F, Building 4-6, Jinxiuhuating, Daling Road, Sanmenxia City, Henan Province	21 August 2019
2	Central China Securities Co., Ltd. Beijing Branch Office	Central China Securities Co., Ltd. Beijing Branch Office	Room 1611, 16F, Main Building, North Tower, Yuetan Mansion, No. 2 Yuetan North Street, Xicheng District, Beijing	14 August 2019

SECTION 11 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	License obtained on
1	Central China Securities Co., Ltd. Dengfeng Shaolin Avenue Securities Branch	Central China Securities Co., Ltd. Dengfeng Shaolin Avenue Securities Branch	Shaolin Avenue, Dengfeng City, Henan Province (West Hall, 1F of Shaolin International Hotel)	14 October 2019
2	Central China Securities Co., Ltd. Changge Baqi Road Securities Branch	Central China Securities Co., Ltd. Changge Chenshi Road Securities Branch	Intersection of Chenshi Road and Tianping Road, Changge City, Henan Province	19 September 2019
3	Central China Securities Co., Ltd. Guangshan Xinglong Road Securities Branch	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	2 July 2019
4	Central China Securities Co., Ltd. Yichuan Yugang Avenue Securities Branch	Central China Securities Co., Ltd. Yichuan Renmin East Road Securities Branch	3F, Building 1, Shengfu Jiayuan, North of Renmin East Road, Binhe New District, Yichuan County, Luoyang City, Henan Province	26 August 2019
5	Central China Securities Co., Ltd. Shanghai Chongming Chenjia Town Securities Branch	Central China Securities Co., Ltd. Shanghai Mudanjiang Road Securities Branch	Unit C404, No. 318 Mudanjiang Road, Baoshan District, Shanghai	28 August 2019
6	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	Central China Securities Co., Ltd. Beijing Jiuxianqiao Road Securities Branch	Room 909, 9F, Building 53, No. 14, Jiuxianqiao Road, Chaoyang District, Beijing	6 June 2019
7	Central China Securities Co., Ltd. Beijing Guang'anmenwai Avenue Securities Branch	Central China Securities Co., Ltd. Beijing Yuetan North Street Securities Branch	Room 1601 and 1602, 16F, Main Building, North Block, Yuetan Mansion, No. 2 Yuetan North Street, Xicheng District, Beijing	14 August 2019
8	Central China Securities Co., Ltd. Xi'an Weiyang Road Securities Branch	Central China Securities Co., Ltd. Xi'an Youyi East Road Securities Branch	3F, Block A, Fanmei Building, No.1 Nanguanzheng Street, Beilin District, Xi'an, Shaanxi Province	20 November 2019

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

No.	Date	Content
1	29 October 2019	The Company received the Reply on Approval for Qualification of Han Junyang and Li Feng as Senior Management of Securities Company (Yu Zheng Jian Fa [2019] No. 270) (《關於核准韓軍陽、李峰證券公司經理層高級管理人員任職資格的批覆》(豫證監發[2019]270號)) issued by Henan Branch of the CSRC, which approved the appointment of Han Junyang and Li Feng as senior management of the securities company.

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

The Company was rated "BBB" in the category "B" by the CSRC in the 2019 classification and evaluation of securities companies.