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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, independent adviser or other professional adviser.

If you have sold or otherwise transferred all your shares in **China Merchants Securities Co., Ltd.**, you should at once hand this circular and the enclosed form of proxy and reply slip to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6099)

2016 ANNUAL GENERAL MEETING

A letter from the Board is set out on pages 3 of this circular.

The AGM is to be held on Friday, May 26, 2017 at 10:00 a.m. at Novotel Bauhinia Shenzhen Hotel, Shenzhen, the PRC. Reply slip for holders of H Shares for attending the AGM and the form of proxy have been distributed on Tuesday, April 11, 2017. They have also been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). If you are not able to attend the AGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time stipulated for the holding of the AGM and deposit it together with the notarised power of attorney or other document of authorization with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM should you so desire.

Shareholders who intend to attend the AGM in person or by proxy should complete and return the reply slip for attending the AGM to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for holders of H Share) on or before Friday, May 5, 2017.

April 28, 2017

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange
“AGM”	the annual general meeting of 2016 to be held by the Company at Novotel Bauhinia Shenzhen Hotel, Shenzhen, the PRC on Friday, May 26, 2017 at 10:00 a.m.
“Articles of Association”	the articles of association of the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“Company”	China Merchants Securities Co., Ltd., a joint stock limited company incorporated under the laws of the PRC as an enterprise legal person in August 1993; the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6099) and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 600999)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the Director(s) of the Company
“HK dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed for trading on the Hong Kong Stock Exchange
“Independent Non-executive Director(s)” or “Independent Director(s)”	the independent non-executive Director(s) of the Company
“Latest Practicable Date”	April 24, 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this circular, Hong Kong, Macau and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholders(s)”	holder(s) of the Share(s)
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“SSE”	the Shanghai Stock Exchange

Unless the context otherwise requires, all amounts are stated in RMB.

LETTER FROM THE BOARD



(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6099)

Executive Directors:

GONG Shaolin (*Chairman of the Board*)
WANG Yan (*President and CEO*)

Non-executive Directors:

SU Min
HUA Li
XIONG Xianliang
GUO Jian
PENG Lei
WANG Daxiong
HUANG Jian
CAO Dong

Independent Non-executive Directors:

YI Xiqun
LIU Jialin
DING Huiping
ZHU Haiwu
YANG Jun

Registered Office:

38/F-45/F, Block A,
Jiangsu Building
Yitian Road
Futian District
Shenzhen, Guangdong
PRC

*Principal Place of Business
in Hong Kong:*

48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

April 28, 2017

To the Shareholders

Dear Sir or Madam,

2016 ANNUAL GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you, as holders of H Shares, with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

At the AGM, ordinary resolutions will be proposed to consider and approve, (i) the Working Report of the Board for 2016; (ii) the Working Report of the Supervisory Committee for 2016; (iii) the Annual Duty Report of Independent Directors of the Company for 2016; (iv) the Annual Report of the Company for 2016; (v) the Profit Distribution Plan of the Company for 2016; (vi) the Budget for Proprietary Investment of the Company for 2017; (vii) the Contemplated Ordinary Related Party Transactions of the Company for 2017; (viii) the Engagement of Auditors of the Company for 2017; (ix) the Election of Members of the Sixth Session of the Board; and (x) the Election of Shareholders' Representative Supervisors of the Sixth Session of the Supervisory Committee. Special resolution will be proposed to consider and approve (xi) the General Mandate to Issue Debt Financing Instruments.

LETTER FROM THE BOARD

1. WORKING REPORT OF THE BOARD FOR 2016

An ordinary resolution will be proposed at the AGM to approve the Working Report of the Board for 2016, the full text of which is set out in Appendix I of this circular.

The Working Report of the Board for 2016 has been considered and approved by the Board on March 28, 2017, and is hereby proposed at the AGM for its consideration and approval.

2. WORKING REPORT OF THE SUPERVISORY COMMITTEE FOR 2016

An ordinary resolution will be proposed at the AGM to approve the Working Report of the Supervisory Committee for 2016, the full text of which is set out in Appendix II of this circular.

The Working Report of the Supervisory Committee for 2016 has been considered and approved by the Supervisory Committee on March 27, 2017, and is hereby proposed at the AGM for its consideration and approval.

3. ANNUAL DUTY REPORT OF INDEPENDENT DIRECTORS OF THE COMPANY FOR 2016

An ordinary resolution will be proposed at the AGM to approve the Annual Duty Report of Independent Directors of the Company for 2016, the full text of which is set out in Appendix III of this circular.

4. ANNUAL REPORT OF THE COMPANY FOR 2016

An ordinary resolution will be proposed at the AGM to approve the Annual Report of the Company for 2016, which has been dispatched on Friday, April 28, 2017, and meanwhile has been published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.newone.com.cn).

The Annual Report of the Company for the year 2016 has been considered and approved by the Board on March 28, 2017, and is hereby proposed at the AGM for its consideration and approval.

5. PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR 2016

An ordinary resolution will be proposed at the AGM to approve the Profit Distribution Plan of the Company for 2016, the full text of which is as below:

The resolution on profit distribution of the Company for 2016: based on the total share capital of 6,699,409,329 Shares, a cash dividend of RMB1.89 (tax inclusive) will be distributed to every 10 Shares. The actual total cash dividend distributed for the period amounted to RMB1,266,188,363.18, representing 23.43% of the net profit attributable to the owners of the parent company for 2016 of the Company according to the consolidated financial statements. Taking into account of the interim dividend of 2016 and the above dividend distribution, total cash dividend distributed for 2016 amounted to RMB2,160,641,234.65, representing 39.99% of the net profit attributable to the owners of the parent company for 2016 of the Company according to the consolidated financial statements.

LETTER FROM THE BOARD

Such cash dividend will be denominated and declared in RMB and paid to holders of A Shares in RMB and to holders of H Shares in Hong Kong dollar. The actual amount of dividend paid in Hong Kong dollar will be determined based on the average exchange rate of RMB and Hong Kong dollar published by the People's Bank of China for the five business days immediately before the date of the AGM for 2016 of the Company.

In view of the procedure of the distribution of dividend of H Shares, it is hereby proposed at the AGM to agree that Computershare Hong Kong Trustees Limited was appointed as the trustee in respect of the distribution of dividend to holders of H Shares of the Company. Mr. WU Huifeng was authorized to exercise the rights on behalf of the Company to execute all instructions, guidelines, decisions, notices and approvals to nominees in relation to the nominee agreement.

The Profit Distribution Plan of the Company for 2016 has been considered and approved by the Board on March 28, 2017, and is hereby proposed at the AGM for its consideration and approval.

