
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your securities broker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Central China Securities Co., Ltd., you should at once hand this circular together with the enclosed proxy form to the purchaser or the transferee or to the bank, securities broker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

- (1) PROFIT DISTRIBUTION PLAN FOR THE SECOND HALF OF 2021**
 - (2) RE-APPOINTMENT OF AUDITING FIRM FOR THE YEAR OF 2022**
 - (3) EVALUATIONS AND REMUNERATION OF THE DIRECTORS
FOR THE YEAR OF 2021**
 - (4) EVALUATIONS AND REMUNERATION OF THE SUPERVISORS
FOR THE YEAR OF 2021**
 - (5) PROPOSED PROVISION OF GUARANTEE OR COUNTER GUARANTEE
FOR CENTRAL CHINA INTERNATIONAL**
 - (6) BUSINESS SCALE AND AFFORDABLE RISK LIMITS OF
SECURITIES PROPRIETARY TRADING FOR THE YEAR OF 2022**
 - (7) PROPOSED CHANGE OF SHAREHOLDER REPRESENTATIVE SUPERVISOR**
 - (8) PROPOSED NON-PUBLIC ISSUANCE OF NEW A SHARES
UNDER SPECIFIC MANDATE
AND**
 - (9) NOTICE OF 2021 ANNUAL GENERAL MEETING**
-

Letter from the Board is set out on pages 4 to 25 of this circular.

The AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting of the Company will be held at 9:30 a.m., 11:00 a.m. or immediately after the conclusion of the AGM or its any adjournment thereof (whichever is the later) and 11:30 a.m. or immediately after the conclusion of the A Shareholders' Class Meeting or its any adjournment thereof (whichever is the later) respectively, on Friday, 24 June 2022 at Conference Room, 17th Floor, Zhongyuan Guangfa Financial Building, No. 10 Shangwu Waihuan Road, Zhengzhou, Henan Province, the PRC. The Notice of AGM and Notice of H Shareholders' Class Meeting are set out on pages 26 to 31 of this circular.

The proxy forms for the AGM and the H Shareholders' Class Meeting are attached to this circular. Whether or not you are able to attend the AGM and the H Shareholders' Class Meeting in person, you are requested to complete and return the applicable proxy form in accordance with the instructions printed thereon as soon as possible. In case of holders of H Shares, the proxy form shall be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 24 hours before the time scheduled for holding the AGM and the relevant meeting or its any adjournment thereof (as the case may be) or the time appointed for the taking of the poll. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the relevant meetings or any adjournment thereof if you so desire.

26 May 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the expressions below have the meanings assigned:

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| “A Share(s)” | domestic listed ordinary share(s) 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 Shanghai Stock Exchange |
| “A Shareholder(s)” | the holder(s) of A Shares |
| “A Shareholders’ Class Meeting” | the first A Shareholders’ Class Meeting in 2022 to be held at 11:00 a.m. on Friday, 24 June 2022 or immediately after the conclusion of the AGM or its any adjournment thereof (whichever is the later) |
| “AGM” | the annual general meeting for the year 2021 (or its any adjournment thereof) of the Company to be convened and held at 9:30 a.m. on Friday, 24 June 2022 at Conference Room, 17th Floor, Zhongyuan Guangfa Financial Building, No. 10 Shangwu Waihuan Road, Zhengzhou, Henan Province, the PRC |
| “Articles of Association” | the articles of association of the Company as amended from time to time |
| “Board” | the board of the Directors of the Company |
| “Class Meetings” | the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting |
| “Company” | Central China Securities Co., Ltd. (中原证券股份有限公司) (carrying on business in Hong Kong as “中州证券”), a joint stock company incorporated on 8 November 2002 in Henan Province, the PRC with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01375) and the Shanghai Stock Exchange (stock code: 601375), respectively |

DEFINITIONS

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|---------------------------------|---|
| “Company Law” | the Company Law of the People’s Republic of China |
| “CSRC” | the China Securities Regulatory Commission |
| “Central China International” | Central China International Financial Holdings Company Limited (中州國際金融控股有限公司), which is a wholly-owned subsidiary of the Company |
| “Central China Blue Ocean” | Central China Blue Ocean Investment Management Company Limited (中州藍海投資管理有限公司) |
| “Director(s)” | the director(s) of the Company |
| “EUR” | Euro, the lawful currency of European Union |
| “H Share(s)” | 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 |
| “H Shareholder(s)” | the holder(s) of H Shares |
| “H Shareholders’ Class Meeting” | the first H Shareholders’ Class Meeting in 2022 to be held at 11:30 a.m. on Friday, 24 June 2022 or immediately after the conclusion of the A Shareholders’ Class Meeting (whichever is the later) or its any adjournment thereof |
| “HKD” | Hong Kong Dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Latest Practicable Date” | 20 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |

DEFINITIONS

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| “Ministry of Finance” | Ministry of Finance of the People’s Republic of China |
| “New Third Board” or “NEEQ” | National Equities Exchange and Quotations |
| “Non-public Issuance” | the proposed non-public issuance of no more than 1,392,865,410 (inclusive) new A Shares by the Company to no more than 35 target subscribers (inclusive) |
| “PRC” or “China” | the People’s Republic of China |
| “RMB” | the lawful currency of the PRC, Renminbi, the basic unit of which is “yuan” |
| “Securities Law” | the Securities Law of the People’s Republic of China |
| “Share(s)” | ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including A Shares and H Shares |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “STAR Market” | science and technology innovation board of the Shanghai Stock Exchange |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Supervisory Committee” | the supervisory committee of the Company |
| “USD” | United States Dollars, the lawful currency of the United States of America |
| “ZDKY Venture Capital” | Zhongding Kaiyuan Venture Capital Management Co., Ltd. (中鼎開源創業投資管理有限公司) |
| “%” | per cent. |

LETTER FROM THE BOARD



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)

Executive Director:

Mr. JIAN Mingjun (*Chairman*)

Non-executive Directors:

Mr. LI Xingjia

Ms. ZHANG Qiuyun

Mr. TANG Jin

Mr. TIAN Shengchun

Mr. ZHANG Xiaoqi

Mr. LU Benson Cheng

Independent Non-executive Directors:

Ms. ZHANG Dongming

Mr. CHEN Zhiyong

Mr. TSANG Sung

Mr. HE Jun

Registered Address in the PRC:

No. 10 Shangwu Waihuan Road

Zhengdong New District

Zhengzhou, Henan Province

China

Headquarters/Principal Place of

Business in the PRC:

No. 10 Shangwu Waihuan Road

Zhengdong New District

Zhengzhou, Henan Province

China

Principal Place of Business in Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

26 May 2022

To the Shareholders

Dear Sir or Madam,

- (1) PROFIT DISTRIBUTION PLAN FOR THE SECOND HALF OF 2021**
- (2) RE-APPOINTMENT OF AUDITING FIRM FOR THE YEAR OF 2022**
- (3) EVALUATIONS AND REMUNERATION OF THE DIRECTORS
FOR THE YEAR OF 2021**
- (4) EVALUATIONS AND REMUNERATION OF THE SUPERVISORS
FOR THE YEAR OF 2021**
- (5) PROPOSED PROVISION OF GUARANTEE OR COUNTER GUARANTEE
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LETTER FROM THE BOARD

I. INTRODUCTION

Ordinary resolutions (among other things) will be presented at the AGM to be approved: (1) the profit distribution plan for the second half of 2021; (2) re-appointment of auditing firm for the year of 2022; (3) evaluations and remuneration of the Directors for the year of 2021; (4) evaluations and remuneration of the Supervisors for the year of 2021; (5) proposed provision of guarantee or counter guarantee for Central China International; (6) business scale and affordable risk limits of securities proprietary trading for the year of 2022; (7) proposed change of shareholder representative supervisor; and special resolution will be proposed to approve (8) the proposed Non-public Issuance of new A Shares under specific mandate.

The purpose of this circular is to provide you with details of the aforementioned matters, and set out the Notice of AGM.

II. PROFIT DISTRIBUTION PLAN FOR THE SECOND HALF OF 2021

As audited by Da Hua Certified Public Accountants (Special General Partnership), the Company's net profit attributable to owners of the parent company for 2021 was RMB513,210,337.25. After the withdrawal of the surplus reserve and various risk reserves, the distributable profit realized in 2021 was RMB350,329,112.11. As of 31 December 2021, the distributable profits of the parent company was RMB426,335,070.44.

As considered and approved by the Board, the Company proposes to distribute profits for the second half of 2021 based on the total share capital registered on the record date for payment of the cash dividend. The Company proposes to distribute a cash dividend of RMB0.21 (tax inclusive) for every 10 Shares to all Shareholders. As calculated based on the total share capital of the Company as of 31 December 2021, the total cash dividend of RMB97,500,578.70 (tax inclusive) will be distributed. Given that the Company had distributed a cash dividend of RMB78,929,039.90 (tax inclusive) for the first half of 2021, the accumulated cash dividend distributed for the year amounts to RMB176,429,618.60 (tax inclusive), representing 34.38% of the net profit attributable to owners of the parent company for 2021. In the event of change in total share capital of the Company after the date of the Board meeting approving the profit distribution plan for the second half of 2021 and before the record date for payment of the cash dividend, the total distribution amount will be kept unchanged and the rate will be adjusted accordingly. No capital reserves will be converted into share capital and no bonus shares will be distributed by the Company.

LETTER FROM THE BOARD

On 25 March 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the profit distribution plan of the Company for the second half of 2021 at the AGM by way of an ordinary resolution. After the profit distribution plan of the Company for the second half of 2021 is considered and approved by the AGM, payment of the second half of 2021 cash dividend will be made before 31 August 2022.

III. RE-APPOINTMENT OF AUDITING FIRM FOR THE YEAR OF 2022

In 2021, the Company engaged Da Hua Certified Public Accountants (Special General Partnership) (hereinafter referred to as “Da Hua”) as the auditor for financial reporting and internal control. During the audit process, Da Hua complied with the auditing standards and laws and regulations, abided by professional ethics, possessed professional competence, diligently and responsibly, and earnestly performed the duties of the audit firm, and completed the audit work independently, objectively and fairly.

In order to maintain the continuity of audit work, based on the professional standards and service experience of Da Hua, the Company proposes to re-appoint Da Hua as the auditor of the Company for 2022 for a term of one year to be responsible for the provision of domestic and overseas audit services in accordance with the China Accounting Standards for Business Enterprises. The audit and review fees of the Company for 2022 amounted to RMB1,620,000 (including interim review fees of RMB250,000, annual financial and special regulatory report audit fees of RMB1 million, and internal control audit fees of RMB370,000), representing an increase of 71% as compared with last year. The audit fees for the current period were determined with reference to the fee level of the industry, combined with the nature, risk size, complexity and other factors of audit services. If the audit fees increase due to the new audit contents, it is proposed to the AGM to authorize the Board to determine the adjustment matters of the relevant audit fees.

On 29 April 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the re-appointment of the auditing firm for the year of 2022 at the AGM by way of an ordinary resolution.

IV. EVALUATIONS AND REMUNERATION OF THE DIRECTORS FOR THE YEAR OF 2021

According to the requirements of the Company Law, the Governance Standards for Securities Companies (《證券公司治理準則》), the Governance Standards for Listed Companies (《上市公司治理準則》) and the Articles of Association, the evaluation and remuneration of the Directors of the Company for the year of 2021 is set out below:

LETTER FROM THE BOARD

(I) Performance by and Evaluation on Directors

In 2021, the Company held 15 Board meetings and two general meetings. All the Directors of the Board lawfully, faithfully and diligently performed their statutory obligations, attended Board meetings and meetings of special committees in accordance with requirements, carefully considered the proposals, and offered advices and suggestions in professional manners regarding the reform and renovation, significant matters, related party transactions, internal control, compliance management, risk control, system establishment, social responsibilities, etc. of the Company, which ensured that the decision-making of the Board is compliant, scientific and standardized, guaranteed the truthfulness, accuracy and completeness of the information disclosed by the Company and duly protected the interests of Shareholders. In 2021, none of the Directors had committed any irregularity.

(II) Payment of Remuneration of Directors in 2021

The remuneration of Directors comprises of allowances and other remunerations. The remuneration of the internal Directors is determined based on their specific positions in the Company with reference to the relevant remuneration and evaluation system of the Company. The allowances of the external Directors are paid on monthly basis, and the external Directors are not entitled to other remunerations other than the allowances from the Company. For details of payment of remunerations to the Directors by the Company in 2021, please refer to the 2021 Annual Report of Central China Securities Co., Ltd. disclosed on the website of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

On 25 March 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the evaluations and remuneration of the Directors of the Company for the year of 2021 at the AGM by way of an ordinary resolution.

V. EVALUATIONS AND REMUNERATION OF THE SUPERVISORS FOR THE YEAR OF 2021

According to the requirements of the Company Law, the Governance Standards for Securities Companies (《證券公司治理準則》), the Governance Standards for Listed Companies (《上市公司治理準則》) and the Articles of Association, the evaluations and remuneration of the Supervisors of the Company for the year of 2021 is set out below:

LETTER FROM THE BOARD

(I) Basic Information of the Supervisors

The Company appointed and changed the Supervisors in strict compliance with the Articles of Association. On 15 October 2021, the Company convened the 22nd meeting of the sixth session of the Supervisory Committee, at which the Resolution on Election of Supervisor Candidates for the Seventh Session of the Supervisory Committee was considered and approved. On 9 November 2021, the Company convened the first extraordinary general meeting of 2021, at which the Resolution on Election of Supervisors for the Seventh Session of the Supervisory Committee was considered and approved. According to the nomination by the Shareholders and the Supervisory Committee of the Company, upon voting at the 2021 first extraordinary general meeting and the employee representative meeting of the Company held on 14 October 2021, 9 members of the seventh session of the Supervisory Committee were elected, namely Mr. Lu Zhili (chairman of the Supervisory Committee), Mr. Wei Zhihao, Mr. Zhang Xiansheng and Mr. Zhang Bo (shareholder representative Supervisors), Ms. Xiang Siying and Mr. Xia Xiaoning (independent Supervisors), Mr. Ba Guanhua, Ms. Xu Changyu and Ms. Xiao Yichen (employee representative Supervisors). The number of Supervisors and the composition of the Supervisory Committee were in compliance with the requirements of laws and regulations.

(II) Performance by and Evaluation on Supervisors

In 2021, the Company held 10 meetings of the Supervisory Committee, and the Supervisors attended two general meetings and 15 Board meetings. At the meetings, all of the Supervisors carefully considered and reviewed the resolutions, supervised the legitimate operation, significant decision-making and significant operation, financial position, the lawfulness and compliance of performance of the Directors and senior management of the Company, supervised the convening, voting procedures and voting results of the general meetings and the Board meetings, proactively protected the lawful interests of the Company and its Shareholders, and facilitated the legitimate operation and standardized management of the Company. The Supervisors were diligent and responsible in the performance of their duties and responsibilities without the conduct prohibited by the Articles of Association.

(III) Payment of Remuneration of Supervisors in 2021

The remuneration of the Supervisors comprises of allowances and other remunerations. The remuneration of the internal Supervisors is determined based on their specific positions in the Company with reference to the relevant remuneration and evaluation system of the Company. The allowances of the certain external Supervisors are paid on monthly basis, and the external Supervisors are not entitled to remunerations other than the allowances from the Company. For

LETTER FROM THE BOARD

details of payment of remunerations to the Supervisors by the Company in 2021, please refer to the 2021 Annual Report of Central China Securities Co., Ltd. disclosed on the website of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

On 25 March 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the evaluations and remuneration of the Supervisors of the Company for the year of 2021 at the AGM by way of an ordinary resolution.

VI. PROPOSED PROVISION OF GUARANTEE OR COUNTER GUARANTEE FOR CENTRAL CHINA INTERNATIONAL

Given that the Hong Kong capital market fluctuated significantly due to factors including economic adjustments and COVID-19 epidemic. In order to facilitate the continuous development of the overseas business of the Company and maintain its liquidity, it is proposed to provide the guarantee for Central China International as follows:

The Company will provide guarantee or counter-guarantee for Central China International in respect of its one-off or multiple or multi-tranche borrowings from domestic and overseas financial institutions, application for credit line, overseas issuance of foreign currency denominated corporate bonds such as USD and EUR and offshore RMB denominated corporate bonds, medium term note programme, foreign currency notes, commercial notes and other financing instruments permitted to be issued by regulatory authorities, with an amount of not more than 10% of the latest audited net assets (i.e. RMB14.14 billion) of the Company. A letter of guarantee (or other documents with equivalent effect) may be issued in tranches within one year from the date of consideration and approval at the AGM. The validity period of the guarantee or counter-guarantee shall be subject to each letter of guarantee (or other documents with equivalent effect).

In order to control risks, the gearing ratio of Central China International when the Company provides guarantees or counter guarantees to it shall not exceed the gearing ratio (approximately 89%) calculated when the ratio of net assets to liabilities in the risk control indicators of the Company is higher than the alert threshold of 12%, among which the liabilities exclude accounts payable to brokerage clients, credit trading accounts payable to brokerage clients, accounts payable to securities issuers, and amounts due to asset management clients and other clients' funds.

The management of the Company be authorized to handle relevant matters.

On 25 March 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the provision of guarantee or counter guarantee for Central China International at the AGM by way of an ordinary resolution.

LETTER FROM THE BOARD

VII. BUSINESS SCALE AND AFFORDABLE RISK LIMITS OF SECURITIES PROPRIETARY TRADING FOR THE YEAR OF 2022

According to the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》) which was promulgated and issued by CSRC, the aggregate amount of proprietary equity securities and securities derivatives shall not exceed 100% of the net capital of a securities company, and the aggregate amount of proprietary non-equity securities and securities derivatives shall not exceed 500% of the net capital of a securities company and the warning level is 80% of the stipulated requirement. Considering the assets, liabilities, gains or losses and capital sufficiency and other conditions of the Company, it is proposed that the business scale and affordable risk limits of the securities proprietary trading of the Company for 2022 are as follows:

1. The investment scale of the proprietary non-equity securities and securities derivatives for 2022 shall not exceed 350% of the net capital (in real time). The affordable risk limits shall not exceed 5% of the total self-owned capital investments.

The investment scale of the proprietary non-equity securities and securities derivatives is measured with reference to the regulatory standards. If there are any changes in the regulatory standards in a given year, the above shall be adjusted to comply with the latest regulatory standards.

2. The investment scale of the proprietary equity securities and securities derivatives for 2022 shall not exceed 50% of the net capital (in real time). The affordable risk limits shall not exceed 15% of the total self-owned capital investments.

The investment scale of the proprietary equity securities and securities derivatives is measured with reference to the regulatory standards. If there are any changes in the regulatory standards in a given year, the above shall be adjusted to comply with the latest regulatory standards.

The management of the Company be authorized to determine the specific scale of funds and affordable risk limits to the extent of authorized limits according to market conditions when the relevant conditions of the CSRC for proprietary trading management and risk control are met.

On 25 March 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the determination of the business scale and affordable risk limits of securities proprietary trading for the year of 2022 at the AGM by way of an ordinary resolution.

LETTER FROM THE BOARD

VIII. PROPOSED CHANGE OF SHAREHOLDER REPRESENTATIVE SUPERVISOR

Reference is made to the announcement of the Company dated 29 April 2022 in relation to the proposed change of shareholder representative Supervisor. On 18 March 2022, the Company received the Letter on the Nomination of the Candidate for Supervisor of the Supervisory Committee issued by Anyang Iron & Steel Group Co., Ltd.* (安陽鋼鐵集團有限責任公司), a shareholder of the Company, pursuant to which Mr. Zhang Xiansheng (“**Mr. Zhang**”) would cease to act as a shareholder representative Supervisor of the Company due to work arrangement, and Mr. Li Zhifeng (“**Mr. Li**”) was nominated as a candidate of shareholder representative Supervisor of the seventh session of the Supervisory Committee of the Company.

The Supervisory Committee resolved on 29 April 2022 to nominate Mr. Li as a shareholder representative Supervisor for the seventh session of the Supervisory Committee, with the term of office commencing from the date of approval at the AGM until the expiry of the term of office of the seventh session of the Supervisory Committee. The proposed appointment of Mr. Li as a shareholder representative Supervisor is subject to the consideration and approval of the AGM, and the Company will file with Henan Regulatory Bureau of the CSRC regarding the service of Mr. Li as a Supervisor in accordance with relevant regulations. Mr. Zhang would cease to act as the a shareholder representative Supervisor due to arrangement, Mr. Zhang would continue to perform his duties as the shareholder representative Supervisor in accordance with the relevant provisions as set out in the Company Law and the Articles of Association before the appointment of Mr. Li taking effective. Mr. Zhang has confirmed that he has no disagreement with the Supervisory Committee and the Board, and there is no other matters that need to be brought to the attention of the Shareholders. The Company and the Supervisory Committee would like to express sincere gratitude to Mr. Zhang for his contributions to the development of the Company during his tenure of office as a Supervisor of the Company.

The biographical details of Mr. Li are set out below:

Mr. Li Zhifeng, male, born in December 1981, holds an in-service bachelor degree and is a senior accountant. He served as a staff member, and the deputy chief and the chief of the overall budget management section of the finance department of Anyang Iron & Steel Group, and the chief of the sales finance section of the finance department of Anyang Iron & Steel Co., Ltd. From January 2015 to August 2015, he served as the deputy director of the capital management center of Anyang Iron and Steel Group. From August 2015 to May 2020, he served as the deputy director of

* For identification purposes only

LETTER FROM THE BOARD

the financial department of Anyang Iron and Steel Group. From August 2015 to June 2021, he served as the secretary of the board of directors of Anyang Iron & Steel Co., Ltd. From June 2021 to present, he has been the director of the corporate financial department of Anyang Iron & Steel Group.

Mr. Li has confirmed that he would voluntarily waive his full remuneration for supervisors provided by the Company if appointed as a Supervisor of the Company.

Save as disclosed above, as at the date of the Latest Practicable Date, Mr. Li confirmed that (i) he has not held any position of the Company or its subsidiaries nor any directorship in other listed company for the past three years; (ii) he does not have any relationship with any directors, supervisors, senior management, substantial or controlling shareholder of the Company; and (iii) he does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, in relation to the appointment of the above-mentioned shareholder representative Supervisor, there is no information which is required to be disclosed nor is/was the matter involved in any of the requirements pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Hong Kong Listing Rules nor any matters that needs to be brought to the attention of the Shareholders.

IX. PROPOSED NON-PUBLIC ISSUANCE OF NEW A SHARES UNDER SPECIFIC MANDATE

(I) Fulfillment of the Conditions for Non-public Issuance of A Shares by the Company

In accordance with the requirements of relevant laws, regulations and normative documents including the Company Law, the Securities Law, and the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and the Issuance Regulatory Q&A — Regulations on 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, after conducting self-examination item by item, it is considered that the Company has complied with the conditions on non-public issuance of domestic-listed RMB-dominated ordinary shares (A Shares).

The Directors confirm that the Company has good asset quality, reasonable asset-liability structure, good market reputation, and smooth debt financing channels. In accordance with the business development requirements, regulatory indicators and debt repayment, the Company may further choose to issue corporate bonds, subordinated bonds and other types of bonds for long term financing; and issue short-term corporate bonds, refinancing and income certificates and other debt financing instruments for short term financing, to meet the various needs of business development. As of 31 December 2021, the Group's gearing ratio was 65.65% (audited) and as of 31 March

LETTER FROM THE BOARD

2022, the Group's gearing ratio was 66.23% (unaudited). To maintain the financial health of the Group, currently the Group decided not to increase the debt financing ratio significantly. Furthermore, the company is a A and H shares dual-listed company and a state-owned holding company in Henan Province. As of 18 May 2022, the closing price of H Shares is HKD1.24 per share, and the closing price of A Shares is RMB3.86 per share. The market price difference between the Shares of the two places is relatively significant. If rights issue is implemented, the issue price shall be subject to the lower H-share price level, with a discount to the market price. At present, the price of the Company's H shares is seriously lower than the net assets per share of RMB2.95 at the end of 2021, and the issuance of additional shares by mainland China state-controlled enterprises usually requires the issue price not to be lower than the net assets per share to avoid the risk of loss of state-owned assets. The H Shares' price based rights issue plan is difficult to obtain the approval of the state-owned assets supervision and administration. Moreover, since the valuation of the A Shares is relatively higher than H Shares, under the condition of issuing the same number of Shares, more funds will be raised, the financing efficiency will be higher, and the Company's capital scale will be further improved. Therefore, except for the Non-Public Issuance of A Shares, the Company currently will not consider other equity financing alternatives.

On 29 April 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on fulfillment of the conditions for Non-public Issuance of A Shares by the Company at the AGM by way of a special resolution.

(II) Plan of the Non-public Issuance of A Shares by the Company

The Company proposes to issue no more than 1,392,865,410 (inclusive) new A Shares to target subscribers by way of non-public issuance, and the proceeds are expected to be no more than RMB7.0 (inclusive) billion. The detailed plan of the Non-public Issuance is as follows:

1. Class and Nominal Value of Shares to be Issued

The Shares to be issued under the Non-public Issuance are domestic-listed ordinary shares denominated in Renminbi (A Shares) with a nominal value of RMB1.00 each.

2. Method and Time of Issue

The Non-public Issuance will be conducted by way of non-public issuance of A Shares to target subscribers, and the Shares will be issued as and when appropriate within the validity period of the approval in respect of the Non-public Issuance to be issued by the CSRC.

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3. Target Subscribers and Subscription Method

The target subscribers of the Non-public Issuance will be no more than 35 specific investors (inclusive). The target subscribers shall be domestic industrial investors, securities investment fund management companies, securities companies, asset management companies, trust investment companies (to subscribe with their own funds), finance companies, insurance institutional investors, qualified foreign institutional investors (including the above-mentioned investors' self-operated accounts or managed investment product accounts) who meet the requirements of the CSRC and other legal persons, natural persons or other qualified investors who meet the relevant requirements. Where a securities investment fund management company, securities company, qualified foreign institutional investor, or RMB Qualified Foreign Institutional Investor (RQFII) subscribes with more than two funds under its management, it shall be deemed as one target subscriber. Trust investment companies as target subscribers shall only subscribe with their own funds.

The final target subscribers 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, 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.

All target subscribers shall subscribe for the Shares to be issued under the Non-public Issuance in cash.

None of the target subscribers will be allowed to subscribe for more than 10% of the Company's issued shares.

If the shareholder qualification of the target subscribers and the corresponding review procedures are otherwise provided by regulatory authorities, such provisions shall prevail.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, it is expected that none of the connected persons (as defined under the Hong Kong Listing Rules) of the Company will participate in the subscription of the new A Shares to be issued under the Non-public Issuance. If any of the new A Shares under the Non-public Issuance is issued to any connected person of the Company, the Company will comply with relevant requirements under Chapter 14A of the Hong Kong Listing Rules including but not limited to announcement and independent Shareholders' approval.

4. Number of Shares to be Issued

The number of A Shares to be issued under the Non-public Issuance shall be no more than 1,392,865,410 (inclusive) shares.

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The number of Shares to be issued under the Non-public Issuance shall be adjusted according to relevant regulations in the event of ex-entitlement arising from bonus issue, capitalization issue or rights issue, etc. during the period from the date of the resolutions in respect of the Non-public Issuance being approved by the Board to the issuance date.

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 to be granted by the Shareholders' general meeting, through negotiation with the sponsor (the lead underwriter) based on the maximum number and issue price approved by the CSRC.

5. Issue Price and Pricing Principle

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 80% of the average trading price of the A Shares of the Company for the 20 trading days of the Company preceding the pricing benchmark date (exclusive) and the latest audited net asset per Share attributable to shareholders of the parent company before the Non-public Issuance. The net asset per Share attributable to shareholders of the parent company as at 31 December 2021 as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2021 was RMB2.95.

The average trading price of A Shares for the 20 trading days preceding the pricing benchmark date equals the total trading amount of A Shares of the Company for the 20 trading days of the Company preceding the pricing benchmark date divided by the total trading volume of A Shares of the Company for the 20 trading days of the Company preceding the pricing benchmark date. In the event that there are ex-entitlement or ex-dividend activities (such as dividends distribution, bonus issue, rights issue and capitalization issue) causing adjustment to the Share prices for such 20 trading days, the trading prices for the trading days before such adjustment shall be calculated on the basis of the adjusted price caused by the ex-entitlement or ex-dividend activities. The net asset per Share attributable to shareholders of the parent company will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as dividends distribution, bonus issue, rights issue and capitalization issue in the Company during the period from the balance sheet date of the latest audited financial report prior to the issuance to the Issue Date.

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, with the sponsor (the lead underwriter) according to the

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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 prevail.

6. Arrangements for Lock-up Period

According to the relevant provisions of the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Implementing Rules on the Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and the Guidelines for the Review of Administrative Approval for Securities Companies No. 10 — Share Capital Increase and Change in Equity of Securities Companies (《證券公司行政許可審核工作指引第10號 — 證券公司增資擴股和股權變更》), upon completion of the Non-public Issuance, target subscribers holding 5% (inclusive) or more of the enlarged total issued Shares of the Company shall not transfer the Shares subscribed for 36 months from the date of completion of issuance, while target subscribers holding less than 5% of the enlarged total issued Shares of the Company shall not transfer the Shares subscribed for 6 months from the date of completion of issuance. If the lock-up period is otherwise provided by laws and regulations, such provisions shall prevail.

7. Amount and Use of Proceeds

The proceeds from the Non-public Issuance shall not exceed RMB7.0 billion (inclusive) which, and 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) not more than RMB3.3 billion will be used for developing flow-based business; (2) not more than RMB2.1 billion will be used for developing investment and trading businesses; (3) not more than RMB800 million will be used for increasing the capital of the domestic and overseas wholly-owned subsidiaries; (4) not more than RMB200 million will be used for investing in the information system construction and compliance and risk control; and (5) not more than RMB600 million will be used for repaying debts and replenishing the working capital. The Non-Public Issuance still needs to be approved by the regulatory authorities, and its completion needs to be determined according to factors such as the actual situation of the Company and the market, so its specific completion time cannot be accurately predicted now. Nonetheless, the Company will strive to utilise the proceeds for the purposes disclosed within one year after the proceeds are received. With respect to the proposed use of the proceeds for repayment of debt and replenishment of working capital, as of 31 December 2021, the Company's outstanding debt balance was RMB10.512 billion, of which bond financing balance was RMB8.8 billion and income certificate financing balance was RMB1.712 billion. In order to meet the needs of business development, the Company has implemented its financing through the issuance of corporate bonds, subordinated

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bonds, refinancing, income certificates and other debt financing instruments, and the financing of the Company is in a continuous rolling process, so there is an urgent need to repay certain debts and to supplement working capital. Therefore, according to the plan of use of proceeds, no more than RMB600 million will be used to repay debts and supplement working capital. The specific terms of debt repayment will be used according to the order of maturity of the existing debts after the raised funds are received.

The Company has formulated specific rules on the deposit of proceeds, and the proceeds from the Non-public Issuance will be deposited in the designated account as decided by the Board.

8. Arrangements with regard to the Retained Profits of the Company before the Non-public Issuance

In order to take into account the interests of the new and existing Shareholders, the retained profits of the Company before the Non-public Issuance shall be shared amongst the new and existing Shareholders upon completion of the Non-public Issuance.

9. Place of Listing

The A Shares to be issued under the Non-public Issuance will be listed and traded on the Shanghai Stock Exchange.

10. Period of Validity of the Resolution on the Non-public Issuance

The resolutions in relation to the Non-public Issuance shall remain valid for 12 months from the date on which they are considered and approved at the Shareholders' general meeting, the class meeting for holders of A Shares and the class meeting for holders of H Shares.

On 29 April 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the plan of the Non-public Issuance of A Shares by the Company at the AGM and Class Meetings, respectively, by way of the special resolutions.

Relevant matters in relation to the Non-public Issuance shall be submitted to the CSRC for approval in accordance with relevant requirements after the Non-public Issuance is approved by the Board, the AGM and Class Meetings, respectively. The final plan shall be the one as approved by the CSRC.

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(III) Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by the Company

In accordance with the relevant requirements of the Administrative Measures for Issuance of Securities by Listed Companies of the CSRC, the Company has prepared the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by Central China Securities Co., Ltd., full text of which is set out in Appendix I to this circular.

On 29 April 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the feasibility report on the use of proceeds raised from the Non-public Issuance of A Shares by the Company at the AGM by way of a special resolution.

(IV) Report on the Use of Proceeds Raised from Previous Fund Raising Activities of the Company

According to the Provisions on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities (Zheng Jian Fa Xing Zi [2007] No. 500) (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)) issued by the CSRC, if a listed company applies for the issuance of securities, and it is less than five financial years since the date of receipt of the previously raised proceeds to now, the board of directors shall prepare a report on the use of proceeds raised from previous fund raising activities and submit the report to the shareholders' general meeting for approval after resolving on the report. Meanwhile, the report on the use of proceeds raised from previous fund raising activities should be issued with an attestation report by the accounting firm. Please refer to Appendix II to this circular for details of the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of Central China Securities Co., Ltd. as at 31 December 2021 and the attestation report issued by Da Hua Certified Public Accountants (Special General Partnership).

On 29 April 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the report on the use of proceeds raised from previous fund raising activities of the Company at the AGM by way of a special resolution.

(V) Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares by the Company and the Remedial Measures

According to certain provisions set out in the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and Guiding Opinions on Matters relating to the Dilution of Immediate Return Resulting from Initial Public Offering,

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Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), the Company has made analysis on the influence of dilution of immediate return of the Non-public Issuance of A Shares, and prepared, based on its realities, the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares and the Remedial Measures of Central China Securities Co., Ltd., full text of which is set out in Appendix III to this circular.

On 29 April 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on the dilution of immediate return resulting from the Non-public Issuance of A Shares by the Company and the remedial measures at the AGM by way of a special resolution.

(VI) Shareholders' Return Plan for the Next Three Years (2022–2024)

To further enhance the awareness of providing return to the Shareholders, and provide sustainable, stable and reasonable investment return to the Shareholders, the Company has formulated the Shareholders' Return Plan for the Next Three Years (2022–2024) of Central China Securities Co., Ltd., in accordance with the provisions of the Company Law, the Securities Law, the Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies of the China Securities Regulatory Commission (《中國證券監督管理委員會關於進一步落實上市公司現金分紅有關事項的通知》), the Listed Company Regulation Guideline No. 3 — Cash Dividend of Listed Companies (《上市公司監管指引第3號 — 上市公司現金分紅》) and the Articles of Association after taking into full account the actual operation and demand of future development of the Company. The full text of the Shareholders' Return Plan for the Next Three Years (2022–2024) of Central China Securities Co., Ltd. is set out in Appendix IV to this circular.