6. THE BUDGET FOR PROPRIETARY INVESTMENT OF THE COMPANY FOR 2017

An ordinary resolution will be proposed at the AGM to approve the Budget for Proprietary Investment of the Company for 2017, the full text of which is as below:

Given the fact that proprietary investment is an essential part of the principal business of the Company which requires prompt judgement and decision based on the market condition in order to capture the market opportunities, it is hereby proposed to authorize the management of the Company to determine the total amount of proprietary investment of the Company for 2017 within the budget set forth below on the condition that the relevant requirements by CSRC regarding proprietary investment business management and risk management are satisfied:

- (1) The aggregate amount of proprietary investment in equity securities and its derivatives of the Company shall not exceed 100% of the net capital of the Company as at the relevant times, where A Share directional investment cost shall not exceed 30% of the net capital as at the end of 2016;
- (2) The aggregate amount of proprietary investment in non-equity securities and its derivatives shall not exceed 400% of the net capital of the Company as at the relevant times.

Note: The budget as set out above does not include long-term equity investment of the Company, which shall adhere to the Company's relevant procedures for confirmation and execution.

The budget set out above is the maximum amount of proprietary investment based on the characteristics of market fluctuation, which does not represent the judgement of the management and the Board of the Company regarding the market. The actual amount shall be solely subject to the then prevailing market condition when the proprietary investment is made.

The resolution has been considered and approved by the Board on March 28, 2017, and is hereby proposed at the AGM for its consideration and approval.

LETTER FROM THE BOARD

7. CONTEMPLATED ORDINARY RELATED PARTY TRANSACTIONS OF THE COMPANY FOR 2017

An ordinary resolution will be proposed at the AGM to approve the Contemplated Ordinary Related Party Transactions of the Company for 2017 as follows, the details of which are set out in Appendix V of this circular.

- 7.01 Contemplated ordinary related party transactions with China Merchants Bank Co., Ltd.
- 7.02 Contemplated ordinary related party transactions with China Merchants Group Limited and its subsidiaries
- 7.03 Contemplated ordinary related party transactions with China Merchants Fund Management Co., Ltd.
- 7.04 Contemplated ordinary related party transactions with China COSCO Shipping Corporation Limited and other related parties controlled by it
- 7.05 Contemplated ordinary related party transactions with other related parties

The resolution has been considered and approved by the Board on March 28, 2017, and is hereby proposed at the AGM for its consideration and approval.

8. ENGAGEMENT OF AUDITORS OF THE COMPANY FOR 2017

An ordinary resolution will be proposed at the AGM to approve the engagement of auditors of the Company for 2017. Detail of the resolution is as follows:

The Company proposes to continue to engage ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited as the auditors of the Company for the financial report and internal control of 2017;

The annual auditing fees charged by ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited (together “SHINEWING”) for 2017 shall not exceed RMB3.98 million. The scope of audit shall cover the parent company and all subsidiaries, and the scope of services shall include auditing of financial statements, internal control and auditing, specific audit, tax consultation, compliance audit and other services. Travel expenses arising from the auditing work shall be borne by SHINEWING.

The resolution has been considered and approved by the Board on March 28, 2017, and is hereby proposed at the AGM for its consideration and approval.

9. ELECTION OF MEMBERS OF THE SIXTH SESSION OF THE BOARD

Reference is made to the announcement of the Company published on April 10, 2017 in relation to the change of Directors and change of Supervisors. The Board agreed to propose the following resolutions at the AGM:

- 9.01 To elect Ms. SU Min as non-executive Director
- 9.02 To elect Mr. XIONG Xianliang as non-executive Director

LETTER FROM THE BOARD

- 9.03 To elect Mr. SU Jian as non-executive Director
- 9.04 To elect Mr. WANG Yan as executive Director
- 9.05 To elect Ms. PENG Lei as non-executive Director
- 9.06 To elect Mr. XIONG Jiantao as executive Director
- 9.07 To elect Mr. HUANG Jian as non-executive Director
- 9.08 To elect Mr. WANG Daxiong as non-executive Director
- 9.09 To elect Mr. CHEN Zhigang as non-executive Director
- 9.10 To elect Mr. XIANG Hua as independent non-executive Director
- 9.11 To elect Mr. XIAO Houfa as independent non-executive Director

Ms. SU Min, Mr. XIONG Xianliang, Mr. SU Jian, Mr. WANG Yan, Ms. PENG Lei, Mr. XIONG Jiantao, Mr. HUANG Jian, Mr. WANG Daxiong, Mr. CHEN Zhigang, Mr. XIANG Hua and Mr. XIAO Houfa, together known as the “Proposed Directors”.

The term of office of each of the Proposed Directors (other than Mr. SU Jian, Mr. CHEN Zhigang, Mr. XIANG Hua and Mr. XIAO Houfa) will be from the date of obtaining the approval from the 2016 AGM (i.e. May 26, 2017) for a term of three years; the term of office for each of Mr. SU Jian, Mr. CHEN Zhigang, Mr. XIANG Hua and Mr. XIAO Houfa will be from the date of obtaining the approval of the relevant securities regulatory authorities in relation to their respective qualification of being a Director or an independent Director of a security company to May 26, 2020.

Details of the biography of Proposed Directors and other information related to their appointment are set out in Appendix V to this circular.

10. ELECTION OF SHAREHOLDERS’ REPRESENTATIVE SUPERVISORS OF THE SIXTH SESSION OF THE SUPERVISORY COMMITTEE

Reference is made to the announcement of the Company published on April 10, 2017 in relation to the change of Directors and change of Supervisors. The Supervisory Committee agreed to propose the following resolutions at the AGM:

- 10.01 To elect Ms. ZHOU Linda Lei as shareholders’ representative Supervisor
- 10.02 To elect Mr. LI Xiaofei as shareholders’ representative Supervisor
- 10.03 To elect Mr. WANG Zhangwei as shareholders’ representative Supervisor
- 10.04 To elect Mr. MA Yunchun as shareholders’ representative Supervisor
- 10.05 To elect Mr. FANG Xiaobing as shareholders’ representative Supervisor
- 10.06 To elect Mr. ZHANG Zehong as shareholders’ representative Supervisor

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Ms. ZHOU Linda Lei, Mr. LI Xiaofei, Mr. WANG Zhangwei, Mr. MA Yunchun, Mr. FANG Xiaobing and Mr. ZHANG Zehong, together known as the “Proposed Supervisors”.

The term of office of each of the Proposed Supervisors (other than Mr. WANG Zhangwei and Mr. MA Yunchun) will be from the date of obtaining the approval at the 2016 AGM for a term of three years; the term of office for each of Mr. WANG Zhangwei and Mr. MA Yunchun will be from the date of obtaining the approval of the relevant securities regulatory authorities in relation to their respective qualification of being a supervisor of a security company to May 26, 2020. Each of the Proposed Supervisors can be re-appointed after the expiry of his/her term of office.

Details of the biography of the Proposed Supervisors and other information related to their appointment are set out in Appendix VI to this circular.

11. GENERAL MANDATE TO ISSUE DEBT FINANCING INSTRUMENTS

Reference is made to the announcement of the Company published on April 10, 2017 in relation to the general mandate to issue debt financing instruments, which was approved by the Board on even date. The Board as agreed to propose the following resolutions as special resolutions at the AGM:

- 11.01 Type of the debt financing instruments
- 11.02 Issue size of the debt financing instruments
- 11.03 Issuer of the debt financing instruments
- 11.04 Maturity of the debt financing instruments
- 11.05 Interest rate of the debt financing instruments
- 11.06 Security and other arrangements
- 11.07 Use of proceeds
- 11.08 Issue price
- 11.09 Issue target
- 11.10 Listing of the debt financing instruments
- 11.11 Guarantee measures for repayment of the debt financing instruments
- 11.12 Validity period of the resolution
- 11.13 Authorisation for issuance of the Company’s onshore and offshore debt financing instruments

Details of the general mandate to issue debt financing instruments by the Company are set out in Appendix VII of this circular.

LETTER FROM THE BOARD

AGM

The AGM will be held at Novotel Bauhinia Shenzhen Hotel on Friday, May 26, 2017 at 10:00 a.m..

The summary of the important dates for holders of H Share is as follows:

Last Registration Date	:	On or before 4:30 p.m. on Tuesday, April 25, 2017
Closure of Register of Members for H Shareholders	:	Wednesday, April 26, 2017 to Friday, May 26, 2017 (both days inclusive)
Submission of Reply Slip	:	On or before Friday, May 5, 2017
Submission of Proxy Form	:	not less than 24 hours before the time appointed for the AGM, 10:00 a.m. on Thursday May 25, 2017

The register of members is closed from Wednesday, April 26, 2017 to Friday, May 26, 2017 (both days inclusive), during which period no transfer of H Shares will be effected. All transfer documents accompanied by the relevant share certificate, shall be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, April 25, 2017. Purchasers of shares who have submitted their transfer documents to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, and registered as shareholders on the register of members of H Shares of the Company before 4:30 p.m. on Tuesday, April 25, 2017 are entitled to attend and vote in respect of all resolutions to be proposed at the AGM.

The reply slip and the proxy form for the AGM have been despatched on Tuesday, April 11, 2017 and have also been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). Shareholders intending to attend the AGM or by their proxies should complete and return the reply slip for attending the AGM to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares) on or before Friday, May 5, 2017.

To be valid, for holders of H Shares, the form of proxy and notarised power of attorney or other document of authorisation must be delivered to 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 appointed for the AGM. Completion and return of the proxy form will not preclude you from attending and voting at the AGM in person if you so wish.

PROCEDURES FOR VOTING AT THE AGM

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a shareholders' general meeting must be taken by poll. Accordingly, the chairman of the AGM will demand a poll in relation to all the proposed resolutions at the AGM in accordance with Article 123 of the Articles of Association.

The abovementioned ordinary resolution No. 7 will be taken by poll by Shareholders who do not hold any interest in relation to such resolution. Shareholders controlled by China Merchants Group Limited were required to abstain from voting on the abovementioned ordinary resolution No. 7.02. Shareholders controlled by China COSCO Shipping Corporation Limited were required to abstain from voting on the abovementioned ordinary resolution No. 7.04.

LETTER FROM THE BOARD

RECOMMENDATION

The Board believes that all the resolutions mentioned above are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the resolutions to be proposed at the AGM.

Yours faithfully,
By order of the Board
GONG Shaolin
Chairman

I. Market Condition and Business Operation in 2016

In 2016, the financial market was full of uncertainties and impact due to both global political and economic risks. Thanks to the supply-side reform and the implementation of a series of stable growth policies, the economy of China maintained its growth momentum at a steady pace. The financial market in China was affected by various factors at home and abroad and experienced fluctuation throughout the year, including the “circuit breaker” mechanism introduced by the stock market early in the year and the plummet of the stock market, foreign exchange market and bond market towards the end of the year. The domestic stock market index saw fluctuations at low level. The SSE Composite Index and the SZSE Composite Index decreased by 12.30% and 19.64% as compared to the end of 2015, respectively. The average daily trading volume of stock and funds in the secondary market amounted to RMB535.4 billion, representing a significant decrease of 51.18% as compared to last year. The primary market remained active in general with increasing number of new IPOs. The scale of re-financing expanded rapidly, and the level of debt financing significantly surpassed the level in 2015. Regulatory policies focused on risk prevention and compliance, resulting in adjustment to the pace and progress for innovation in the securities industry.

In 2016, in response to the severe challenges from the capital market and regulation on the industry, the Company strictly adhered to its annual objectives of facilitating capital-based transformation through improvement in sales and capabilities, in order to diversify source of revenue, strengthen internal control for risk management and promote transformation through reforms. Remarkable results were achieved. In terms of the overall operating performance, the Company’s operating revenue and net profit attributable to the owners of the parent company amounted to RMB11.695 billion (while total revenue and other income amounted to RMB18.552 billion based on IFRSs) and RMB5.403 billion, respectively, both of which were the second best performance in the history of the Company following the record high achieved in 2015. In terms of major market competitiveness indicators, the overall industry ranking remained stable. In terms of the ranking of the 21 major indicators of the Company which are its main points of appraisal, four business indicators including commission from trading of mutual funds, custody and outsourcing business scale, the amount of ABS underwritten and the amount of debt underwritten ranked top five in the industry, while the ranking in terms of another six indicators including the balance of securities-backed lending and financing, the amount of debt underwritten, the interest income of financing, the net income of assets management, entrusted assets management scale and the underwriting amount in the Hong Kong stock market as a lead underwriter, improved as compared to 2015.

II. Major Work of the Board in 2016

In 2016, the Board convened a total of 14 meetings to review a total of 51 resolutions and debrief 9 reports, and convened 3 shareholders’ general meetings with 17 resolutions submitted and approved. In addition to regular resolutions such as periodic reports and annual mandate, the Board and shareholders’ general meetings also reviewed and passed 19 resolutions regarding major issues, including the issuance of H Shares and its listing on the Hong Kong Stock Exchange and the subscription of H Shares by management and key employees of the Company through asset management plans; 16 resolutions regarding corporate governance and change of Directors; and 8 resolutions regarding the provision of RMB3.5 billion net capital guarantee in favour its asset management subsidiary, the opening of 50 new branches, the establishment of a Korean subsidiary, the establishment of a trading company in Qianhai-Shekou Free Trade Zone and the development of corporate business in Hong Kong. The highly regulated and efficient decision-making procedures of the Board facilitated the effective implementation of the Company’s strategy of catching up and forging ahead.

The special committees under the Board convened a total of 16 meetings for the review or debriefing of 41 resolutions and reports. The Strategy Committee, the Risk Management Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee held one, four, six, three and two meetings, respectively. Each special committee played a significant role in assisting the Board by offering suggestions and advice proactively with their respective expertise to facilitate a professional and scientific approach of decision-making.

During the year, major tasks conducted by the Board of the Company were as follows:

(I) Issuance of H Shares and its listing on the Main Board of the Hong Kong Stock Exchange to strengthen long-term capital foundation

In 2016, the Company faced material challenges in the issuance of H Shares due to the numerous uncertainties in the capital market. Under the guidance of the Board, the Company thoroughly studied the general condition and analyzed the market trend for the issuance of H Shares, and amended and refined the issue proposal dynamically so as to capture the best opportunity. On October 7, 2016, the Company was successfully listed on the Main Board of Hong Kong Stock Exchange and became the seventh securities company to be listed in both A-share and H-share markets. The issuance was also the largest IPO of Chinese securities firms in the capital market of Hong Kong with the highest over-subscription rate, which reflected the high recognition by investors on the development strategy, corporate culture, comprehensive competitiveness and development prospects of the Company.