On 29 April 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve the resolution on Shareholders' return plan for the next three years (2022–2024) at the AGM by way of a special resolution.

(VII) Authorization to the Board and Its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters relating to the Non-public Issuance of A Shares

In accordance with the arrangement of the Non-public Issuance and pursuant to relevant provisions of Company Law, Securities Law and other laws and regulations as well as the Articles of Association, it is proposed that the Board be authorized by the Shareholders' general meeting and the Chairman, President and Secretary to the Board of the Company be delegated by the Board, to solely or jointly handle the matters related to the Non-public Issuance to efficiently and smoothly promote the relevant work of the Non-public Issuance, including but not limited to:

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1. To formulate and implement the specific plan for the Non-public Issuance, duly amend, adjust and supplement the terms of the Non-public Issuance, clarify specific terms and plan before the issuance, and formulate and implement the final plan for the Non-public Issuance, including but not limited to the determination of issuance time, amount of proceeds, issue price, number of Shares to be issued, target subscribers, designated account for proceeds, use of proceeds and other matters related to the issuance plan, in accordance with national laws and regulations, relevant provisions of securities regulatory authorities and particular situation of the Company;
2. To handle application matters related to the Non-public Issuance, including but not limited to the preparation, modification, signing, submission, subsequent submission, implementation and announcement of the plan and the listing application materials of the Non-public Issuance pursuant to requirements of relevant government departments and regulatory authorities, handle relevant procedures, implement lock-up and other procedures related to the issuance and listing, and handle information disclosure matters related to the Non-public Issuance in accordance with regulatory requirements;
3. To sign, modify, supplement, complete, submit, and implement all the agreements, contracts and documents related to the Non-public Issuance (including but not limited to sponsor and underwriting agreements, engagement letters of intermediaries, agreements related to proceeds, subscription agreements entered into with investors, circulars, announcements and other disclosure documents, etc.);
4. To determine and engage a sponsor (the lead underwriter), law firm, accounting firm and other intermediaries, and handle other matters related thereto;
5. To amend the corresponding articles of the Articles of Association according to the results of the Non-public Issuance, submit to relevant government departments and regulatory authorities for approval or filing, handle industrial and commercial registration of changes at the market supervision administration, and handle matters in relation to registration, custody and lock-up of new Shares at relevant departments, upon completion of the Non-public Issuance;
6. In the event that relevant laws, regulations and regulatory authorities impose new regulations and requirements on refinancing to remedy the immediate returns, to make a further analysis, study, and demonstration on the impact of the Non-public Issuance on the immediate financial indicators and immediate returns to the Shareholders of the Company, formulate and amend relevant remedial measures and policies, and handle all the other matters thereto with absolute discretion, subject to the then relevant laws, regulations and requirements of the regulatory authorities;

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7. In the event that relevant laws and regulations, other normative documents and relevant regulatory authorities impose new regulations on the non-public issuance of A shares by listed companies and market conditions change, to adjust the issue plan and use of proceeds and continue to handle matters related to the Non-public Issuance subject to relevant provisions and requirements of securities regulatory authorities (including review feedback opinions on the application for the Non-public Issuance) and market conditions, save the matters that shall be voted upon again at the Shareholders' general meeting with no authorization allowed as stipulated in relevant laws, regulations and the Articles of Association;
8. In the event of force majeure or other circumstances which are sufficient to make the plan of the Non-public Issuance difficult to implement, or which will bring adverse consequences to the Company although the issue plan can be implemented, or in the event of any change in the policy of non-public issuance of A shares, to determine to postpone or terminate in advance the plan of the Non-public Issuance at discretion;
9. To handle all other necessary, proper and appropriate matters related to the Non-public Issuance; and
10. The authorization shall be effective for 12 months after 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 is considered and approved at the Shareholders' general meeting and class meetings of the Company. Before the expiration of the authorization period, the Board shall, based on the actual situation of the Non-public Issuance, propose to the Shareholders' general meeting and class meetings of the Company for approval of new authorization.

On 29 April 2022, the Board approved and resolved to propose to the Shareholders to consider and, if thought fit, approve 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 at the AGM and Class Meetings, respectively, by way of the special resolutions.

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(VIII) Effect of the Non-Public Issuance on the Shareholding Structure of the Company

For reference and illustration purposes only, assuming that there are no changes to the total issued Shares of the Company (excluding the Non-public Issuance) from the Latest Practicable Date to the date immediately preceding the completion of the Non-public Issuance and that subject to the regulatory requirements of the places where the Shares of the Company are listed, a maximum of 1,392,865,410 new A Shares are issued under the Non-public Issuance (which represents approximately 30% of the total issued Shares of the Company as at the Latest Practicable Date and approximately 23.08% of the enlarged total issued Shares of the Company upon completion of the Non-public Issuance), the shareholding structure of the Company as at the Latest Practicable Date and immediately following the completion of the Non-public Issuance is set out as follows:

| | As at the Latest Practicable Date | | Immediately following the completion of the Non-public Issuance | |
|--|--------------------------------------|---|---|---|
| | Number of Shares | Approximate percentage of the total issued Shares of the Company ³ | Number of Shares | Approximate percentage of the enlarged total issued Shares of the Company ³ |
| A Shares | | | | |
| Henan Investment Group Co., Ltd.* (河南投資集團有限公司) | 822,983,847 | 17.73% | 822,983,847 | 13.64% |
| Anyang Iron & Steel Group Co., Ltd.* (安陽鋼鐵集團有限責任公司) | 177,514,015 | 3.82% | 177,514,015 | 2.94% |
| Other Public A Shareholders | 2,447,021,838 | 52.70% | 3,839,887,248 ² | 63.62% |
| Total number of A Shares | 3,447,519,700 | 74.25% | 4,840,385,110 | 80.20% |
| H Shares | | | | |
| Henan Investment Group Co., Ltd.* (河南投資集團有限公司) | 155,524,000 | 3.35% | 155,524,000 | 2.58% |
| Shanghai Wealspring Asset Management Co., Ltd.* (上海寧泉資產管理有限公司) | 156,209,000 | 3.36% | 156,209,000 | 2.58% |
| Other Public H Shareholders | 883,632,000 | 19.04% | 883,632,000 | 14.64% |
| Total number of H Shares | 1,195,365,000 | 25.75% | 1,195,365,000 | 19.80% |
| Total | 4,642,884,700 | 100.00% | 6,035,750,110 | 100.00% |

* For identification purpose only

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Notes:

1. As known to the Company, as at the Latest Practicable Date, Henan Investment Group (through Shanghai-Hong Kong Stock Connect) held a long position in a total of 108,791,000 H Shares of the Company, including a long position in 46,733,000 H Shares indirectly held through its indirect wholly-owned subsidiary, Dahe Paper (Hong Kong) Co., Limited.
2. It is expected that all of a maximum of 1,392,865,410 new A Shares to be issued under the Non-public Issuance will be held by public A Shareholders.
3. The percentages listed in the above table are all rounded to two decimal points.
4. For the purpose of calculating the public float pursuant to the Rule 8.08 of the Hong Kong Listing Rules, the shareholdings of Anyang Iron & Steel Group Co., Ltd. and Shanghai Wealspring Asset Management Co., Ltd. are counted as public float.

(IX) Public Float

According to the public information available to the Company and to the best of the Directors' knowledge, as at the Latest Practicable Date, approximately 78.92% of the total issued A Shares and H Shares of the Company were held by the public, among which, the H Share public float was approximately 22.40%.

Assuming that there are no changes to the total issued Shares of the Company (excluding the Non-public Issuance) from the Latest Practicable Date to the date immediately preceding the completion of the Non-public Issuance, and all of a maximum of 1,392,865,410 new A Shares to be issued under the Non-public Issuance are held by public Shareholders, immediately after the completion of the Non-public Issuance, the total public float in respect of the A Shares and H Shares as a whole will be approximately 83.78%, among which, the H Share public float will be approximately 17.22%. The Board expects that the Company would still be able to maintain sufficient public float to meet the applicable minimum requirement of the Hong Kong Listing Rules.

(X) Fund Raising Activities in the Past Twelve Months

The Company did not carry out any fund raising activities in twelve months immediately preceding the Latest Practicable Date.

(XI) Reasons and Benefits for the Non-Public Issuance

In recent years, with the introduction of a series of policies, deepening the reform of financial system, strengthening the ability of providing financial services to real economy, enhancing the proportion of direct financing and promoting healthy development of multi-level capital market have become the future focuses of the capital market in the PRC. The capital market of the PRC will, oriented by the principle of serving the national strategies and building a modernized economic system, strengthen the support to the reform of state-owned assets and state-owned

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enterprises and develop stronger, better and larger state-owned capital, while making unwavering efforts to support the innovation, transformation and healthy development of private enterprises and playing a more significant role in serving the real economy.

Henan Province has been benefiting from the overlapping effect of major strategies, while enjoying expanded comprehensive competitive edges and huge economic potentials. During the “14th Five-Year Plan” period, Henan Province has proposed to cultivate a multi-level capital market and diversified financial entities, deepen the “investment attraction for Henan” project, and make Henan a better and stronger “financial powerhouse”.

As the only securities company that was registered in Henan Province as a legal person, it is imperative for the Company to improve its capital strength, seize the development opportunities offered by the “14th Five-Year Plan” of Henan Province, deeply participate in and serve the national strategies, further enhance the market competitiveness and risk tolerance, and continuously improve the ability of providing services to real economy, so as to promote a better and faster development of the Company’s business and bring greater returns to all the Shareholders.

X. AGM AND CLASS MEETINGS

The AGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting will be held at 9:30 a.m., 11:00 a.m. or immediately after the conclusion of the AGM or its any adjournment thereof (whichever is the later) and 11:30 a.m. or immediately after the conclusion of the A Shareholders’ Class Meeting or its any adjournment thereof (whichever is the later) respectively, on Friday, 24 June 2022 at Conference Room, 17th Floor, Zhongyuan Guangfa Financial Building, No. 10 Shangwu Waihuan Road, Zhengzhou, Henan Province, the PRC.

No Shareholder is required to abstain from voting on the resolutions submitted for approval at the AGM and Class Meetings.

The proxy form for the AGM and the H Shareholders’ Class Meeting is attached to this circular. Whether or not you are able to attend the AGM and the H Shareholders’ Class Meeting in person, you are requested to complete and return the applicable proxy form in accordance with the instructions printed thereon as soon as possible. In case of holders of H Shares, the proxy form shall be lodged with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event, not less than 24 hours before the time scheduled for holding the relevant meetings or its any adjournment thereof (as the case may be) or the time appointed for the taking of the poll. Completion and delivery of the proxy form will not preclude you from attending and voting in person at the relevant meetings or any adjournment thereof if you so desire.

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XI. VOTING

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at a general meeting and Class Meetings must be taken by poll. Therefore, the respective resolutions as stated in the notice of AGM will be taken by way of a poll under the Article 127 of the Articles of Association.

During the poll, every Shareholder present in person or by proxy (or in case of Corporation, its duly authorised representative) at the AGM or Class Meetings shall have one vote for each share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same manner.

XII. RECOMMENDATION

The Board considered that all resolutions to be proposed at the AGM and Class Meetings are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote in favour of all resolutions to be proposed at the meetings.

XIII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

XIV. ADDITIONAL INFORMATION

Your attention is drawn to the other information set out in the Appendix to this circular.

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

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) of Central China Securities Co., Ltd. (the “Company”) will be held at 9:30 a.m. on Friday, 24 June 2022 at Conference Room, 17th Floor, Zhongyuan Guangfa Financial Building, No. 10 Shangwu Waihuan Road, Zhengzhou, Henan Province, the PRC, for the purpose of considering and, if thought fit, passing the following resolutions:

Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 26 May 2022.

AS ORDINARY RESOLUTIONS

1. To consider and approve the work report of the Board of the Company for the year of 2021;
2. To consider and approve the work report of the Supervisory Committee of the Company for the year of 2021;
3. To consider and approve the duty report of the independent directors of the Company for the year of 2021;
4. To consider and approve the annual report of the Company for the year of 2021;
5. To consider and approve the profit distribution plan of the Company for the second half of 2021;
6. To consider and approve the final financial report of the Company for the year of 2021;
7. To consider and approve the resolution on the re-appointment of the auditing firm for the year of 2022;

NOTICE OF ANNUAL GENERAL MEETING

8. To consider and approve the evaluations and remuneration of the Directors of the Company for the year of 2021;
9. To consider and approve the evaluations and remuneration of the Supervisors of the Company for the year of 2021;
10. To consider and approve the resolution on the provision of guarantee or counter guarantee for Central China International Financial Holdings Company Limited;
11. To consider and approve the resolution on the determination of the business scale and affordable risk limits of securities proprietary trading for the year of 2022;
12. To consider and approve the resolution on the change of shareholder representative supervisor;

AS SPECIAL RESOLUTIONS

13. To consider and approve the resolution on the Company's fulfillment of the conditions for Non-public Issuance of A shares;
14. To consider and approve the resolution in relation to the Company's Non-public Issuance of A Shares:
 - 14.01 Class and nominal value of shares to be issued
 - 14.02 Method and time of issue
 - 14.03 Target subscribers and subscription methods
 - 14.04 Number of shares to be issued
 - 14.05 Issue price and pricing principle
 - 14.06 Arrangements for lock-up period
 - 14.07 Amount and use of proceeds
 - 14.08 Arrangements with regard to the Retained Profits of the Company before the Non-public Issuance

NOTICE OF ANNUAL GENERAL MEETING

14.09 Place of listing

14.10 Period of Validity of the Resolution on the Non-public Issuance

Items 14.01 to 14.10 above shall be voted separately;

15. To consider and approve the resolution on the feasibility report on the use of funds raised from the Non-public Issuance of A Shares by the Company;
16. To consider and approve the resolution on the report on the use of proceeds raised from previous fund raising activities of the Company;
17. To consider and approve the resolution on the dilution of immediate return resulting from the Non-public Issuance of A Shares by the Company and the remedial measures;
18. To consider and approve the resolution on shareholders' return plan for the next three years (2022–2024);
19. To consider and approve 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.

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

Henan, the PRC
26 May 2022

Notes:

1. The register of members of the Company will be closed from 19 June 2022 to 24 June 2022 (both days inclusive), during which period no transfer of H Shares of the Company can be registered. In order to qualify to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 17 June 2022.
2. Shareholders who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on their behalf. A proxy need not be a Shareholder of the Company.

NOTICE OF ANNUAL GENERAL MEETING

3. In order to be valid, the H Shareholders' proxy form for the AGM must be deposited by hand or by post to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares of the Company) not less than 24 hours before the time for holding the AGM (or its any adjournment thereof) for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the AGM or its any adjourned meeting thereof should they so wish.
4. Shareholders or their proxies shall provide their identification documents when attending the AGM.
5. The on-site AGM is expected to take half a day approximately. Shareholders attending the AGM shall be responsible for their own travel and accommodation expenses.
6. The address of the Company's head office in the PRC is No. 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC.

NOTICE OF H SHAREHOLDERS' CLASS MEETING



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)

NOTICE OF H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that a H Shareholders' Class Meeting (the “**H Shareholders' Class Meeting**”) of Central China Securities Co., Ltd. (the “**Company**”) will be held at 11:30 a.m. on Friday, 24 June 2022 at Conference Room, 17th Floor, Zhongyuan Guangfa Financial Building, No. 10 Shangwu Waihuan Road, Zhengzhou, Henan Province, PRC or immediately after the conclusion of as the A Shareholders' Class Meeting or its any adjournment thereof, whichever is the later), for the purpose of considering and, if thought fit, passing the following resolutions:

AS SPECIAL RESOLUTIONS

1. To consider and approve the resolution on the plan of non-public issuance of A shares by the Company;
 - 1.01 Class and nominal value of shares to be issued
 - 1.02 Method and time of issue
 - 1.03 Target subscribers and subscription method
 - 1.04 Number of shares to be issued
 - 1.05 Issue price and pricing principle
 - 1.06 Arrangements for lock-up period
 - 1.07 Amount and use of proceeds
 - 1.08 Arrangements with regard to the retained profits of the Company before the Non-public Issuance
 - 1.09 Place of listing

NOTICE OF H SHAREHOLDERS' CLASS MEETING

1.10 Period of validity of the resolution on the Non-public Issuance

1.01 to 1.10 above shall be voted by item;

2. To consider and approve 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

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

Henan, the PRC

26 May 2022

Notes:

1. The register of members of the Company will be closed from 19 June 2022 to 24 June 2022 (both days inclusive), during which period no transfer of H shares of the Company can be registered. In order to qualify to attend and vote at the H Shareholders' Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 17 June 2022.
2. Holders of H Shares who are entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and vote on their behalf. A proxy need not be a Shareholder.
3. In order to be valid, the proxy form for the H Shareholders' Class Meeting must be deposited by hand or by post to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the H Shareholders' Class Meeting (or any adjournment thereof) for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude holders of H shares from attending and voting in person at the H Shareholders' Class Meeting or any adjourned meetings should they so wish.
4. Holders of H shares or their proxies shall provide their identity documents when attending the H Shareholders' Class Meeting.
5. The H Shareholders' Class Meeting is expected to take 0.5 hour approximately. Holders of H Shares attending the H Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.
6. The address of the head office in the PRC of the Company is No. 10 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC.