The listing of H Shares was another milestone in capital operation of the Company subsequent to the listing of its A Shares in November 2009. As at the end of 2016, the market ranking of the Company in terms of net assets increased to sixth as compared to ninth as at the end of 2015, which laid a solid foundation for long-term sustainable development of the Company. The successful listing of H Shares of the Company significantly enhanced its international influence and marked the new milestone of the Company heading towards being the best investment bank in China with international competitiveness.

(II) Effective implementation of business strategies

The year of 2016 was a key year in carrying out the 2015-2017 three-year strategy of the Company. The effective implementation of business strategies consolidated the foundation for the achievement of the three-year strategic targets.

First, the Company recorded the second best performance in the history of the Company despite the declining trend in the industry. Although the total asset scale of the Company ranked towards the rear, ranking of its operating revenue and net profit remained stable among major listed securities firms, with a leading investment return for shareholders. Core business remained competitive, and the custody and outsourcing business, the amount of asset securitization underwriting business and trading of mutual funds ranked first in the industry.

Second, the Company maintained sound progress in the implementation of strategic objectives with active innovation. The Company continued to strengthen its capital-based business through further promoting capital-based transformation. While the ranking in terms of the scale of capital-based intermediary business remains steady, the Company also actively explored different new capital-based businesses. Thanks to the flexible reallocation of major assets between stock investment and bond investment, and traditional targeted investment and innovative investment in response to the market changes, the Company's investment return outperformed the market average. The

Company adhered to the objective of transformation and further accelerated the transformation and development of core business. A comprehensive service platform for institutional clients was established to improve the professional capacity. Asset management service capacity was enhanced by offering tradable wealth management, non-tradable integrated wealth management and internet finance. Independent full-service platforms for each segment, including direct investment, alternative investment, asset management and futures, were constructed to extend the investment service chain of the Company. In addition, the Company closely followed the trend of emerging industries, and the revenue contribution percentage of innovative businesses increased as compared to last year. 11 non-performing asset securitization products were issued and underwritten. The continuous expansion of ABS portfolio to include pledged loans, Internet consumption finance, long-term vehicle leasing, supply-chain finance and commercial properties enhanced the scale and market influences of the Company. The Company also completed the underwriting of the first public issue of panda bonds in China by an overseas non-sovereign institution and the first issue of preference shares by a non-listed urban commercial bank (Qilu Bank) in China as the lead underwriter. The Company was the first one in the industry to launch the MOM product series that provided customized asset allocation services for institutional clients, which further diversified the portfolio of customized products and service model. The Company was the first in the industry to develop mutual FOF fund custody business to assist fund manager to launch the first private monetary fund. The Company has also developed an online private FOF fund performance evaluation and risk management system, and provided custody and settlement services for mutual funds under the Shanghai-Hong Kong Stock Connect and the “basket custody” trading system for strategic institutional clients for bulk trading. The rapid improvement in core frontline service abilities including products, research and development, pricing and sales, as well as the reinforced support and protection from the middle and back offices facilitated the realization of the strategic targets of catching up and forging ahead.

(III) Giving new impetus to the decision-making of the Board through re-election of non-executive Directors and independent non-executive Directors

In 2016, XU Hua, a former Director, resigned as the independent non-executive Director due to other work commitment. HONG Xiaoyuan and SUN Yueying, both former Directors, resigned as the non-executive Directors due to other work commitment. Upon approval at the 33rd meeting of the fifth session of the Board, Ms. SU Min was appointed as a non-executive Director at the 2015 annual general meeting. Upon approval at the 36th meeting of the fifth session of the Board, Mr. WANG Daxiong and Mr. ZHU Haiwu were appointed as a non-executive Director and independent non-executive Director at the first extraordinary general meeting for 2016, respectively. Ms. SU Min was appointed as a member (convener) of the Risk Management Committee and a member of the Remuneration and Appraisal Committee at the 38th meeting of the fifth session of the Board. Mr. WANG Daxiong was appointed as a member of the Risk Management Committee and Mr. ZHU Haiwu was appointed as a member (convener) of the Audit Committee and a member of the Remuneration and Appraisal Committee at the 39th meeting of the fifth session of the Board.

The qualification as Directors of a securities firm of Ms. SU Min, Mr. ZHU Haiwu and Mr. WANG Daxiong, all of whom being Directors, were approved by the CSRC Shenzhen Office in June, July and October 2016, respectively.

The newly appointed Directors adapted to their roles and performed their duties diligently, providing new impetus to the decision-making of the Board.

(IV) Making multiple equity investment, developing strategic business and implementing strategies of cross-border and pan-financial business

1. Capital increase of asset management subsidiaries

In response to the cross-industry competition and innovative development in asset management business under the trend of comprehensive asset management, and with an aim to achieve the strategic target of ranking among the top five in the industry in the next three years in terms of net revenue gained from asset management business, ensure China Merchants Securities Assets Management Co., Ltd. (“CMS Asset Management”), an asset management subsidiary of the Company, to fulfill the regulatory indicators, and expand the strategic development of the Company in terms of restructuring and innovation of asset management, the 36th meeting of the fifth session of the Board of the Company held on May 20, 2016 approved the Company to increase the capital of CMS Asset Management in an amount of RMB700 million. Upon such increase, the registered capital of CMS Asset Management will increase from RMB300 million to RMB1,000 million. The capital increase will effectively enhance the Company’s business scale, profitability and competitiveness in the industry, and give rise to better and more rapid development of its asset management business.

2. Establishment of a subsidiary in Korea

In order to consolidate and expand the institutional client network established in the past three years by the Korean office of China Merchants Securities International Company Limited (“CMS International”), a wholly-owned subsidiary of the Company, and in line with the Company’s strategic plan of cross-border development, the 44th meeting of the fifth session of the Board held on November 24, 2016 resolved to allow CMS International to contribute a maximum of HK\$55 million to establish a subsidiary in Korea to engage in securities brokerage and exchange-traded derivatives brokerage business upon obtaining the licenses for securities investment intermediary and exchange-traded derivatives intermediary business from the Financial Supervisory Service (South Korea). The Company has been the first Chinese-based security firm to apply for financial licenses from the Financial Supervisory Service (South Korea) for business operation in Korea, which facilitated the Company to grasp early opportunities for business expansion in the capital market of Korea. Following the establishment of subsidiaries in Hong Kong, the U.K., Singapore, Korea and other countries and regions, the Company has constructed an integrated financial services platform covering home and abroad with full functions for the entire industry chain.