The English version of this appendix is an unofficial translation of the Chinese version. Should there be discrepancies, the Chinese version shall prevail.

The full text of the Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by Central China Securities Co., Ltd. is as follows:

Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares by Central China Securities Co., Ltd.

With the comprehensive deepening of China’s capital market reform, the importance of securities companies in the financial system is also increasing. Securities firms have gradually shifted from high-speed development to high-quality development, reducing their reliance on traditional brokerage business. The importance of proprietary investment, investment banking, asset management, credit intermediary and other businesses has increased significantly, and the business income structure has become more balanced and reasonable. However, at the same time, the competition in the securities market is increasingly fierce and the differentiation is gradually intensifying. Securities companies with solid capital base, leading scale and sound risk control will be more likely to obtain differentiated competitive advantages.

In this context, in order to further accelerate the development of the Company, Central China Securities Co., Ltd. (the “**Company**”) intends to raise proceeds through non-public issuance of A shares (the “**Issuance**” or “**Non-public Issuance**”) to supplement the capital and working capital, expand the business scale, optimize the business structure and enhance the Company’s market competitiveness and risk tolerance.

I. Basic Information on the Issuance

The total proceeds to be raised from the Issuance shall not exceed RMB7.0 billion (inclusive RMB7.0 billion), and after deducting the issuance expenses, are to be completely used to supplement the Company's capital and working capital, so as to support the future business development, improve the market competitiveness and risk tolerance of the Company, and promote the achievement of the strategic development targets of the Company. Details on the use of proceeds are as follows:

| No. | Projects to be Invested with Proceeds | Proposed Investment Amount |
|------------|---|-----------------------------------|
| 1 | Development of flow-based business | Up to RMB3.3 billion |
| 2 | Development of investment and trading business | Up to RMB2.1 billion |
| 3 | Capital increase for the domestic and overseas wholly-owned subsidiaries | Up to RMB800 million |
| 4 | Investment in information system construction and risk control and compliance | Up to RMB200 million |
| 5 | Repayment of debts and Replenishment of working capital | Up to RMB600 million |
| | Total | Up to RMB7.0 billion |

As the Non-Public Issuance still needs to be approved by the regulatory authorities, its completion needs to be determined according to factors such as the actual situation of the company and the market, so its specific completion time cannot be accurately predicted now. Nonetheless, the company will strive to utilise the proceeds for the purposes disclosed within one year after the proceeds are received. With respect to the proposed use of the proceeds for repayment of debt and replenishment of working capital, as of 31 December 2021, the Company's outstanding debt balance was RMB10.512 billion, of which bond financing balance was RMB8.8 billion and income certificate financing balance was RMB1.712 billion. In order to meet the needs of business development, the company has implemented its financing through the issuance of corporate bonds, subordinated bonds, refinancing, income certificates and other debt financing instruments, as the financing of the Company is in a continuous rolling process, so there is an urgent need to repay certain debts and to supplement working capital. Therefore, according to the plan of use of

**APPENDIX I FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED
FROM THE NON-PUBLIC ISSUANCE OF A SHARES**

proceeds, no more than RMB600 million will be used to repay debts and supplement working capital. The specific terms of debt repayment will be used according to the order of maturity of the existing debts after the raised funds are received.

II. Necessity of the Issuance

(I) Grasp the new development opportunities of Henan Province during the "14th Five-Year Plan" and enhance its ability to serve the real economy

At the current stage, Henan Province faces multiple development opportunities, with effects of integration and linkage of strategic platforms in multiple fields keeping popping up. Shocked by disasters, the pandemic and a complex external environment, Henan Province has managed to restore economy stability. The province's projected GDP in 2021 hit RMB6 trillion, with an increase of about 6.5%, and the per capita disposable income of residents rose by 8%, showing strong resilience and potential. In May 2021, Henan Province released the Outline of the 14th Five-Year Plan for Economic and Social Development and Vision 2035 (《第十四個五年規劃和二〇三五年遠景目標綱要》), which, explicitly proposed to, in terms of financial development, cultivate a multi-level capital market, strive to add more than 50 domestic and foreign listed companies, and improve the quality of listed companies and the proportion of direct financing; live up to its role as the provincial financial services sharing platform, improve the financing, credit enhancement and direct financing support policies for private enterprises, and support the raising of long-term, low-cost capital through the issuance of bonds and other means; foster diversified financial entities, deepen the "investment attraction for Henan" project, and drive the local legal financial institutions bigger and stronger.

As a "service provider" of direct financing, a "manager" of social wealth and a "leader" of financial innovation, securities companies enjoy unique and irreplaceable advantages in serving the real economy, optimizing resource allocation and increasing the proportion of direct financing. As the only securities company registered in Henan Province as a legal person, the Company has been developing in Henan Province and vigorously serving the local economy for years. It has become a comprehensive securities company with unique regional advantages. To better capture the development opportunities brought by the "14th Five-Year Plan" of Henan Province, it is necessary for the Company to further strengthen its capital strength through refinancing, deeply participate in and serve the national strategy, fuel the construction of a multi-level capital market in the region, and act as a "participant" and "promoter" of the real economy.

(II) To work towards a solid capital base, and consolidate and boost market competitiveness

Guided by a series of policy benefits, such as the deepening of the financial supply-side structural reform, the continuous improvement of the basic system of the capital market, the acceleration of the registration system of stock issuance, and the enlarged breadth and depth of the capital market opening to the outside world, the capital market has entered a period of strategic opportunities. The regulators provide clear support for securities companies to raise capital through multiple channels and in various forms both inside and outside China, optimize the financing structure and enhance their capital strength, and support the securities industry to grow bigger and stronger. As a result, a number of business lines are expected to usher in a new round of market expansion. Yet at the same time, with further capital market liberalization, the domestic securities industry is experiencing fiercer market competition, plus greater industry concentration.

Since 2021, the Company, centering on major national strategies, has built its core business system revolving around the development strategy of “enhancing investment banking business and making excellent investment”, vigorously promoted the upgrading of its main business lines and further optimized its spatial layout, maintained a good momentum in its main business such as wealth management, fixed income, investment banking, and investment, and ushered in a new round of rapid development. The development of a securities company is highly connected with its capital scale. Sufficient net capital is the key for a securities company to expand business scale and improve market competitiveness. With the Non-public Issuance, the Company aims to work towards a solid capital base, increase investment in various business and foster new profit drivers based on industry trends and its own reality, promote the fulfillment of its strategic objectives, consolidate and enhance its industry position and market competitiveness.

(III) To help comprehensively improve the risk tolerance of the Company to achieve stable and sound development

Risk management is the premise for the sustainable development of a securities company. The risk control capacity is not only related to the profitability of a securities company, but also directly affects its survival and development. The securities companies operate in a capital intensive industry. Their capital scale is directly related to risk tolerance. In recent years, the CSRC has revised the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) and the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》), which further improved the risk control indicator system of securities companies with net capital and liquidity as the core, and put forward higher standards for risk management of securities companies. In July 2020, the CSRC issued the revised Classified Supervision and Administration

of Securities Companies (《證券公司分類監管規定》), which optimized and improved the classification and evaluation index system, guiding securities companies to pay more attention to capital constraints, full coverage of risk management and the effectiveness of risk monitoring.

With the expansion of business scale, the securities company can only better prevent and resolve various risks such as market risk, credit risk, operational risk and liquidity risk if their capital scale is kept in line with the scale of business development. The Non-public Issuance is conducive to enhancing the Company's overall risk management and risk prevention capabilities for a stable and healthy development.

III. Feasibility of the Issuance

(I) The Issuance complies with the conditions specified in the relevant laws, regulations and normative documents

The Company has a sound and functional organizational structure. It has established a comprehensive risk management and internal control system. It has good financial position and sustainable profitability. There is no false statement in the financial accounting documents. The amount and use of the proceeds comply with relevant provisions and conditions for non-public issuance of domestic-listed ordinary shares denominated in Renminbi (A shares) specified in applicable laws, regulations and normative documents including the Company Law, the Securities Law, the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Implementing Rules on the Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and the Issuance Regulatory Q&A — Regulations on Guiding and Regulating Financing Activities of Listed Companies (Revised) (《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)》).

(II) The Issuance complies with the national industry policy direction

In May 2014, the CSRC issued the Opinions on Further Promoting the Innovative Development of Securities Operation Institutions (《關於進一步推進證券經營機構創新發展的意見》), which clearly specified the major tasks and specific measures for facilitating the innovative development of securities operation institutes, and the support for the securities operation institutions to expand the financing channels and make equity and debt financing. In 2016 and 2020, the CSRC revised the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》), which continuously improved the risk control indicator system of securities companies with net capital and liquidity as the core, enhanced the guiding role of securities companies in capital allocation, and promoted the sustained and steady development of the securities industry. As the reform and opening of China's capital market

continues to deepen and the reform of the registration system advances, the Company's replenishment of its capital through the Non-public Issuance to promote the sustainable and healthy development of its business, is in line with the direction of the national industrial policies.

IV. Use of Proceeds to Be Raised from the Issuance

The proceeds to be raised from the Non-public Issuance will not exceed RMB7.0 billion (inclusive RMB7.0 billion), and after deducting the issuance expenses, are to be completely used to supplement the Company's capital and working capital and improve the market competitiveness and risk tolerance of the Company. Details on the use of proceeds are as follows:

(I) Up to RMB3.3 billion to be invested in development of flow-based business

The flow-based business is a type of business in which the Company uses its own balance sheet to meet the investment and financing needs of its customers through product design, including but not limited to margin financing and securities lending, securities repurchase, return swap, equity derivative, commodity derivative, market making transaction and cross-border transaction. Following the acceleration of the financial supply-side reform and the two-way opening of the capital market, there is a surge in customer demand for risk management, global asset allocation and strategic investment, making the capital intermediary business an important vehicle for the Company to provide one-stop integrated services to customers. The flow-based business features a wide range of customers, rich product offerings, stable spreads and controlled risks, and has been a key business direction cultivated by the Company in recent years. Furthermore, the Company has secured a strong competitive edge in the flow-based business with a business scale outclass its industry peers. A scale-up of the flow-based business requires securities companies to continuously increase capital allocation. The Company intends to use the proceeds to invest in the flow-based business, with a focus on the development of margin financing and securities lending and equity pledging business to further optimize the Company's revenue structure and enhance its profitability.

Since obtaining the qualification of margin financing and securities lending, securities repurchases, and securities-backed lending from 2012 to 2013, the Company has been vigorously developing its capital intermediary business and has attained certain results. Such flow-based businesses such as margin financing and securities lending and equity pledging have become one of the most important sources of income and profit for the Company. In 2020, while flow-based business of the Company seized favorable opportunities for the successful non-public issuance of A shares, it increased capital allocation, improved the risk control measures, and steadily promoted the sustainable and sound development of its flow-based businesses.

Continuous expansion of margin financing and securities lending and other flow-based businesses is of great significance for the Company to improve financial services and optimize business structure. Meanwhile, the business is capital intensive, and its scale growth depends on continuous and stable capital supply. The Company increases its investment in flow-based business with proceeds from the Issuance, which can better meet the requirements of various risk control indicators and ensure the reasonable growth of flow-based business.

Therefore, the Company intends to invest up to RMB3.3 billion to expand the scale of flow-based business, so as to enhance the market competitiveness of flow-based business, further optimize the business structure and enhance the Company's ability to resist the volatility risk of securities market.

(II) Up to RMB2.1 billion to be invested in development of investment and trading business

When the proceeds from the Issuance are available, the Company will timely invest the proceeds in the investment and trading business to develop new investment products, improve investment structure and increase investment income in accordance with market changes under the premise of prudent operation and controllable risks.

As the market becomes more institutionalized, revenue from institutional customer services holds an increasingly important position in the earnings structure of securities companies. The investment trading business, which seeks to meet the rapidly growing trading and risk hedging needs of institutional investors, has become a key part of the differentiated ability of securities companies to serve their institutional customers, with a promising prospect.

In the development course of proprietary trading, the Company has always focused on value investment in the principle of "flexible allocation and robust operation", which ensures capital safety and certain returns on investment. With regard to equity investment business, the Company has optimized its business process and ramped up its investment strategy to ensure the safety and stability of investment returns through participation in targeted issuance, subscription of asset management products and independent investment in various equity products. Meanwhile, the Company stepped up investment and research exchanges with the Company's research institutes to enhance the quality of investment and research, which secured better investment returns. As for the fixed income investment business, the Company, carried out band operations based on the investment philosophy of stable allocation and conducted market-neutral investment business by means of hedging, etc. At the same time, it carried out investment trading, sales trading and distribution business in an orderly manner, reasonably controlled the scale of credit bond investment, and participated in the bill business of Shanghai Commercial Paper Exchange for stable excess returns with low risk. The Company's bond trading volume has been ranked among

the top 300 in the China Foreign Exchange Trading Center (CFETS) for years in a row. The Company will further organize the investment process, improve the trading system, and enhance the research capability and investment decision-making capability.

Therefore, according to the Company's business development plan, the Company intends to invest up to RMB2.1 billion of proceeds in the investment and trading business, with the focus on developing the fixed income and equity investment business, so as to improve the trading structure and meet the capital needs of related business development. Therefore, according to the Company's business development plan, the Company intends to invest up to RMB2.1 billion of proceeds in the investment and trading business, so as to improve the trading structure and meet the capital needs of related business development.

(III) Up to RMB800 million to be invested to increase the capital of the domestic and overseas wholly-owned subsidiaries

At present, the Company has initially formed a comprehensive operation pattern based on securities business, covering regional equity market, futures, alternative investment, private fund management and other financial business forms, which is scarce among domestic securities companies. The Company intends to invest up to RMB800 million to increase the capital of the domestic and overseas wholly-owned subsidiaries for boosting the development of the subsidiaries, so as to promote the Group strategy and enhance the competitiveness. The Company's wholly-owned subsidiaries include Central China International, Central China Blue Ocean, Zhongding Kaiyuan Venture Capital, etc.

Among them, Central China International was established on 29 October 2014, and currently has a registered capital of HKD1.8 billion. In 2021, Central China International attached great importance to the development of investment banking business and expanded the business scale in Henan Province. Besides, it also steadily and prudently developed the licensed business and investment business, reserved project resources, cultivated the core competitiveness of equity financing and debt financing, and built its overseas market service platform.

Established on 25 March 2015, Central China Blue Ocean currently has a registered capital of RMB3.500 billion. As a subsidiary engaged in alternative investment of the Company, it has fully implemented the strategy of "making excellent investment". Sticking to the idea of walking with "giants", Central China Blue Ocean actively promoted cooperation with well-known domestic investment institutions, continued to deploy more high-quality projects, optimized its investment

structure, enriched its investment varieties, and enhanced its investment scale and capacity. Meanwhile, it ramped up the PRE-IPO based equity investment strategy, provided stronger support for high-quality enterprises in Henan Province, and accumulated high-quality investment project resources.

Established on 8 February 2012, currently with a registered capital of RMB0.68 billion, ZDKY Venture Capital is a wholly-owned subsidiary carrying out private fund management business of the Company. Relying on the overall advantages of the Company, ZDKY Venture Capital will, staying true to the basic working idea of “invest out and recover”, boost its business development in Guangzhou and Shenzhen while further cultivating the Henan market. By partnering with large state-owned investment platforms, state-owned enterprises, listed companies, industry leaders, and national strategic partners in the province, ZDKY Venture Capital followed up on quality projects, promoted the establishment of funds with projects, and expanded the scale of fund management; accelerated the collection and research of projects in and outside the province, reserved high-quality investment targets, and developed high-quality projects to improve its income level; sought diversified exit channels, adopted such means as market introduction, introduction of acquirers and strategic investors, etc. in a timely manner to help enterprises resolve risks while exiting. The Company intends to invest up to RMB800 million to increase the capital of the domestic and overseas wholly-owned subsidiaries, so as to promote the Group strategy and enhance the competitiveness.

(IV) Up to RMB200 million to be invested in information system construction and risk control and compliance

The application of financial technology represented by big data, cloud computing and artificial intelligence is profoundly affecting the capital market, and the securities industry is also marching into the era of “financial technology”. The deep integration of finance with technology is not only a technological revolution for the securities industry, but also the only road to achieve quality development. In recent years, the securities industry, particularly certain leading securities companies have strategically adopted financial technology, which is profoundly changing the service boundary, business model, resource allocation, and operation management of the industry. As an industry highly dependent on information technology, information technology capability has become an important part of the core competitiveness of securities companies, which is related to the Company’s strategic deployment, business development and brand image. Meanwhile, regulatory authorities are paying more attention to the investments in information technology construction of securities companies. According to the Regulations on Classification of Securities Companies (《證券公司分類監管規定》) newly amended by the CSRC in 2020, the proportion of the investment amount in information technology to operating income is taken as an important plus for classification and evaluation of securities companies.

The Company has a centralized trading system, online securities trading system, asset management system, financial system, risk control system, etc. to handle transactions, store data and control risks, and initially established a risk management information technology system covering various risk types, departments, branches and subsidiaries. Meanwhile, the Company pays significant attention to the application of information technology in securities brokerage business. The digital “three links” of “data connection”, “process connection” and “business connection” have been basically realised and initially constructed a precise digital marketing network. In recent years, the Company has continuously strengthened the supervision, service and support capacity building of the middle and background departments, and especially further improved the construction of risk control and compliance system to enhance the Company’s risk management capability.