3. Acquiring equity interests in a distressed assets management company

Realizing the great development prospect of distressed asset business, the Company grasped opportunities with its great foresight. Through China Merchants Securities Investment Co., Ltd., the Company invested RMB945 million to acquire 30% equity interests in Qingdao Asset Management Co., Ltd., becoming its second largest shareholder. A general manager was assigned by the Company to manage the operation of Qingdao Asset Management Co., Ltd. As such, the Company obtained the license to engage in distressed assets business with high strategic value and established a new platform for pan-financial business in addition to the traditional securities business. Distressed asset disposal and its extended businesses have had significant synergetic effect with investment banking, direct investment, OTC and other businesses, creating opportunities for merger and acquisition, debt restructuring and financial advisory businesses and optimizing the comprehensive financial services platform of the Company.

(V) Launching a new business model of “Internet + Securities” to lay a solid foundation for the development of internet finance

During the reporting period, the Company launched a new business model of “Internet + Securities”, marking a significant breakthrough in the expansion of customer development channels from offline to online. “Zhiyuan Yi Hu Tong (智遠一戶通)”, an internet integrated wealth management platform, was successfully put to service, which offered one-stop online services for product sales covering market analysis, product launching, marketing, sales of products and improvement of products. The experience of clients has been further improved and the marketing capability of internet products have been strengthened. In addition, the Company increased investment to the construction of mobile big data platform, and developed effective applications in the analysis of behaviour of internet securities clients and data of wealth management. Smart customer service robots platform was also introduced, and the breadth and depth of the usage of such platform are both leading in the industry, significantly improving the online service ability in responding to clients’ enquiries.

(VI) Effective internal control to support steady growth of the Company under complicated environment

During the reporting period, the Board formulated the general working objectives to proactively cope with market risks, focus on credit risk prevention, strictly control cross risks in multi markets and ensure strict compliance. The Company set up credit policy in response to the more unfavourable credit environment and increasing risks of credit business in the industry in a timely manner. It launched internal credit assessment system, conducted specific risk investigation and increased disposal of default assets in order to safeguard the Company’s assets and facilitate its sound business development. In 2016, the Company successively overcame a number of challenges arising from market fluctuation, stricter regulations and more intensive competition, and was one of the only eight brokerages that received the “(Class A)AA” regulatory rating. The Company was also one of the only two brokerages in the industry to receive the “AA” regulatory rating for nine consecutive years.

The overall risk level of the Company in 2016 was manageable and bearable. The risk exposure was maintained within the approved limits by the Board. Net capital of the year satisfied the regulatory requirement and was maintained at a healthy level.

Major regulatory indicators of the Company as at the end of 2016 (Unit: RMB100 million)

Item	As at the end of 2016	Warning standard	Regulatory standard
Net core capital	380.24		
Net supplemental capital	75.00		
Net capital	455.24		
Net assets	568.84		
Total risk capital reserves	142.58		
Total assets on- and off- balance sheet	1,680.00		
Risk coverage ratio	319.28%	≥120%	≥100%
Capital leverage ratio	24.30%	≥9.6%	≥8%
Liquidity coverage ratio	151.00%	≥120%	≥100%
Net stable funding ratio	134.94%	≥120%	≥100%
Net capital/net assets	80.03%	≥24%	≥20%
Net capital/liabilities	43.03%	≥9.6%	≥8%
Net assets/liabilities	53.77%	≥12%	≥10%
Value of proprietary equity securities and its derivatives/net capital	37.01%	≤80%	≤100%
Value of proprietary non-equity securities and its derivatives/net capital	98.12%	≤400%	≤500%
Amount of financing (including securities lending)/net capital	148.61%	≤320%	≤400%

(VII) Proper performance of information disclosure obligation

In 2016, the quantity and complexity of information disclosure were multiplied following the listing of the Company's H Shares. The Company published 115 A-Share announcements and 39 H-Share announcements during the year. All announcements were made in compliance with the regulations with true, accurate and complete disclosure in a timely manner to ensure the transparency, equality and fairness of the information disclosed to all investors. There were no errors or delays in the issue of announcement, and no typographical nor formatting mistakes were found. There was no dealing in the Company's Shares by any persons with inside information by making use of inside information prior to the disclosure of major sensitive information. The equal rights of all Shareholders, especially the minority Shareholders, to access relevant information of the Company were safeguarded.

During the reporting period, the Company received an "A" grade from the SSE for information disclosure in 2015.

(VIII) Management of investor relations

The management of investor relations is always a major concern of the Board. The Company has actively launched various projects for investor relations after the listing of the Company's H Shares to improve the communication with investors and promote the investment value of the Company. During the reporting period, the Company had one-on-one and one-on-many contacts with 296 local and international institutional investors on 39 occasions at investment strategy seminars and forums organized by domestic and foreign securities firms. We had communicated with more than 122 investors via email, telephone and shareholders' general meeting.

In face of the unfavourable global capital market with severe fluctuation, the Company introduced the unique investment merits of China Merchants Securities to more than 100 prominent investors face-in-face in Asia, Europe, America and the Middle East through three global non-trading and official roadshows to enhance their understanding of the Company. The Company attracted 11 quality cornerstone investors, including PICC Life Insurance, Chow Tai Fook of the CHENG Yutung family, the China Life Insurance Company and Mr. MA Huateng, the founder and president of Tencent. Since the issue of the Company's H-Share prospectus on September 27, the Company has been keen in communicating with analysts and investors in respect of our future internationalization strategies and the establishment of a corporate governance meeting international standard to fully uncover the investment value of the Company.

(IX) Fulfillment of social responsibilities

In 2016, the Company further consolidated its reputation of integrity, law-abiding and impartiality. The Company paid taxes according to the laws and undertook the responsibility in fostering the development of the society and economy and supporting the advancement of the securities industry by contributing to the value preservation and enhancement of social wealth and sound development of the capital market. Aiming to develop as an outstanding corporate citizen, the Company proactively participated in public welfare programs, including donation to schools, poverty alleviation and disaster relief, and performed its social responsibilities.

In 2016, the charity donation approved by the Board of the Company amounted to RMB10 million, which were fully donated to Shenzhen China Merchants Securities Charity Fund (深圳市招商證券公益基金會) for the organization of charity programs, including donation of RMB5 million to the Career Supporting Fund for University Students (大學生就業幫扶專項基金) to provide pre-employment trainings in relation to finance for university students. The Company also participated in the targeted poverty alleviation project at Xi County through assistance in consumption. The Company donated RMB1 million for the plantation of Yuluxiang pear tree to help the fruit growers in need. The Company committed to sponsor a total of RMB234,000 for 30 poverty students of Xing He No. 1 Secondary School (興和一中) in Inner Mongolia as their living and studying fees for 3 years, and RMB78,000 were paid in 2016. In addition, RMB2.10 million was donated for the construction of 14 classrooms in two counties according to the poverty alleviation agreements. The Company also made donation of RMB1.09 million to the "Red Cross Society of China • China Merchants Securities Charity Fund" (中國紅十字會 • 招商證券博愛基金). The current balance of the Charity Fund amounts to RMB8.7141 million.