To ensure the standardization and effectiveness of the Company’s compliance and risk management and further improve the ability of information system to support and service business development, the Company intends to invest up to RMB200 million to continuously build and improve information system and increase investment in the construction of compliance management and comprehensive risk management systems, including hiring external consultants, introducing professionals, increasing system investment and achieving full coverage of compliance and risk control, to ensure continuous, sound, efficient, and stable development of the Company.

(V) Up to RMB0.6 billion to be invested in debt repayment and replenish working capital

The proceeds to be used for debt repayment and replenishment of working capital this time shall not exceed RMB600 million. Following the gradual expansion of the Company’s operation scale in recent years, its liabilities have also soared. As of the end of 2021, the Company’s gearing ratio in the consolidated financial statements was 65.65% (excluding accounts payable to brokerage clients (including accounts payable to brokerage clients for credit transactions) and accounts payable to underwriting clients). In addition, with the development of the capital market and the further acceleration of industry innovation, the securities industry will face huge development space in the future. The Company will pay close attention to the change of market regulatory policies and the industry development opportunities, reasonably allocate the proceeds from the Issuance based on the Company’s strategic development goal and actual operation situation, and timely promote the development of various innovative businesses in the future with the proceeds from the Non-public Issuance.

Upon completion of the Non-public Issuance, the Company’s consolidated gearing ratio will be reduced, which will not only reduce the Company’s short-term financial risk, but also enhance its flexibility in selecting financing instruments, promote its long-term, healthy and stable development, and facilitate the maximization of the use of proceeds.

To sum up, the Company will rationally allocate the proceeds from the Issuance according to its own strategic planning and development situation, and timely supplement its capital needs in the process of business development to ensure the orderly development of various businesses. The Non-public Issuance will enhance the net capital strength of the Company, reduce operational risks, improve various risk control indicators, and better to cope with the capital pressure arising from the rapid development of various businesses. The English version of this appendix is an unofficial translation of the Chinese version, should there be discrepancies, the Chinese version shall prevail.

Activities of Central China Securities Co., Ltd. as at 31 December 2021 and the attestation report issued by Da Hua Certified Public Accountants (Special General Partnership) are as follows:

Report on the Use of Proceeds Raised from Previous Fund Raising Activities of Central China Securities Co., Ltd. as at 31 December 2021

RAISED FROM PREVIOUS FUND RAISING ACTIVITIES

Central China Securities Co., Ltd.

As at 31 December 2021

Report on the Use of Proceeds Raised from Previous Fund Raising Activities

Central China Securities Co., Ltd.

Report on the Use of Proceeds
Raised from Previous Fund
Raising Activities**I. Proceeds Raised from Previous Fund Raising Activities**

The proceeds raised from previous fund raising activities mentioned in this report include the proceeds from the initial public offering of A shares in December 2016 and the proceeds from the private offering of A shares in July 2020.

(I) Proceeds from initial public offering of A shares in December 2016

As approved by the Reply Concerning Approval of Initial Public Offering of Shares of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2868) issued by CSRC on 25 November 2016, the Company issued 700,000,000 ordinary shares denominated in RMB to the public at an issue price of RMB4.00 per share and the gross proceeds amounted to RMB2,800,000,000.00. After deducting the issuance fee totaling RMB102,800,000.00, the balance was RMB2,697,200,000.00. The net proceeds amounted to RMB2,669,811,742.42 after the aforesaid proceeds deducted the underwriting fee, sponsorship fee (including the proportion paid by the Company out of the free capital before the IPO) and other related issuance expenses cumulatively incurred by the Company.

As of 22 December 2016, the Company has received the aforesaid proceeds from the issuance, and the above proceeds have been audited by ShineWing Certified Public Accountants (Special General Partnership), which issued a capital verification report with a report number of “XYZH/2016BJA10719”.

The Company has opened the special deposit accounts with the following banks in accordance with the Measures for the Management of Securities Issuance by Listed Companies to save the proceeds. As of 31 December 2021, the deposit of the proceeds is listed as follows:

Unit: RMB

| Bank name | Account Number | Initial deposit amount | Balance on closing date | Storage method |
|--|-----------------------|------------------------|-------------------------|----------------|
| Zhengzhou Jinshui Road Branch of Shanghai Pudong Development Bank Co., Ltd. | 76080153400000011 | 300,000,000.00 | 0.00 | Demand |
| Zhengzhou Jinshui Road Branch of Zhongyuan Bank Co., Ltd. | 410101015110000901 | 500,000,000.00 | 0.00 | Demand |
| Zhengzhou Qihuo Branch of China Construction Bank Corporation | 41050100400800000371 | 597,200,000.00 | 0.00 | Demand |
| Zhengzhou Qihuo Building Branch of Bank of Communications Co., Ltd. | 411899991010003720319 | 500,000,000.00 | 0.00 | Demand |
| Zhengzhou Branch Office of Hengfeng Bank Co., Ltd. | 837110010125700477 | 500,000,000.00 | 0.00 | Demand |
| Zhengzhou Huayuan Road Branch of Industrial and Commercial Bank of China Limited | 1702020629200566665 | 300,000,000.00 | 0.00 | Demand |
| Total | — | 2,697,200,000.00 | 0.00 | — |

As at 31 December 2021, all the above proceeds have been used.

RAISED FROM PREVIOUS FUND RAISING ACTIVITIES

Central China Securities Co., Ltd.

As at 31 December 2021

Report on the Use of Proceeds Raised from Previous Fund Raising Activities

(II) Proceeds from the private offering of A shares in July 2020

As approved by the Reply Concerning Approval of Private Offering of Shares of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2020] No. 1190) issued by CSRC on 1 July 2020, the Company privately issued 773,814,000 shares to specific investors at an issue price of RMB4.71 per share. The gross proceeds amounted to RMB3,644,663,940.00. After deducting the relevant issuance fee totaling RMB24,800,000.00, the balance actually received was RMB3,619,863,940.00. The net proceeds amounted to RMB3,617,129,826.33 after the aforesaid proceeds deducted the underwriting fee, sponsorship fee (including the proportion paid by the Company out of the free capital before the private offering) and other related issuance expenses cumulatively incurred by the Company.

As of 23 July 2020, the Company has received the aforesaid proceeds from the issuance, and the above proceeds have been audited by Henan Xinghua Certified Public Accountants Co., Ltd., which issued a capital verification report with a report number of “YXHYZ [2020] No. 010”.

The Company has opened the special deposit accounts with the following banks in accordance with the Measures for the Management of Securities Issuance by Listed Companies to save the proceeds. As of 31 December 2021, the deposit of the proceeds is listed as follows:

Unit: RMB

| Bank name | Account Number | Initial deposit amount | Balance on closing date | Storage method |
|--|----------------------|------------------------|-------------------------|----------------|
| Zhengzhou Commodity Exchange Branch of China Construction Bank Corporation | 41050110248700000184 | 1,119,863,940.00 | 0.00 | Demand |
| Zhengzhou Branch Office of Ping An Bank Co., Ltd. | 19014528996705 | 700,000,000.00 | 0.00 | Demand |
| Banking Department of Bank of Hangzhou Co. Ltd. | 999156140250000020 | 800,000,000.00 | 0.00 | Demand |
| Zhengzhou Shangwu Outer Ring Road Branch of Zhongyuan Bank Co., Ltd. | 419901015160017101 | 1,000,000,000.00 | 0.00 | Demand |
| Total | — | 3,619,863,940.00 | 0.00 | — |

As at 31 December 2021, all the above proceeds have been used.

II. Actual Use of Proceeds Raised from Previous Fund Raising Activities

(I) Use of proceeds from previous fund raising activities

See Annex 1 “Comparison table of use of proceeds raised from previous fund raising activities (December 2016)” for the details with respect to the use of the proceeds from the initial public offering of A shares in December 2016.

See Annex 2 “Comparison table of use of proceeds raised from previous fund raising activities (July 2020)” for the details with respect to the use of the proceeds from the initial public offering of A shares in July 2020.

(II) Change in actual investment project with proceeds from previous fund raising activities

As at 31 December 2021, the Company’s use of proceeds raised from previous fund raising activities was consistent with the committed use of proceeds, and there was no change in the projects invested with proceeds.

(III) External transfer or swaps of investment project with proceeds from previous fund raising activities

RAISED FROM PREVIOUS FUND RAISING ACTIVITIES

Central China Securities Co., Ltd.
As at 31 December 2021
Report on the Use of Proceeds Raised from Previous Fund Raising Activities

The Company's investment project with the proceeds from previous fund raising activities has incurred no swaps for the earlier investment.

(IV) Use of idle proceeds

The Company has not used the proceeds from previous fund raising activities for other temporary purposes.

(VI) Comparison between use of proceeds raised from previous fund raising activities and the Company's regular report

None of the contents disclosed in the Company's regular report are inconsistent with the aforesaid information.

III. Economic Benefits Generated from Investment Project with Proceeds from Previous Fund Raising Activities

As of 31 December 2021, the Company has used the proceeds from the previous fund raising activities to replenish the working capital for corresponding business fields, enlarged the business scale and accordingly increased the net assets, net assets per share and net capital. Besides, the Company has also enlarged the development space for the operations involving the requirements for the net capital size. The proceeds have been used to bolster the working capital in various business fields, which makes it incapable to account their benefits separately.

IV. Operating status of related share assets subscribed with proceeds from previous issuance:

The Company has not subscribed for share assets.

V. Balance of proceeds from previous fund raising activities and use of balance

As at 31 December 2021, all the above proceeds of the Company have been used.

VI. Other circumstances related to the use of proceeds from previous fund raising activities

None.

Central China Securities Co., Ltd.
29 April 2022

Central China Securities Co., Ltd.
As at 31 December 2021
Report on the Use of Proceeds Raised from Previous Fund Raising Activities

Annex 1

Comparison table of use of proceeds raised from previous fund raising activities (December 2016)

Prepared by: Central China Securities Co., Ltd.

Unit: RMB 10,000

| No. | Investment project | | Total investment amount from proceeds | | | | Accumulated investment amount from proceeds as at the closing date | | | | Date of the project reaching expected condition for use (or completion degree of project as at closing date) |
|-----|------------------------------|---------------------------|---|--|-----------------------------------|---|--|-----------------------------------|---|---|--|
| | Committed investment project | Actual investment project | Committed investment amount before issuance | Committed investment amount after issuance | Actual investment amount (Note 2) | Committed investment amount before issuance | Committed investment amount after issuance | Actual investment amount (Note 2) | Difference between actual investment amount and committed investment amount after completion of the issuance (Note 3) | | |
| 1 | Replenish working capital | Replenish working capital | 266,981.17 | 266,981.17 | 268,168.34 | 266,981.17 | 266,981.17 | 268,168.34 | 1,187.17 | — | |
| | Total | Total | 266,981.17 | 266,981.17 | 268,168.34 | 266,981.17 | 266,981.17 | 268,168.34 | 1,187.17 | — | |

Note 1: The "total proceeds" are the net amount of proceeds after deduction of the issuance expenses (excluding the input VAT) by the Company.

Note 2: The "actual investment amount" is the amount actually paid by the Company for the investment project.

Note 3: The difference between the actual investment amount and the committed investment amount after issuance is the interest income accrued the special account for the proceeds.

Total proceeds (Note 1): 266,981.17
Total proceeds used in aggregate: 268,168.34

Total proceeds with change in use: —
Proportion of total proceeds with change in use: —

Central China Securities Co., Ltd.
As at 31 December 2021
Report on the Use of Proceeds Raised from Previous Fund Raising Activities

Annex 2

Comparison table of use of proceeds raised from previous fund raising activities (July 2020)

Prepared by: Central China Securities Co., Ltd.

Unit: RMB 10,000

| Investment project | | Total investment amount from proceeds | | | | Accumulated investment amount from proceeds as at the closing date | | | | Date of the project reaching expected condition for use (or completion degree of project as at closing date) |
|--------------------|---|---|--|---|-----------------------------------|--|---|-----------------------------------|---|--|
| No. | Committed investment project | Actual investment project | mitted investment amount before issuance | mitted investment amount after issuance | Actual investment amount (Note 2) | mitted investment amount before issuance | mitted investment amount after issuance | Actual investment amount (Note 2) | Difference between actual investment amount and committed investment amount after completion of the issuance (Note 3) | |
| 1 | Development of capital-based intermediary business | Development of capital-based intermediary business | No more than RMB2.5 billion | No more than RMB2.0 billion | 200,000.00 | No more than RMB2.5 billion | No more than RMB2.0 billion | 200,000.00 | — | — |
| 2 | Development of investment and trading business | Development of investment and trading business | No more than RMB1.5 billion | No more than RMB1.0 billion | 100,000.00 | No more than RMB1.5 billion | No more than RMB1.0 billion | 100,000.00 | — | — |
| 3 | Increase registered capital of domestic and overseas fully-owned subsidiaries | Increase registered capital of domestic and overseas fully-owned subsidiaries | No more than RMB1.0 billion | No more than RMB450 million | 43,857.68 | No more than RMB1.0 billion | No more than RMB450 million | 43,857.68 | — | — |
| 4 | Used for building of information system as well as compliance and risk control investment | Used for building of information system as well as compliance and risk control investment | No more than RMB100 million | No more than RMB45 million | 3,540.00 | No more than RMB100 million | No more than RMB45 million | 3,540.00 | — | — |
| 5 | Replenish working capital | Replenish working capital | No more than RMB150 million | No more than RMB150 million | 15,000.00 | No more than RMB150 million | No more than RMB150 million | 15,000.00 | — | — |
| | Total | | | | 362,397.68 | | | 362,397.68 | 684.70 | — |

Note 1: The "total proceeds" are the net amount of proceeds after deduction of the issuance expenses (excluding the input VAT) by the Company.

Note 2: The "actual investment amount" is the amount actually paid by the Company for the investment project.

Note 3: The difference between the actual investment amount and the committed investment amount after issuance is the interest income accrued the special account for the proceeds.

Central China Securities Co., Ltd.
**Attestation Report on Use of Proceeds from Previous Fund
Raising Activities**

Dahua Attestation Report [2022] No. 003959

大华会计师事务所(特殊普通合伙)
DaHua Certified Public Accountants (Special General Partnership)

Beijing Institute of Certified Public Accountants
Uniform Coding and Submission System for Business Report

Uniform Code for Business Report: 110101482022212020551

Report Name: Attestation Report on Listed Company's Use of Proceeds from
Previous Fund Raising Activities

Report No.: Dahua Attestation Report [2022] No. 003959

Audited (Attested) Institution Name: Central China Securities Co., Ltd.

Name of Accounting Firm: DaHua Certified Public Accountants (Special General Partnership)

Business Type: Special Audit

Reporting Date: 29 April 2022

Filing Date: 28 April 2022

Signed by: Aodu Jiya (110001610117),
Li Tiantian (110101480188)



(Scan the QR code or log on the official website of Beijing Institute of Certified Public Accountants and enter the code to inquire about information)

Note: The filed information only proves this report has been filed with the Beijing Institute of Certified Public Accountants, but doesn't mean the Beijing Institute of Certified Public Accountants has provided the warrant in whatever form for the contents of this report in whatever sense.

Central China Securities Co., Ltd.
**Attestation Report on Use of Proceeds from Previous Fund Raising
Activities**

(As of 31 December 2021)

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DaHua Certified Public Accountants (Special General Partnership)
12F, Block 7, Court 16, Middle Section, West Fourth Ring Road,
Haidian District, Beijing [100039]
Tel: 86(10) 58350011 Fax: 86(10)58350006
www.dahua.cpa.com

Attestation Report on Use of Proceeds Raised from Previous Fund Raising Activities

Dahua Attestation Report [2022] No. 003959

To all shareholders of Central China Securities Co., Ltd.,

We have carried out attestation on the attached Special Report on Use of Proceeds Raised from Previous Fund Raising Activities of Central China Securities Co., Ltd. (“Central China Securities”) as at 31 December 2021.

I. Responsibility of the Board of Directors

The responsibility of the Board of Directors of Central China Securities is to prepare the Special Report on the Use of Proceeds Raised from Previous Fund Raising Activities in accordance with the Provisions on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission and warrant its contents are authentic, accurate and integral and contain no false records, misleading statements or material omissions.

II. CPA’s Responsibility

Our responsibility is to express an attestation opinion on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities of Central China Securities on the basis of implementing the attestation work. We have performed the attestation operation in line with the provisions of the Standards on Other Attestation Engagements for Chinese Public Accountant No. 3101 - Attestation Engagements Other than Audit or Review of Historical Financial Information. This standard requires us to plan and execute the attestation work to obtain reasonable assurance as to whether the Report on the Use of Proceeds Raised from Previous Fund Raising Activities is free from material misstatement.

To the extent of our assurance, we have implemented the procedures for knowledge, inquiry, inspection and re-calculation as well as other procedures we think necessary. We believe that our attestation is to provide an appropriate basis for the expression of an opinion.

III. Attestation Conclusion

In our opinion, the Special Report on the Use of Proceeds Raised from Previous Fund Raising Activities which was prepared by the Board of Central China Securities in accordance with the Provisions on the Report on the Use of Proceeds Raised from Previous Fund Raising Activities (Zheng Jian Fa Xing Zi [2007] No. 500) issued by the China Securities Regulatory Commission, and presents, in all material aspects, the use of the proceeds raised from previous fund raising activities of Central China Securities as at 31 December 2021.