III. DUTY PERFORMANCE OF DIRECTORS

In 2016, all Directors performed their duties sincerely and diligently and attended shareholders' general meetings, board meetings and meetings of special committees in accordance with the relevant rules of procedures. At such meetings, Directors considered all resolutions earnestly and expressed their opinions, which effectively regulated the scientific decision-making procedure of the Board, promoted the sustainable development of the Company, and protected the interests of Shareholders.

The Strategy Committee of the Board carried out comprehensive review and discussion on the implementation of business strategies, asset management and wealth management strategies in 2015 in line with the corporate development and business strategies of the Company. The Risk Management Committee of the Board gained comprehensive understanding of the risk and compliance situation of the Company through reviewing its quarterly, interim and annual risk evaluation reports and compliance reports. It also conducted assessment on the risk profile and risk control capability of the Company on a regular basis to facilitate the establishment of a comprehensive internal risk prevention system of the Company. The Audit Committee of the Board guided, supervised and inspected the annual reports and the audit work performed by external auditors. It actively participated in the preparation and disclosure of the annual financial report to uphold its audit independence, enhancing the audit quality and safeguarding the interests of the Company and shareholders as a whole. The Remuneration and Appraisal Committee of the Board assessed the duty performance of the senior management and effectively supervised their duty performance during the year. It also provided useful comments and suggestions on the remuneration management system of the Company. The Nomination Committee of the Board performed its duty to strictly evaluate the qualification of candidates for Directors.

Independent Directors of the Company attended Board meetings and various meetings of special committees, in which they provided independent and objective opinions based on their respective expertise. Through channels such as on-site research and seminars, they gained an insight of the operating condition of the Company. As such, independent judgements and decisions were ensured when studying and reviewing major matters.

During the reporting period, Director's attendance of the shareholders' general meetings, Board meetings and voting for resolutions of the Company was as follows:

Name of Director	Whether an Independent Director	Attendance of Board meetings						Attendance of shareholders' general meeting
		Number of Board Meetings requiring attendance	Attendance in person (times)	Attendance through correspondence (times)	Attendance by proxy (times)	Absence (times)	Whether not attending in person for two consecutive meetings	Attendance of shareholders' general meeting (times)
GONG Shaolin (宮少林)	No	14	14	10	0	0	No	3
SU Min (蘇敏)	No	8	8	7	0	0	No	2
XIONG Xianliang (熊賢良)	No	14	14	12	0	0	No	3
HUA Li (華立)	No	14	14	12	0	0	No	3
WANG Yan (王岩)	No	14	14	11	0	0	No	3
GUO Jian (郭健)	No	14	14	12	0	0	No	3
PENG Lei (彭磊)	No	14	14	11	0	0	No	3
WANG Daxiong (王大雄)	No	3	3	3	0	0	No	0
HUANG Jian (黃堅)	No	14	14	12	0	0	No	3
CAO Dong (曹棟)	No	14	14	12	0	0	No	3
YI Xiqun (衣錫群)	Yes	14	14	12	0	0	No	2
LIU Jialin (劉嘉凌)	Yes	14	14	12	0	0	No	3
DING Huiping (丁慧平)	Yes	14	14	12	0	0	No	3
ZHU Haiwu (朱海武)	Yes	7	7	6	0	0	No	1
YANG Jun (楊鈞)	Yes	14	14	12	0	0	No	3
HONG Xiaoyuan (洪小源)	No	1	1	0	0	0	No	0
SUN Yueying (孫月英)	No	4	4	3	0	0	No	1
XU Hua (徐華)	Yes	7	7	6	0	0	No	1

IV. WORKING PLAN OF THE BOARD FOR 2017

In 2017, the external operating condition faced by the Company will remain complex. Fluctuations in global economy and financial market will be intensified and various uncertainties will increase constantly. In China, the national reform will be implemented according to the plans. A series of key measures, such as the deepening of supply-side reform, the promotion of mixed ownership reform and the expansion of "One Belt One Road", will bring forward more business opportunities to the capital market. Therefore, activities of the multi-layered capital market are expected to increase as a whole. Under the objectives of steady growth, financial risk prevention and asset bubble control, industrial regulations will be increasingly strict. Transformation of the securities industry will focus on improving the services for real economy. As the competition landscape of the industry will further differentiate and restructure, competition among large securities firms will become more intensified.

2017 will be the final year of the three-year forging ahead strategy of the Company. In 2017, the Company will strive to achieve breakthrough in both scale and capability. Under the forging ahead strategy, the Company has confirmed business guidelines for 2017 to boost income, enhance capability, maintain steady growth and achieve breakthrough. In 2017, the Company will continue to diversify income source of different businesses in order to achieve the strategic goal of forging ahead, and overcome the bottleneck of important capabilities for effective transformation. Internal control and risk management will also be strengthened to maintain sound and stable growth under the complex condition. Management services will be enhanced to safeguard the implementation of strategies.

In 2017, the Board of the Company will focus on the following aspects:

(I) Completing the 2015–2017 three-year forging ahead strategic mission

Pursuant to the 2015–2017 three-year forging ahead strategy, the Company aims to achieve breakthrough in both scale and capability in order to transform into a modern investment bank with full-service capabilities covering the entire value chain, so as to lay down the foundation for its development as the best investment bank and a leading securities company in China at the end of 2017. In 2017, the Board will instruct the management to implement strategic planning comprehensively in an effort to achieve the forging ahead strategy and a greater success.

(II) Preparing for the re-election of the Board

Pursuant to the Company Law and the Articles of Association, the term of the fifth session of the Board of the Company will expire in May 2017. The Company will be well-prepared for the coming re-election of the Board, and urge the proposed Directors and Independent Directors to familiarize themselves with the Company's condition as soon as practicable and to participate in relevant qualification examination and professional training to facilitate duty performance and a smooth transition. Meanwhile, the Company will further enhance the decision-making procedure of the new session of the Board and improve scientific decision-making and regulated operation of the Board.

(III) Studying the new three-year strategic plan of the Company

In 2017, the Board will guide the Company to strengthen basic studies, tracking studies on competitors and theme studies for the formulation of the new three-year strategic plan of the Company with new strategic targets and paths, with a view to promoting significant breakthroughs in terms of scale expansion and development of pan-financial operation of the Company.

(IV) Emphasizing key risk prevention and strengthening comprehensive risk control

In 2017, the Board will lead the Company to strengthen comprehensive risk management and refine the consolidated risk monitoring system in order to strengthen risk management of subsidiaries. Risk management policies for targeted markets will be formulated and the overall framework of stress test and investment performance analysis will be enhanced for better management of market risks. Effort will be made to keep track on and inspect the provision of credit to ensure consistent policy implementation. Besides, development of a system for key indicators of operational risk will be promoted to enhance management of operational risks. The Board attaches great importance to the changes in liquidity risks. Financing plans will be formulated according to the debt maturity portfolio of the Company and liquidity reserves and contingency mechanism will be enhanced, so as to increase the proportion and flexibility of debt financing.

(V) Improving long-term incentives to motivate diligence and creativity of the team and support the implementation of the catching up and forging ahead strategy of the Company

The Board is committed to refining the market-oriented and performance-based appraisal and incentives policy. In 2016, the plan for subscription of H Shares by management and key employees of the Company through asset management plans was terminated due to the failure to obtain approval from the competent authority or department. In 2017, The Board will continue to study long-term A-Share and H-Share incentive schemes in pursuit of practical breakthroughs to effectively link the interests of the shareholders, management and all employees, in a bid to better promote the implementation of the catching up and forging ahead strategy of the Company.

In 2016, the financial market was full of uncertainties and impact due to both global political and economic risks. Despite the supply-side reform to facilitate domestic economic growth, the financial market in China was affected by various factors at home and abroad and experienced fluctuation throughout the year. The domestic stock market index saw fluctuations at low level, and the average daily trading volume of stock and funds in the secondary market recorded significant decrease as compared to last year. In response to the severe challenges from the capital market and regulation on the industry, the Company strictly adhered to its objectives to diversify source of revenue through improvement in sales, strengthen internal control for risk management and promote transformation through reforms. Remarkable results was achieved. Both the operating revenue and net profit recorded the second best performance in the history of the Company following the record high achieved in 2015. The Company's H Shares completed listing on the Hong Kong Stock Exchange in 2016, which has laid a solid foundation for its long-term development. While achieving sound operating results, the Company's compliance management has successfully overcome the challenges of stricter regulations, and was managed to pass the most difficult rating evaluation of securities firms in 2016, becoming one of the only two brokerages in the industry with "AA" rating for nine consecutive years since 2008.

In 2016, the industry development entered into a new stage. The CSRC strengthened the control over financial risk to maintain the stability of market through stricter regulation according to laws. The Supervisory Committee paid close attention to the updates on industrial regulations and performed its duties in corporate governance in accordance with the relevant laws and regulations such as the Company Law and Securities Law and the related provisions regarding the responsibilities of the Supervisory Committee in the Articles of Association. The Supervisory Committee supervised the Board and senior management in respect of their implementation of resolutions of the general meetings, inspected the daily operation and financial position of the Company and conducted investigations and researches on frontline staff. The Supervisors made contributions by actively providing advice and closely monitoring the risk control and compliance of the Company in order to safeguard the legal interests of the Company, its Shareholders and all investors and contributed to ensuring regulated operation of the Company.

I. Meetings of the Supervisory Committee during the reporting period

In 2016, the Supervisory Committee held 5 meetings with details as follows:

1. The ninth meeting of the fifth session of the Supervisory Committee was held on February 25, 2016 in Shenzhen. Nine Supervisors should have attended the meeting, and nine Supervisors attended the meeting. Six proposals were considered and approved: (1) work report of the Supervisory Committee of the Company for 2015; (2) annual report of the Company for 2015 and its highlights; (3) 2015 operational report of the Company; (4) internal control assessment report of the Company for 2015; (5) compliance management report of the Company for 2015; (6) social responsibilities report of the Company for 2015. Voting results for all of these proposals were the same as follows: 9 for, 0 against and 0 abstain. The meeting also debriefed the reports on the financial and operating conditions in 2015 and financial budgets for 2016, conclusion of the internal auditing work for 2015 and working plan for internal audit in 2016.
2. The tenth meeting of the fifth session of the Supervisory Committee was held on March 11, 2016, in Shenzhen through onsite meeting and teleconferencing. Nine Supervisors should have attended the meeting, and nine Supervisors attended the meeting. The proposal regarding the subscription of H Shares by management and key employees of China Merchants Securities Co., Ltd. through asset management plans (draft) was considered and approved at the meeting. Ms. ZHOU Linda Lei, chairman of the Supervisory Committee, Ms. YIN Hongyan, an Employee Representative Supervisor, Mr. ZHAN Guifeng, an Employee Representative Supervisor, and

Ms. HE Min, an Employee Representative Supervisor, were participants to the subscription of H Shares by management and key employees of the Company through asset management plans. (draft), and abstained from voting for this resolution. Actual number of voting member is five. The voting result was as follows: 5 for, 0 against and 0 abstain.

3. The 11th meeting of the fifth session of the Supervisory Committee was held on April 29, 2016 in the form of correspondence. Nine Supervisors should have attended the meeting, and nine Supervisors attended the meeting. Four resolutions were considered and approved: (1) resignation audit report of Ms. ZHANG Weihua, the former Compliance Director of China Merchants Securities Co., Ltd.; (2) assessment report on the efficiency of compliance management of China Merchants Securities Co., Ltd. for 2015; (3) the first quarterly report of China Merchants Securities Co., Ltd. for 2016; (4) adjustment to the impairment indicators for financing business. Voting results for all of these proposals were the same as follows: 9 for, 0 against and 0 abstain.
4. The 12th meeting of the fifth session of the Supervisory Committee was held on August 25, 2016 in Guiyang. Nine Supervisors should have attended the meeting, and nine Supervisors attended the meeting. Two proposals were considered and approved: (1) interim report of China Merchants Securities Co., Ltd. for 2016 and its highlights; (2) interim compliance report of China Merchants Securities Co., Ltd. for 2016. Voting results for all of these proposals were the same as follows: 9 for, 0 against and 0 abstain.
5. The 13th meeting of the fifth session of the Supervisory Committee was held on October 28, 2016 in the form of correspondence. Nine Supervisors should have attended the meeting, and nine Supervisors attended the meeting. The proposal on the third quarterly report of the Company for 2016 was considered and approved at the meeting. The voting result was as follows: 9 for, 0 against and 0 abstain.

II. Opinions of the Supervisory Committee on relevant issues of the Company in 2016

In 2016, in accordance with the relevant laws and regulations such as the Company Law and Securities Law and the relevant requirements of the Articles of Association, the Supervisory Committee duly performed its duties with an aim to protect the interests of the Company and all Shareholders. The Supervisory Committee supervised and inspected the legal operation, major decisions, major operating and financial conditions as well as related party transactions of the Company, and provided the following independent opinions:

1. Legal operation of the Company

In 2016, the Board and the management of the Company were able to operate legally in strict accordance with the Company Law, Securities Law, Articles of Association, and other applicable laws, regulations and rules. In particular, since the listing of the Company's H Shares on the Main Board in Hong Kong in 2016, the Company was able to maintain regulated operation in respect of corporate governance, information disclosure and investor relations by adhering to the regulatory policies in both Mainland China and Hong Kong. The major operational decisions of the Company were reasonable while its decision-making procedures were lawful and effective. The Company has continuously improved its risk management, compliance management and internal control systems and consolidated the management of implementation. All internal management systems were effectively implemented. The Supervisory Committee has not identified any behaviour of the Directors and senior management during their performance of duties that violated the relevant laws,

regulations and the Articles of Association or were detrimental to the interests of the Shareholders and the Company.

2. Inspection of the financial position of the Company

In 2016, the Supervisory Committee duly reviewed the financial statements and financial information of the Company. The Supervisory Committee was of the view that the preparation of the financial statements of the Company was in compliance with the relevant requirements of the Accounting Standards for Enterprises and IFRSs. The 2016 financial statements of the Company were able to reflect the financial position, results of operation and cash flows of the Company. The audit opinions contained in the standard unqualified auditor's report issued by ShineWing Certified Public Accountants LLP were objective and fair.