IV. Restriction over Uses of Report and Purpose of Use

It must be noted that this Attestation Report is only intended for Central China Securities to apply for the securities issuance and should not be used for any other purpose. We agree to submit this Attestation Report as the necessary content of the securities issuance application documents of Central China Securities together with other application documents.

DaHua Certified Public Accountants (Special
General Partnership)

Beijing, China

Chinese Certified Public
Accountant:

Chinese Certified Public
Accountant:



Aodu Jiya



Li Tiantian

29 April 2022

Central China Securities Co., Ltd.

As of 31 December 2021

Special Report on the Use of Proceeds Raised from Previous Fund Raising Activities

Central China Securities Co., Ltd.

Special Report on the Use of Proceeds Raised from Previous Fund Raising Activities

I. Proceeds Raised from Previous Fund Raising Activities

The proceeds raised from previous fund raising activities mentioned in this report include the proceeds from the initial public offering of A shares in December 2016 and the proceeds from the private offering of A shares in July 2020.

(I) Proceeds from initial public offering of A shares in December 2016

As approved by the Reply Concerning Approval of Initial Public Offering of Shares of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2868) issued by CSRC on 25 November 2016, the Company issued 700,000,000 ordinary shares denominated in RMB to the public at an issue price of RMB4.00 per share, and the gross proceeds amounted to RMB2,800,000,000.00. After deducting the issuance fee totaling RMB102,800,000.00, the balance actually received was RMB2,697,200,000.00. The net proceeds amounted to RMB2,669,811,742.42 after the aforesaid proceeds deducted the underwriting fee, sponsorship fee (including the proportion paid by the Company out of the self-owned capital before the IPO) and other related issuance expenses cumulatively incurred by the Company.

As of 22 December 2016, the Company has received the aforesaid proceeds from the issuance, and the above proceeds have been audited by ShineWing Certified Public Accountants (Special General Partnership), which issued a capital verification report with a report number of “XYZH/2016BJA10719”.

The Company has opened the special deposit accounts with the following banks in accordance with the Measures for the Management of Securities Issuance by Listed Companies to save the proceeds. As of 31 December 2021, the deposit of the proceeds is listed as follows:

Unit: RMB

| Bank name | Account Number | Initial deposit amount | Balance on closing date | Storage method |
|--|-----------------------|------------------------|-------------------------|----------------|
| Zhengzhou Jinshui Road Branch of Shanghai Pudong Development Bank Co., Ltd. | 76080153400000011 | 300,000,000.00 | 0.00 | Demand |
| Zhengzhou Jinshui Road Branch of Zhongyuan Bank Co., Ltd. | 410101015110000901 | 500,000,000.00 | 0.00 | Demand |
| Zhengzhou Qihuocheng Branch of China Construction Bank Corporation | 41050100400800000371 | 597,200,000.00 | 0.00 | Demand |
| Zhengzhou Qihuo Building Branch of Bank of Communications Co., Ltd. | 411899991010003720319 | 500,000,000.00 | 0.00 | Demand |
| Zhengzhou Branch Office of Hengfeng Bank Co., Ltd. | 837110010125700477 | 500,000,000.00 | 0.00 | Demand |
| Zhengzhou Huayuan Road Branch of Industrial and Commercial Bank of China Limited | 1702020629200566665 | 300,000,000.00 | 0.00 | Demand |
| Total | — | 2,697,200,000.00 | 0.00 | — |

As of 31 December 2021, all the above proceeds have been used.

Central China Securities Co., Ltd.

As of 31 December 2021

Special Report on the Use of Proceeds Raised from Previous Fund Raising Activities

(II) Proceeds from the private offering of A shares in July 2020

As approved by the Reply Concerning Approval of Private Offering of Shares of Central China Securities Co., Ltd. (Zheng Jian Xu Ke [2020] No. 1190) issued by CSRC on 1 July 2020, the Company privately issued 773,814,000 shares to specific investors at an issue price of RMB4.71 per share, and the gross proceeds amounted to RMB3,644,663,940.00. After deducting the issuance fee totaling RMB24,800,000.00, the balance actually received was RMB3,619,863,940.00. The net proceeds amounted to RMB3,617,129,826.33 after the aforesaid proceeds deducted the underwriting fee, sponsorship fee (including the proportion paid by the Company out of the self-owned capital before the private offering) and other related issuance expenses cumulatively incurred by the Company.

As of 23 July 2020, the Company has received the aforesaid proceeds from the issuance, and the above proceeds have been audited by Henan Xinghua Certified Public Accountants Co., Ltd., which issued a capital verification report with a report number of “YXHYZ [2020] No. 010”.

The Company has opened the special deposit accounts with the following banks in accordance with the Measures for the Management of Securities Issuance by Listed Companies to save the proceeds. As of 31 December 2021, the deposit of the proceeds is listed as follows:

Unit: RMB

| Bank name | Account Number | Initial deposit amount | Balance on closing date | Storage method |
|--|----------------------|------------------------|-------------------------|----------------|
| Zhengzhou Commodity Exchange Branch of China Construction Bank Corporation | 41050110248700000184 | 1,119,863,940.00 | 0.00 | Demand |
| Zhengzhou Branch Office of Ping An Bank Co., Ltd. | 19014528996705 | 700,000,000.00 | 0.00 | Demand |
| Banking Department of Bank of Hangzhou Co. Ltd. | 999156140250000020 | 800,000,000.00 | 0.00 | Demand |
| Zhengzhou Shangwu Outer Ring Road Branch of Zhongyuan Bank Co., Ltd. | 419901015160017101 | 1,000,000,000.00 | 0.00 | Demand |
| Total | — | 3,619,863,940.00 | 0.00 | |

As at 31 December 2021, all the above proceeds have been used.

II. Actual Use of Proceeds Raised from Previous Fund Raising Activities

(I) Use of proceeds from previous fund raising activities

See Annex 1 “Comparison table of use of proceeds raised from previous fund raising activities (December 2016)” for the details with respect to the use of the proceeds from the initial public offering of A shares in December 2016.

See Annex 2 “Comparison table of use of proceeds raised from previous fund raising activities (July 2020)” for the details with respect to the use of the proceeds from the initial public offering of A shares in July 2020.

(II) Change in actual investment project with proceeds from previous fund raising activities

As at 31 December 2021, the Company’s use of proceeds raised from previous fund raising activities was consistent with the committed use of proceeds, and there was no change in the projects invested with proceeds.

(III) External transfer or swaps of investment project with proceeds from previous fund raising activities

Central China Securities Co., Ltd.

As of 31 December 2021

Special Report on the Use of Proceeds Raised from Previous Fund Raising Activities

The Company's investment project with the proceeds from previous fund raising activities has incurred no swaps for the earlier investment.

(IV) Use of idle proceeds

The Company has not used the proceeds from previous fund raising activities for other temporary purposes.

(V) Comparison between use of proceeds raised from previous fund raising activities and the Company's regular report

None of the contents disclosed in the Company's regular report are inconsistent with the aforesaid information.

III. Economic Benefits Generated from Investment Project with Proceeds from Previous Fund Raising Activities

As of 31 December 2021, the Company has used the proceeds from the previous fund raising activities to replenish the working capital for corresponding business fields, enlarged the business scale and accordingly increased the net assets, net assets per share and net capital. Besides, the Company has also enlarged the development space for the operations involving the requirements for the net capital size. The proceeds have been used to bolster the working capital in various business fields, which makes it incapable to account their benefits separately.

IV. Operating status of related share assets subscribed with proceeds from previous issuance

The Company has not subscribed for share assets.

V. Balance of proceeds from previous fund raising activities and use of balance

As at 31 December 2021, all the above proceeds of the Company have been used.

VI. Other circumstances related to the use of proceeds raised from previous fund raising activities

None.

Central China Securities Co., Ltd. (Seal)

29 April 2022

Central China Securities Co., Ltd.
As at 31 December 2021
Report on the Use of Proceeds Raised from Previous Fund Raising Activities

Annex 1

Comparison table of use of proceeds raised from previous fund raising activities (December 2016)

Prepared by: Central China Securities Co., Ltd.

Unit: RMB 10,000

| No. | Investment project | | Total investment amount from proceeds | | | | Accumulated investment amount from proceeds as at the closing date | | | | Difference between actual investment amount and committed investment amount after completion of the issuance (Note 3) | Date of the project reaching expected condition for use (or completion degree of project as at closing date) |
|--|------------------------------|---------------------------|---|--|-----------------------------------|-----------------------------------|--|--|-----------------------------------|--|---|--|
| | Committed investment project | Actual investment project | Committed investment amount before issuance | Committed investment amount after issuance | Actual investment amount (Note 2) | Actual investment amount (Note 2) | Committed investment amount before issuance | Committed investment amount after issuance | Actual investment amount (Note 2) | Actual investment amount after completion of the issuance (Note 3) | | |
| 1 | Replenish working capital | Replenish working capital | 266,981.17 | 266,981.17 | 268,168.34 | 268,168.34 | 266,981.17 | 266,981.17 | 266,981.17 | 268,168.34 | 1,187.17 | — |
| Total | | | 266,981.17 | 266,981.17 | 268,168.34 | 268,168.34 | 266,981.17 | 266,981.17 | 266,981.17 | 268,168.34 | 1,187.17 | — |
| Total proceeds (Note 1): 266,981.17 | | | Total proceeds used in aggregate: 268,168.34 | | | | | | | | | |
| Total proceeds with change in use: — | | | Total proceeds used during the year: 2017: 268,168.34 | | | | | | | | | |
| Proportion of total proceeds with change in use: — | | | | | | | | | | | | |

Note 1: The “total proceeds” are the net amount of proceeds after deduction of the issuance expenses (excluding the input VAT) by the Company.

Note 2: The “actual investment amount” is the amount actually paid by the Company for the investment project.

Note 3: The difference between the actual investment amount and the committed investment amount after issuance is the interest income accrued the special account for the proceeds.

Central China Securities Co., Ltd.
As at 31 December 2021
Report on the Proceeds Raised from Previous Fund Raising Activities

Annex 2

Comparison table of use of proceeds raised from previous fund raising activities (July 2020)

Prepared by: Central China Securities Co., Ltd.

Unit: RMB 10,000

| No. | Committed investment project | Actual investment project | Total investment amount from proceeds | | | Accumulated investment amount from proceeds as at the closing date | | | Date of the project reaching expected condition for use (or completion degree of project as at closing date) | |
|-------|---|---|---|--|-----------------------------------|--|--|-----------------------------------|--|---|
| | | | Committed investment amount before issuance | Committed investment amount after issuance | Actual investment amount (Note 2) | Committed investment amount after issuance | Committed investment amount after issuance | Actual investment amount (Note 2) | | Difference between actual investment amount and committed investment amount after completion of the issuance (Note 3) |
| 1 | Development of capital-based intermediary business | Development of capital-based intermediary business | No more than RMB2.5 billion | No more than RMB2.0 billion | 200,000.00 | No more than RMB2.5 billion | No more than RMB2.0 billion | 200,000.00 | — | — |
| 2 | Development of investment and trading business | Development of investment and trading business | No more than RMB1.5 billion | No more than RMB1.0 billion | 100,000.00 | No more than RMB1.5 billion | No more than RMB1.0 billion | 100,000.00 | — | — |
| 3 | Increase registered capital of domestic and overseas fully-owned subsidiaries | Increase registered capital of domestic and overseas fully-owned subsidiaries | No more than RMB1.0 billion | No more than RMB450 million | 43,857.68 | No more than RMB1.0 billion | No more than RMB450 million | 43,857.68 | — | — |
| 4 | Used for building of information system as well as compliance and risk control investment | Used for building of information system as well as compliance and risk control investment | No more than RMB100 million | No more than RMB45 million | 3,540.00 | No more than RMB100 million | No more than RMB45 million | 3,540.00 | — | — |
| 5 | Replenish working capital | Replenish working capital | No more than RMB150 million | No more than RMB150 million | 15,000.00 | No more than RMB150 million | No more than RMB150 million | 15,000.00 | — | — |
| Total | | | | | 362,397.68 | | | 362,397.68 | 684.70 | — |

Note 1: The “total proceeds” are the net amount of proceeds after deduction of the issuance expenses (excluding the input VAT) by the Company.

Note 2: The “actual investment amount” is the amount actually paid by the Company for the investment project.

Note 3: The difference between the actual investment amount and the committed investment amount after issuance is the interest income accrued the special account for the proceeds.



Unified Social Credit Code
91110108590676050Q

Business License
(Duplicate) (7-1)

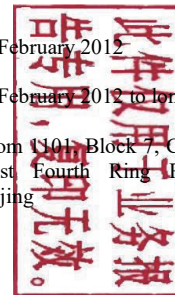


Scan the QR code and log in to the "National Enterprise Credit Information Publicity System" to learn more about registration, filing, licensing, and supervision

Name DaHua Certified Public Accountants (Special General Partnership)
Type Special General Partnership

Executive Partner Liang Chun, Tang Xiong
Business Scope Audit accounting statements of enterprises, and issue audit reports; verify capital of enterprises, and issue capital verification reports; handle audit business relating to merger, separation and liquidation of enterprises, and issue relevant reports; audit of annual financial report on infrastructure construction project; agency bookkeeping; accounting consulting, tax consulting, management consulting and accounting training; other audit businesses specified by laws and administrative regulations; none(The market entity shall choose operation items and conduct operating activities in its sole discretion; Projects needing approval shall operate after approval from relevant authorities is obtained; Business activities prohibited or restricted by industrial policies of the State and the Municipality are not permitted.)

Date of Establishment 09 February 2012
Partnership Period 09 February 2012 to long term
Principal Place of Business Room 1101, Block 7, Court 16, Middle Section, West Fourth Ring Road, Haidian District, Beijing



Registration Authority



01 December 2021

Website of National Enterprise Credit Information Disclosure System:
<http://www.ggxt.gov.cn>

The market entity shall submit annual reports for publicity through the National Enterprise Credit Information Publicity System annually between 1 January and 30 June.

Supervised by State Administration for Market Regulation



Auditing Firm Practice Certificate

Name: DaHua Certified Public Accountants (Special General Partnership)

Chief Partner: Liang Chun

Director Accountant:

Place of Business: 12F, Block 7, Court 16, Middle Section, West Fourth Ring Road, Haidian District, Beijing



Organizational Form: Special general partnership

Practice Certificate No.: 11010148

Practice Approval No.: Jing Cai Kuai Xu Ke [2011] No. 0101

Approval Date of Practice: 3 November 2011

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Notes

1. The Accounting Office Practice Certificate is the document proving the holder is examined and approved by the fiscal authority according to the law, and permitted to execute the legal businesses of certified public accountants.
2. The holder shall apply for renewal to the fiscal authority, if any registration affair of the Accounting Office Practice Certificate changes.
3. The Accounting Office Practice Certificate shall not be faked, modified, rented, lent or transferred.
4. If the accounting office is terminated or the practice certificate is written off, the Accounting Office Practice Certificate shall be returned to the fiscal authority.

Issuing Authority: Beijing Municipal Finance Bureau

7 October 2021

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年度检验登记
Annual Renewal Registration

本证书检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

年度检验登记
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THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会

注册编号: 1100000063553

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发证日期: 2021年11月10日
Date of Issuance: 2021年11月10日

2021年11月10日

徐勤波

注册会计师

2021年11月10日

徐勤波

注册会计师

2021年11月10日

徐勤波

注册会计师



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发证日期: 2015 年 11 月 17 日
Date of Issuance 2015 年 11 月 17 日

The English version of this appendix is an unofficial translation of the Chinese version, should there be discrepancies, the Chinese version shall prevail.

The full text of the Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares and the Remedial Measures of Central China Securities Co., Ltd. is as follows:

Dilution of Immediate Return Resulting from the Non-public Issuance of A Shares and the Remedial Measures of Central China Securities Co., Ltd.

Central China Securities Co., Ltd. (“**Central China Securities**” or the “**Company**”) intends to issue A shares by non-public issuance (the “**Non-public Issuance**” or “**Issuance**”). According to the relevant requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and Guiding Opinions on Matters relating to the Dilution of Immediate Return Resulting from Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), the Company has made analysis on the influence of immediate return of the Non-public Issuance of A shares, and proposed remedial measures based on the actual situations. The details are as follows:

I. Influence of the Issuance over the Immediate Return of the Company

The total share capital of the Company prior to the Non-public Issuance is 4,642,884,700 shares, and a maximum of 1,392,865,410 shares (inclusive) will be issued in the Issuance. The gross proceeds from the Issuance, after deducting relevant issuance expenses, will be all used to supplement the capital and working capital of the Company, so as to support the future business development, improve the market competitiveness and risk tolerance of the Company, and promote the achievement of the strategic development targets of the Company. When the proceeds from the Issuance are available, the total share capital and net assets of the Company will be significantly increased.

(I) Key assumptions and premises

1. It is assumed that there is no material change in the macroeconomic environment, securities industry development trend and the business operation of the Company in 2022.

2. It is assumed that the Non-public Issuance will be completed by 1 November 2022. The estimated time is only used for calculating the dilution influence of the Issuance on the immediate return. The final time shall be the actual completion time of the Issuance, which shall be subject to the approval of the CSRC.
3. It is assumed that 1,392,865,410 shares will be issued, and the proceeds will be RMB7 billion, without taking into account the influence of the issuance expenses. The actual amount of the proceeds received from the Non-public Issuance shall be determined in accordance with the approval by the regulatory authorities, the issuance and subscription situations and the issuance expenses.
4. The net profit attributable to shareholders of parent company in 2021, net of non-recurring profit and loss, was RMB490.355 million. It is assumed that the growth of net profit attributable to shareholders of parent company in 2022, net of non-recurring profit and loss, from that of 2021 is estimated based on the following three situations: (1) reduced by 10%; (2) no change; (3) increased by 10%. This assumption analysis does not constitute a profit forecast of the Company and shall not be relied on by the investors for making investment decision. If the investors make investment decision based on this assumption, the Company shall not be liable for any loss arising from any investment decision thus made.
5. It is assumed that no other activity that will impact or potentially impact the total share capital of the Company will be considered, except for the Issuance.
6. The influence on the business operation and financial position of the Company (such as operating income, financial expense, investment income, etc.) when the proceeds from the Issuance are credited into account will not be considered.

(II) Influence on the key financial indicators of the Company

The Company has estimated the influence of the Issuance on the key financial indicators of the Company based on the above assumptions, as detailed below:

| Item | For the year of 2021/ As at 31 December 2021 | For the year of 2022/ As at 31 December 2022 | |
|---|--|---|---------------------------------------|
| | | Prior to the Issuance | Upon completion of the Issuance |
| Total share capital (shares) | 4,642,884,700 | 4,642,884,700 | 6,035,750,110 |
| Weighted average total share capital (shares) | 4,642,884,700 | 4,642,884,700 | 4,875,028,935 |

Assumption 1: The net profit attributable to shareholders of parent company in 2022, net of non-recurring profit and loss, is reduced by 10% when compared with that of 2021

| | | | |
|---|-----------|-----------|-----------|
| Net profits attributable to shareholders of parent company, net of non-recurring profit and loss (RMB10,000) | 49,035.50 | 44,131.95 | 44,131.95 |
| Basic earnings per share attributable to shareholders of parent company, net of non-recurring profit and loss (RMB/share) | 0.1056 | 0.0951 | 0.0905 |
| Diluted earnings per share attributable to shareholders of parent company, net of non-recurring profit and loss (RMB/share) | 0.1056 | 0.0951 | 0.0905 |

Assumption 2: The net profit attributable to shareholders of parent company in 2022, net of non-recurring profit and loss, is the same as that of 2021

| | | | |
|---|-----------|-----------|-----------|
| Net profits attributable to shareholders of parent company, net of non-recurring profit and loss (RMB10,000) | 49,035.50 | 49,035.50 | 49,035.50 |
| Basic earnings per share attributable to shareholders of parent company, net of non-recurring profit and loss (RMB/share) | 0.1056 | 0.1056 | 0.1006 |
| Diluted earnings per share attributable to shareholders of parent company, net of non-recurring profit and loss (RMB/share) | 0.1056 | 0.1056 | 0.1006 |

| Item | For the year of 2021/ As at 31 December 2021 | For the year of 2022/ As at 31 December 2022 | |
|---|--|---|---------------------------------------|
| | | Prior to the Issuance | Upon completion of the Issuance |
| Assumption 3: The net profit attributable to shareholders of parent company in 2022, net of non-recurring profit and loss, is increased by 10% when compared with that of 2021 | | | |
| Net profits attributable to shareholders of parent company, net of non-recurring profit and loss (RMB10,000) | 49,035.50 | 53,939.05 | 53,939.05 |
| Basic earnings per share attributable to shareholders of parent company, net of non-recurring profit and loss (RMB/share) | 0.1056 | 0.1162 | 0.1106 |
| Diluted earnings per share attributable to shareholders of parent company, net of non-recurring profit and loss (RMB/share) | 0.1056 | 0.1162 | 0.1106 |

Note: The basic earnings per share and diluted earnings per share are prepared based on Compilation Rules for Information Disclosure on Public Issuance of Securities by Companies No. 9 — Calculation and Disclosure of Return on Equity and Earnings per Share (《公開發行證券的公司信息披露編報規則第9號 — 淨資產收益率和每股收益的計算及披露》), net of the influence of non-recurring profit and loss.

When calculated based on the above assumptions, on the premise of not taking into account the utilization benefit of the proceeds, upon completion of the Issuance, the total share capital of the Company will be increased, while the basic earnings per share and diluted earnings per share attributable to shareholders of parent company in 2022, net of non-recurring profit and loss, will be reduced when compared with that prior to the Issuance.

II. Risk Alert for the Dilution of Immediate Return by the Non-public Issuance

When the proceeds from the Non-public Issuance are available, the total share capital and net assets of the Company will be increased. However, if the proceeds fail to maintain the existing capital operation efficiency, the basic earnings per share and diluted earnings per share attributable to shareholders of parent company, and the basic earnings per share and diluted earnings per share attributable to shareholders of parent company, net of non-recurring profit and loss will be reduced to some degree.

The investors are reminded to be alert of the risk that the Non-public Issuance may dilute the immediate return. The Company will continuously disclose the completion status of the remedial measures and the performance of the commitments by the relevant undertakers in the periodical reports.

III. Necessity and Feasibility of the Issuance

(I) *Necessity of the Issuance*

1. *To capture new opportunities brought by the “14th Five-Year Plan” in Henan Province and enhance the ability to serve the real economy*

At the current stage, Henan Province boasts multiple development opportunities, with effects of integration and linkage of strategic platforms in multiple fields keeping popping up. Shocked by disasters, the pandemic and a complex external environment, Henan Province has managed to restore economy stability. The province’s projected GDP in 2021 hit RMB6 trillion, an increase of about 6.5%, and the per capita disposable income of residents rose by 8%, showing strong resilience and potential. In May 2021, Henan Province released the Outline of the 14th Five-Year Plan for Economic and Social Development and Vision 2035 (《第十四個五年規劃和二〇三五年遠景目標綱要》), which, explicitly proposed to, in terms of financial development, cultivate a multi-level capital market, strive to add more than 50 domestic and foreign listed companies, and improve the quality of listed companies and the proportion of direct financing; live up to its role as the provincial financial services sharing platform, improve the financing, credit enhancement and direct financing support policies for private enterprises, and support the raising of long-term, low-cost capital through the issuance of bonds and other means; foster diversified financial entities, deepen the “investment attraction for Henan” project, and drive the local legal financial institutions bigger and stronger.

As a “service provider” of direct financing, a “manager” of social wealth and a “leader” of financial innovation, securities companies enjoy unique and irreplaceable advantages in serving the real economy, optimizing resource allocation and increasing the proportion of direct financing. As the only securities company registered in Henan Province as a legal person, the Company has been developing in Henan Province and vigorously serving the local economy for years. It has grown into a comprehensive securities company with unique regional advantages. To better capture the development opportunities brought by the “14th Five-Year Plan” of Henan Province, it is necessary for the Company to further strengthen its capital strength through refinancing, deeply participate in and serve the national strategy, fuel the construction of a multi-level capital market in the region, and act as a “participant” and “promoter” of the real economy.

2. *To work towards a solid capital base, and consolidate and boost market competitiveness*

Guided by a series of policy benefits, such as the deepening of the financial supply-side structural reform, the continuous improvement of the basic system of the capital market, the acceleration of the registration system of stock issuance, and the enlarged breadth and depth of the capital market opening to the outside world, the capital market has entered a period of strategic opportunities. The regulators provide clear support for securities companies to raise capital through multiple channels and in various forms both inside and outside China, optimize the financing structure and enhance their capital strength; and support the securities industry to grow bigger and stronger. As a result, a number of business lines are expected to usher in a new round of market expansion. Yet at the same time, with further capital market liberalization, the domestic securities industry is experiencing fiercer market competition, plus greater industry concentration.

Since 2021, the Company, centering on major national strategies, has built its core business system revolving around the development strategy of “enhancing investment banking business and making excellent investment”, vigorously promoted the upgrading of its main business lines and further optimized its spatial layout, maintained a good momentum in its main business such as wealth management, fixed income, investment banking, and investment, and ushered in a new round of rapid development. The development of a securities company is highly connected with its capital scale. Sufficient net capital is the key for a securities company to expand business scale and improve market competitiveness. With the Non-public Issuance, the Company aims to work towards a solid capital base, increase investment in various business and foster new profit drivers based on industry trends and its own reality, promote the fulfillment of its strategic objectives, consolidate and enhance its industry position and market competitiveness.

3. *To help comprehensively improve the risk tolerance of the Company to achieve stable and sound development*

Risk management is the premise for the sustainable development of a securities company. The risk control capacity is not only related to the profitability of a securities company, but also directly affects its survival and development. The securities companies operate in a capital intensive industry. Their capital scale is directly related to risk tolerance. In recent years, the CSRC has revised the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) and the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》), which further improved the risk control indicator system of securities companies with net capital and liquidity as the core, and put forward higher standards for risk management of securities companies. In July 2020, the CSRC issued the revised Classified Supervision and Administration

of Securities Companies (《證券公司分類監管規定》), which optimized and improved the classification and evaluation index system, guiding securities companies to pay more attention to capital constraints, full coverage of risk management and the effectiveness of risk monitoring.

With the expansion of business scale, the securities company can only better prevent and resolve various risks such as market risk, credit risk, operational risk and liquidity risk if their capital scale is kept in line with the scale of business development. The Non-public Issuance is conducive to enhancing the Company's overall risk management and risk prevention capabilities for a stable and healthy development.

(II) Feasibility of the Issuance

1. The Non-public Issuance complies with the conditions specified in the relevant laws, regulations and normative documents

The Company has a sound and functional organizational structure. It has established a comprehensive risk management and internal control system. It has good financial position and sustainable profitability. There is no false statement in the financial accounting documents. The amount and use of the proceeds comply with relevant provisions and conditions for non-public issuance of domestic-listed ordinary shares denominated in Renminbi (A shares) specified in applicable laws, regulations and normative documents including the Company Law, the Securities Law, the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Implementing Rules on the Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and the Issuance Regulatory Q&A — Regulations on Guiding and Regulating Financing Activities of Listed Companies (Revised) (《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)》).

2. The Non-public Issuance complies with the national industry policy direction

In May 2014, the CSRC issued the Opinions on Further Promoting the Innovative Development of Securities Operation Institutions (《關於進一步推進證券經營機構創新發展的意見》), which clearly specified the major tasks and specific measures for facilitating the innovative development of securities operation institutes, and the support for the securities operation institutions to expand the financing channels and make equity and debt financing. In 2016 and 2020, the CSRC has revised the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》), which further improved the risk control indicator system of securities companies with net capital and liquidity as the core, enhanced the guiding role of securities companies in capital allocation, and promoted the sustained and steady development of the securities industry. As the reform and opening of China's capital market

continues to deepen and the reform of the registration system advances, the Company's replenishment of its capital through the Non-public Issuance to promote the sustainable and healthy development of its business, is in line with the direction of the national industrial policies.

IV. The Relationship between the Use of Proceeds and the Existing Businesses, as well as the Company's Reserves in terms of Talent, Technology and Market

The proceeds from the Non-public Issuance of the Company, after deducting the issuance expenses, will be completely used to replenish the capital and working capital of the Company, so as to enhance the Company's market competitiveness and risk resistance capacity. 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; 5. repayment of debts and Replenishment of working capital.

No significant change will be made to the existing principal businesses of the Company. The investment projects to be funded by proceeds from the Non-public Issuance are compatible with the business operation, technical level and management capacity of the Company.

(I) Talent reserve

The Company focuses on talent fostering and recruitment. The Company has a complete staffing system. In order to continuously improve the professional ability and professional quality of the company's management and employees, the company has established a training plan that is hierarchical, classified and comprehensive, focusing on training for operation and management personnel to improve the knowledge in development of the securities industry, management theory and skills, strategic thinking ability, operation and management ability, etc. and focusing on employees of various business lines and departments to strengthen business knowledge, improve product development, marketing Training on skills and service capabilities. The company actively explores the establishment of employee equity incentive plans, researches and plans employee equity incentive design plans, and will launch employee equity incentives in a timely manner when the external legal and policy environment allows. As at 31 December 2021, the Company had 2,727 employees in total, among which, 617 employees boast a master's degree or above, and the employees with bachelor's degree or above accounted for 92.70% of the total headcount. A high-quality management team and workforce are one of the company's most important resources, which provides a solid foundation for supporting the company's business development and shaping its core competitiveness.

(II) Technical reserve

With in-depth application of mobile Internet, big data, cloud computing, artificial intelligence and other technological means in the securities industry, financial technology is reshaping the industry ecosystem. Information technology is the strategic resource for the development of the Company and closely related to the strategic deployment, business development and brand image of the Company. By now, the Company has established an online standardized service system and released a new generation of intelligent mobile wealth management terminal “Caishengbao 4.0 (財升寶 4.0)” to charter in a new era of intelligent investment. It has ramped up cooperation with high-quality Internet channels in a bid to boost online customer acquisition capability and the customers stickiness of its online services. Meanwhile, the Company leverages such financial technologies as “big data and artificial intelligence” to orderly promote the launch of tools and services such as smart market and reports, with a view to enhancing its service capabilities and fueling its digital transformation of wealth management. Moving forward, the Company will ramp up its efforts and make improvements in IT operation and maintenance management, assurance means for information security, emergency disposal capability of information systems and comprehensive risk management. That said, the Company will better back up the transformation and development of its business while ensuring the safe operation of its information systems.

(III) Market reserve

The Company is the only securities company registered in Henan Province as a legal person. After more than 10 years of development, it has become a comprehensive securities company with unique regional advantages. As at 31 December 2021, the Company owned 83 securities branches, among which 69 vest in Henan Province, endowed with the “base area” of the largest economic province in central and western China. Having long been cultivating the Henan market, the Company has established deep relationships with local governments, enterprises and individual customers, and has developed a stable customer base, with a number of business ranking among the top in regional market share. Meanwhile, the Company also owns subsidiaries such as Equity Exchange Co., Central China Futures, Central China Blue Ocean, ZDKY Venture Capital, and Central China International, forming a comprehensive operation pattern based on the securities business and covering regional equity market, futures, alternative investment, private fund management and other financial formats, and providing customers with all-round and life-cycle services. In the future, the Company will give full play to its advantages to speed up the development of other traditional business such as underwriting and sponsorship, securities proprietary trading, as well as innovative business such as direct investment and margin financing and securities lending to further diversify its revenue structure.

V. Specific Remedial Measures Adopted by the Company

Upon completion of the Non-public Insurance, the immediate return of the investors may be diluted. To fully protect the interests of the minority shareholders and ensure the mid and long-term shareholders' value return, the Company will take various measures to improve its business performance and enhance its sustainable return capacity. The details are as follows:

(I) Operation status and development trends of the existing business segments, key risks and improvement measures of the Company

1. Operation status of the existing business segments of the Company

The principal business segments of the Company include securities brokerage business, credit business, futures business, investment banking business, investment management business, proprietary trading business and overseas business.

(1) Securities brokerage business

The securities brokerage business refers to the Company's business of trading of stocks, funds and bonds on behalf of the customers based on their engagements, and providing investment consultancy services and financial planning services. The Company is in return for customers' commissions and other service charges, etc. In recent years, the Company has cultivated its brokerage business deeply in the Henan market with a focus on customer operation. To be specific, it has seized new opportunities arising from the deepening development of the capital market, stepped up the integration of online and offline layouts, while driving the online channel more self-relied and standardized, and the offline channel more professional and personalized. Leveraging the platforms and push service of "three terminals and a WeChat (三端一微)" (primarily "Caishengbao (財升寶)" app), the Company's online service has officially entered the intelligent era, with the brand influence of online service further enhanced. The offline service has experienced deepened reform on the branches, and the "1+N" model has been implemented in the branch offices in Henan, i.e. one "flagship store" plus several "retail stores", in a bid to make the branch offices the platform for display, marketing and service of the Company's various business.

(2) Credit business

The credit business refers to the Company providing customers with financing services such as margin financing and securities lending, securities repurchase, and securities-backed lending. The Company is in return for charging interest. In recent years, the Company has expanded its capital replenishment channels by increasing capital allocation and optimizing risk control measures, so as to pursue sustainable and healthy development of its credit business. In terms of margin financing and securities lending, the Company strengthened the customer base and expanded the business scale by carrying out the special marketing service activity regarding margin financing and securities lending and a series of training lectures. In terms of securities-backed lending business, the Company newly set up the Pledged Financing Department to make clear the basic position of the credit business in respect of securities-backed lending and strengthen the professional quality and risk control of the business by amending and improving relevant regulations and policies and redesigning the operational procedures in relation to securities-backed lending. While constantly supervising the undergoing projects of securities-backed lending business, we will strictly control the risks of new businesses subject to the blacklist of the subject securities to conduct new businesses with high quality and improve our relevant customer service capabilities.

(3) Futures business

The futures business contains futures brokerage business, futures asset management business, futures investment consultation business, and risk management service. The Company is in return for transaction and delivery fees through futures brokerage business, for management fees and excess income distribution through futures asset management business, for investment consultation fees through futures investment consultation business, and for income by establishing risk management subsidiary to conduct base trading, OTC derivatives and other risk management services. Over the years, Central China Futures steadily promoted the coordinated development of its three main business segments, i.e. futures brokerage business, futures asset management and risk management. In terms of the futures brokerage business, Central China Futures focused on industry chain extension services, taped into the three core industrial value chains of chemicals, breeding and nonferrous metals, cooperated with Futures Research Institute and its subsidiary engaging in futures risk management, and promoted the transformation of futures brokerage business from channel-based

to value-added services. The subsidiary engaging in futures risk management continued to expand the business scale of base trading, warehouse receipts and market making, etc., and focused on building the industry influence of advantageous varieties to achieve scale benefits. In terms of futures asset management business, Central China Futures expanded its investment and research talent pool, further enriching its product line.

(4) Investment banking business

The investment banking business mainly includes the underwriting and sponsorship business of equity securities, the underwriting business of bond products, the financial consultancy business regarding mergers and acquisitions, and business for National Equities Exchange and Quotations. The Company obtains the corresponding returns such as underwriting fee, sponsorship fee and financial consultancy fee by providing the aforesaid financial services to customers. In recent years, the investment banking business of the Company fastened on the market development opportunities in the STAR Market, ChiNext and New Third Board reform, made a deep exploration of the capital markets in Henan and opened up a broad market in developed areas outside Henan province and reserved high-quality project resources. In 2021, the Company completed 13 IPO underwriting projects (including 2 joint underwriting projects), 6 refinancing underwriting projects for listed companies, and 3 IPO underwriting projects that have passed their meetings and are IPO pending issuance. The total amount of equity underwriting in Shanghai and Shenzhen was RMB11.083 billion, with an increase of 24.95% year-on-year. The Company has completed 1 bond project for enterprise, 10 corporate bond projects and 1 financial bond project, and the total amount of lead underwriting of the bonds for the year totaled RMB7.513 billion. The Company has also completed 1 independent financial advisory project for mergers and acquisitions of listed company and 3 directional issuance on The NEEQ Exchange with a total of RMB53 million raised. The Company ramped up its support for the development of the real economy by helping enterprises to get listed, issuing bonds and restructuring through mergers and acquisitions.

(5) Investment management business

The investment management business mainly comprised of asset management business, private fund management business and alternative investment business. The Company earns management fees and excess income distribution through its asset management business and private fund management business, and receives investment income from its self-owned capital investments. In recent years, the Company's asset management business has implemented the requirements of the new regulations on asset management and accelerated the standardize rectification of existing asset management products. In the meantime, revolving around improvements in investment and research abilities, the Company has ramped up its active management capabilities through sorting the business process based on industry trends. In a bid to transform the asset management business, the Company has issued standardized new products in a prudent manner. The Company carried out private fund management business through ZDKY Venture Capital, a subsidiary of the Company, and its subsidiaries. While taking multiple measures to enhance post-investment management, the Company is exploring chances of cooperation with leading institutions and its investment banks to fully tap investment opportunities in Henan Province and developed regional markets, so as to enhance its fund-raising and quality project acquisition capabilities. The Company carried out its alternative investment business through Central China Blue Ocean, a subsidiary of the Company. While fully implementing its strategic plan of "enhancing investment banking business and making excellent investment", the Company drives the transformation of its PRE-IPO based investment strategy, strengthens the collaboration with its investment banking team and cooperation with leading investment institutions to accumulate a cluster of excellent investment project resources.

(6) Proprietary trading business

The investment scope for the proprietary trading includes publicly offered stocks, bonds, funds, derivatives and other financial products authorized by the China Securities Regulatory Commission (CSRC), and the Company obtains investment income by investing in the above products. In the wake of the pandemic, market conditions have fluctuated in recent years. The Company, therefore, has adjusted its strategies in a timely manner by engaging in entrusted investments, targeted issuance and equity investments to boost its income. In terms of fixed income investment, the Company has adjusted its positions in a timely

manner to improve its trading spreads and valuation change returns while ensuring long term control. Through such strategies as interest rate bond portfolio arbitrage and interest rate and derivatives hedging, the Company has seized the opportunity of two rounds of upward bond market and obtained sustainable and stable income.

(7) Overseas business

The business scope of the overseas business covers comprehensive capital market services, including securities brokerage, margin financing, futures brokerage, investment banking, securities research, proprietary investment, etc. The Company carried out overseas business through Central China International, a subsidiary of the Company, and its subsidiaries. Over the past few years, Central China International has focused on licensed businesses such as brokerage, investment banking, fixed income securities and futures, and promoted its business to shift to wealth management. Furthermore, it has also established partnerships with customers in key regions and industries, stockpiled project resources, cultivated its core competitive edges in equity financing, debt financing and high-end wealth management, and built a service platform for overseas markets.

2. *Overall business development trend of the Company*

As the only securities company registered in Henan Province as a legal person, and owing to compliant operation and robust development, the Company has created strong regional competition advantages and market brand advantages and maintained good momentum in its business development. In 2021, the Company seized major opportunities such as the implementation of the registration system reform in the capital market, the successful inclusion in the first batch of “White List” brokerage firms and cooperation with top-tier institutions. Furthermore, centering on improving the level of professional services, building core competitive edges, vigorously promoting the upgrading of its main business lines and the further optimization of its spatial layout, it has maintained a good momentum in its main business such as wealth management, fixed income, investment banking, and investment, and ushered in a new round of rapid development. In the future, the Company will adhere to the robust operation style, further develop Henan market and the surrounding markets, consolidate the regional advantages, and constantly increase its market share across the country. In addition, it will further improve the operation management level and risk control level, in order to promote and achieve the strategic development target of the Company.

3. *Key risks and improvement measures of the Company*

The key risks faced by the Company include but are not limited to credit risk, market risk, liquidity risk, operational risk, compliance risk and information technology risk, etc. To fully uncover its operational risks and control them within a reasonable range, the Company measured risks by such means as duration analysis, sensitivity analysis and scenario analysis and differentiated, prevented and managed various risks by screening, classification, analysis, etc.

The Company has established an effective risk management system and internal control system to deal with the above risks. The Company constantly improved the risk management models and methods according to the business operation characteristics, development requirements and risk features, so as to ensure the achievement of the strategic target for development of the Company and the maximization of the interests of the shareholders and the Company.

(II) Specific measures to improve daily operation efficiency, reduce operation cost and improve operation results of the Company

The Company will take various measures to ensure the effective utilization of the proceeds, in order to effectively prevent the risk of the dilution of immediate return. Upon completion of the Non-public Issuance, the Company will make efforts to foster the development of its principal business and the overall operation efficiency, with intensified management and higher utilization rate of the proceeds. The specific measures are as follows:

1. *To focus on major national strategies and accelerate transformation and development*

Focusing on major national strategies, the Company will strengthen investment banking, optimize investment so as to accelerate the transition to wealth management, build a core characteristic business system, raise the level of compliance risk control, improve the management quality of cadres and employees, and increase capital strengths and profitability. In the future, the Company will center on increasing the proportion of direct financing and serving the real economy, take digital transformation as a starting point and institutional innovation as the driving force, comprehensively strengthen strategic cooperation with top institutions, continue to deepen various reforms, and

make efforts to prevent and resolve risks. We will strive to achieve high-quality development and make new contributions to the high-quality development of the real economy and the capital market.

2. *To expand the development space of the Company on the basis of deep cultivation in the Henan market*

As the only securities company incorporated in Henan, the Company will continue to cultivate the Henan market, make full use of its geographical and channel advantages, deeply integrate into the overall economic and social development of the province, and support and serve the construction of modernized Henan. Besides, while catering to the business needs of large state-owned enterprises, listed companies, outstanding private enterprises and other enterprises and institutions in the province, the Company will also dig deeper into the cooperation potential of individual customers and build up the customer base. Meanwhile, it will ramp up the development of such segments as our Shanghai center, Beijing branch and Guangzhou-Shenzhen headquarters, as well as the internationalization of our Hong Kong subsidiary. While boosting the share of profit contribution, the Company will promote the all-round upgrading of our brokerage business and major business lines such as investment banking, investment and asset management, so as to continuously expand the development space of the Company.

3. *To enhance the proceeds management and improve the utilization rate of the proceeds*

When the proceeds from the Issuance are available, the Company will enhance the proceeds management and improve the utilization rate of the proceeds according to the requirements of relevant laws, regulations and other normative documents, the Articles of Association and management rules for raised proceeds, so as to enhance its operation capacity and risk tolerance, promote the business development and improve the business performance of the Company.

4. *To strictly implement the dividend policy of the Company and ensure the interests and return of the shareholders of the Company*

The Company has formulated the relevant provisions on profit distribution in the Articles of Association according to the requirements of the Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Listed Company Regulation Guideline

No. 3 — Cash Dividend of Listed Companies (《上市公司監管指引第3號 — 上市公司現金分紅》) promulgated by the CSRC. The Company has specified in the Articles of Association the cash dividend policy and cash dividend distribution proportions as well as the minimum proportion of profit distribution in cash in normal situation, in order to render a stable return expectation for the investors. The Company pays great attention to the protection of the shareholders' interests. It will maintain the continuity and stability of the profit distribution policy, with an aim to create long-term value for the shareholders.

VI. Undertakings Made by the Directors and Senior Management of the Company on the Implementation of the Remedial Measures

The directors and senior management of the Company have made the following undertakings to ensure the implementation of the remedial measures according to relevant requirements of the Guiding Opinions on Matters relating to the Dilution of Immediate Return Resulting from Initial Public Offering, Refinancing and Material Asset Restructuring issued by the CSRC:

1. that they will not transfer benefits to other entities or individuals at nil consideration or with unfair conditions or otherwise prejudice the interests of the Company.
2. that they shall incur expenses in performing their duties subject to restrictions.
3. that they will not use the assets of the Company in investment and consumption activities unrelated to their performance of obligations.
4. that the remuneration package formulated by the board of directors or the Remuneration and Nomination Committee shall be implemented in accordance with the performance of the remedial measures of the Company.
5. that for any subsequent share incentive plan of the Company, the proposed vesting terms shall be operated in line with the performance of the remedial measures of the Company.

The English version of this appendix is an unofficial translation of the Chinese version, should there be discrepancies, the Chinese version shall prevail.

The full text of the Shareholders' Return Plan for the Next Three Years (2022–2024) of Central China Securities Co., Ltd. is as follows:

Shareholders' Return Plan for the Next Three Years (2022–2024) of Central China Securities Co., Ltd.

To further enhance the awareness of providing return to the shareholders, improve the profit distribution system of the Company and provide sustainable, reasonable and stable investment return to the shareholders, Central China Securities Co., Ltd. (“the **Company**”) has formulated the Shareholders' Return Plan for the Next Three Years (2022–2024) of the Company (the “**Plan**”) according to the relevant provisions of the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), the Listed Company Regulation Guideline No. 3 — Cash Dividend of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) and the Articles of Association (the “**Articles of Association**”) after taking into full account the industry characteristics, the actual situations and the strategic demand of future development of the Company.

I. Main Factors Considered for Formulating the Plan

Focusing on long-term and sustainable development, the Company has formulated the Plan after taking into overall consideration factors including the operation status of the Company, the external financing environment, and the opinions and claims of the shareholders for the dividend return, in order to establish a sustainable, stable and scientific investor return planning and mechanism, make clear and systematic arrangement for the profit distribution of the Company, so as to ensure the continuity and stability of the profit distribution policy.

II. Basic Principles for Formulating the Plan

The Plan shall be formulated in accordance with provisions of relevant laws, regulations, regulatory requirements and the Articles of Association to the effect that on the premise of ensuring the sustainable development of the Company, the legal rights of the shareholders such as obtaining return on assets are fully protected, and the transparency and operability of the dividend

distribution decision of the Company are enhanced. When formulating the shareholders' return plan, the opinions of the shareholders (especially the minority shareholders), the independent directors and supervisors shall be heard and considered.

III. Specific Shareholders' Return Plan for the Next Three Years (2022–2024) of the Company

- (I) The Company shall listen to and consider the opinions of the shareholders (especially the minority shareholders) and the independent directors, and shall adhere to cash dividend as its primary method of profit distribution. In the absence of significant investment plan, significant cash outlay or any other matters that prohibit profit distribution in accordance with relevant laws, regulations and regulatory documents, in the next three years, the profit distributed by cash dividend each year shall be no less than 50% of the distributable profit realized for that year.

Significant investment plan and significant cash outlay refer to one of the following:

1. The cumulative costs of intended external investment and acquisition of assets in the next 12 months meet or exceed 20% of the latest audited net assets of the Company;
2. The cumulative costs of intended external investment and acquisition of assets in the next 12 months meet or exceed 10% of the latest audited total assets of the Company.

The Company may distribute interim profits.

- (II) The board of directors of the Company shall, taking into consideration factors such as industry characteristics, the Company's development stage, business operation model, profitability level and whether there are significant capital expenditure arrangements, develop differentiated cash dividend policies to be applicable in the following different situations:
1. Where the Company is at a sophisticated stage of development and has no significant capital expenditure arrangements, the cash dividend payout ratio in the profit distribution shall reach a minimum of 80%;
 2. Where the Company is at a sophisticated stage of development and has any significant capital expenditure arrangement, the cash dividend payout ratio in the profit distribution shall reach a minimum of 40%;
 3. Where the Company is at a growth stage of development and has any significant capital expenditure arrangement, the cash dividend payout ratio in the profit distribution shall reach a minimum of 20%;

Where the Company's development stage is difficult to be defined but the Company has any significant capital expenditure arrangement, the preceding provisions may still be followed.

- (III) In addition to cash dividend distribution, the Company may also distribute its profits by way of stock dividend. However, in the event that no cash dividend is made by the Company during that year, profits shall not be distributed by way of stock dividend alone.
- (IV) The Company shall give full consideration to the provisions of regulatory authorities on the risk control indicators such as the net capital and liquidity in formulating the dividend distribution plan. In the event that cash distribution of dividends causes risk control indicators of the Company to reach the warning levels, the Company may adjust the dividend ratio.

IV. Decision-making and Supervision Mechanism on the Formulation, Execution and Adjustment of the Company's Profit Distribution Plan**(I) Decision-making procedures for the Company's profit distribution plan**

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

The profit distribution plan proposed by the board of directors shall be approved by voting from a simple majority of the board of directors and more than half of the independent directors.

The resolution of the profit distribution plan proposed at the general meeting of the Company shall be approved by more than half of voting rights held by the shareholders present thereat. When the profit distribution plan is being considered by the general meeting, the Company shall take initiatives to communicate and exchange views with shareholders (especially minority shareholders) by various means to gather their opinions and demands and shall promptly answer issues of their concerns.

After the general meeting of the Company makes a resolution on profit distribution plan, the board of directors of the Company shall complete distribution of dividend (or share) within two months after such general meeting.

(II) Decision-making procedures for the adjustment of the Company's profit distribution plan

The formulation and amendment of the profit distribution plan of the Company shall be proposed by the board of directors of the Company at the general meeting of the Company. The board of directors of the Company shall fully engage independent directors during the thorough discussion of the profit distribution plan. The profit distribution plan shall be formulated on the basis of sustainable, stable and reasonable returns to the shareholders.

The board of directors of the Company may propose to amend the profit distribution plan if material changes occur in the Company's external operating environment or the existing profit distribution plan affects the sustainable development of the Company. The amendment of profit

distribution plan proposed by the board of directors of the Company shall be based on the interests of the shareholders and focused on the protection of investors' interests, the reasons for such amendments shall be specified in the proposal submitted to the general meeting. The revised profit distribution plan shall not violate relevant provisions of the China Securities Regulatory Commission and the stock exchange where the shares of the Company are listed.

The profit distribution plan formulated and amended by the board of directors of the Company shall obtain approval by voting from a simple majority of the board of directors as well as more than half of the independent directors. The independent directors shall express their independent opinions on the formulation or amendment of the profit distribution plan.

The formulation and amendment of the profit distribution plan of the Company shall be submitted to the general meeting of the Company for consideration and shall obtain approval by voting from more than two-thirds of voting rights held by the shareholders present thereat. In considering such proposal at the general meeting, the board of directors of the Company shall fully listen to the opinions of shareholders (especially minority shareholders). In addition to voting in person at the meeting, shareholders shall be supported by and provided with an online voting system.

Independent directors of the Company may solicit voting rights from public shareholders of the Company prior to the general meeting. The independent directors shall exercise above duties and power upon obtaining approval from more than half of all the independent directors.

(III) Information disclosure on the Company's profit distribution

The secretary to the board of directors shall be responsible for the disclosure of information of the matters related to the profit distribution of the Company.

The Company shall disclose in detail the formulation and implementation of the cash dividend distribution policy in the regular reports and state whether or not it is consistent with the requirements of the Articles of Association or the requirements of the general meeting, whether or not the criteria and proportions of dividends are definite and clear, whether or not the relevant decision-making procedures and mechanisms are complete, whether or not the independent Directors have fulfilled their responsibilities and duties, whether or not the minority shareholders have the opportunity to fully express their views and demands, whether or not the legitimate rights and interests of minority shareholders are fully protected. In the event that adjustments or changes are made to the cash dividend distribution policy, whether or not the details of the conditions and procedures of such adjustment or changes are legitimate and transparent shall also be specified.

V. Effectiveness Mechanism of the Plan

Any matters not stated in this Plan shall be executed according to relevant laws and regulations, normative documents and the Articles of Association. The Plan shall be interpreted by the board of directors and implemented from the date when it is approved by the general meeting of the Company.