3. Examination of the implementation of resolutions of the shareholders' general meetings

In 2016, the Supervisory Committee monitored the implementation of resolutions of the shareholders' general meetings. The Supervisory Committee was of the view that the Board was able to duly enforce the resolutions of the shareholders' general meetings and had no such behaviour that were detrimental to the interests of Shareholders, in particular the minority shareholders.

4. Related party transactions

In 2016, the review, voting, disclosure and implementation of the relevant related party transactions of the Company were in compliance with the applicable laws, regulations and the provisions and requirements of the internal management systems of the Company. The pricing of such transactions was fair and reasonable. The Supervisory Committee has not identified any circumstances that were detrimental to the interests of the Company.

5. Review of relevant reports

The Supervisory Committee reviewed the 2016 Operational Report of the Company, Report on the Use of Proceeds from the Offering of H Shares of the Company in 2016, Internal Control Assessment Report of the Company for 2016, Compliance Management Report of the Company for 2016 and Social Responsibility Report of the Company for 2016, and had no objection to such reports.

6. Enforcement of the registration and management system for inside information holders

In 2016, the Supervisory Committee supervised the enforcement of the Registration System for Persons with Inside Information. The Supervisory Committee was of the view that the Company has formulated the Registration System for Persons with Inside Information of China Merchants Securities Co., Ltd. in accordance with the Regulation on the Establishment of Registration System for Persons with Inside Information by Listed Companies, relevant laws and regulations and the Articles of Association. The Supervisory Committee has not identified any violation of such policy.

7. Performance evaluation on Directors and management team of the Company

In 2016, as the Directors and all senior management of the Company diligently performed their duties, duly executed the new three-year development strategies of the Company and united all staff of the Company to work hard together despite difficulties, the Company achieved a second high results of operation in its history. The H Shares of the Company were successfully issued and listed

on the Main Board of the Hong Kong Stock Exchange. The overall operating ability and management standard of the Company were improved, which laid a solid foundation for the long term and sound development of the Company. In addition, the Company has always insisted on risk control and compliance, and maintained sound and lawful operation. The Supervisory Committee highly appreciated the works of the Directors and all senior management of the Company in 2016.

During the reporting period, the Supervisory Committee had no objections to the matters under supervision.

III. Daily duties of the Supervisory Committee in 2016

1. Completing assessment on the effectiveness of the Company's compliance management in 2015 and formulating the work plan for 2016

The Supervisory Committee engaged ShineWing Certified Public Accountants LLP (“SHINEWING”) to conduct an assessment on the effectiveness of the Company's compliance management in 2015. According to the Assessment Report on the Effectiveness of the Compliance Management of China Merchants Securities Co., Ltd. in 2015 issued by SHINEWING, it is concluded that the Company has developed and effectively implemented corresponding management systems for the businesses and issues subject to assessment during the reporting period, and its targets for compliance management were generally fulfilled. There was no material compliance risk in all aspects. The above report was delivered to and filed with the CSRC Shenzhen Office upon the approval of the eleventh meeting of the fifth session of the Supervisory Committee.

The Company engaged SHINEWING by means of quotation for the assessment on the effectiveness of the Company's compliance management in 2016.

2. Investigations and assessments

The Supervisory Committee conducted two assessments on the business departments during the year:

Assessments were conducted on the operation of the Jiangsu Branch and its business department as well as the business departments in Sichuan in April and November 2016, respectively. The Supervisory Committee debriefed the branches and the business departments on their overall business operation. The Supervisory Committee had adequate communications and discussions with the frontline staff of the branches and business departments with regard to various issues such as general business operation of the branches and business departments, system development and management of the branches, management mode of the second-tier business departments, job rotation between the first-tier and second-tier business departments, risk control and compliance, business synergies with the subsidiaries of China Merchants Group, difficulties and challenges faced by the business departments during their development, specific requests regarding support from the headquarters of the Company and the concerns of the business departments. The questions raised by the frontline staff were reflected to the headquarters of the Company in the assessment reports with ongoing follow-ups.

3. Completing the departure audit of ZHANG Weihua (張衛華), the former chief compliance officer of the Company

The Supervisory Committee of the Company engaged the Shenzhen branch of Asia Pacific (Group) CPAs (special general partnership) to conduct a departure audit of ZHANG Weihua (張衛華), the former chief compliance officer. The audit report was filed with CSRC Shenzhen Office upon the approval by the eleventh meeting of the fifth session of the Supervisory Committee.

4. Other daily duties

The Supervisory Committee completed the performance appraisals on the Directors, Supervisors and senior management of the Company in 2015.

IV. Major tasks of the Supervisory Committee in the year 2017

Pursuant to the objectives of the 2017 National Securities and Futures Regulation Work Conference, the primary principle of the industrial regulation focuses on maintaining steady development by adhering to and implementing the new development philosophy and maintaining comprehensive and strict regulation in compliance with the laws in order to safeguard the legal interests of investors. In response to the changes in industrial regulatory policies, the Supervisory Committee will pay close attention to the operation and compliance management of the Company and duly perform its duties in respect of corporate governance. Major tasks to be conducted are as follows:

1. Completion of re-election of the Supervisory Committee. The terms of office of the fifth session of the Board and Supervisory Committee will expire in May 2017. The current session of the Supervisory Committee will properly assist the Shareholders and the Company in preparation for a smooth re-election of the new session.
2. Supervision over legal operation of the Company. The Supervisory Committee will supervise the daily operation and financial condition, risk management and internal control of the Company, as well as the duty performance of Directors and senior management through various ways, including convening meetings of the Supervisory Committee, attending or observing the shareholders' general meetings and meetings of the Board, special committees under the Board and office of the President, reviewing various documents and information submitted by the Company, and debriefing the working reports and special reports of the management team, in order to ensure the legal operation of the Company.
3. The Supervisory Committee will pay attention to the information disclosure of the Company to ensure the truthfulness, accuracy and completeness of information disclosed, in order to safeguard the legal interests of Shareholders and investors.
4. The Supervisors will continue to carry out business investigations and assessments, including assessments on the operation of business departments and the corporate business.
5. Enhancement of education and training of business knowledge for Supervisors. The year of 2017 is the first full accounting year of the Company after the listing of the Company's H Shares. The Supervisory Committee will further improve its knowledge regarding the regulatory policies, laws and regulations of the Hong Kong market through various ways. In particular, it will pay special attention to the different supervision and inspection requirements for H Shares and A Shares as well as the fulfillment of the new regulatory requirement after the listing of the Company's H Shares, so as to properly perform their duties.

6. The Supervisory Committee will carry out assessment on the efficiency of compliance management of the Company for 2016 and formulate the work plan for 2017.

7. The Supervisory Committee will enhance the interaction with other supervisory committees in the industry for discussion and research regarding the effective operation and duty performance of the supervisory committee.

In 2016, as the Independent Directors of China Merchants Securities Co., Ltd. (the “Company”), in strict compliance with the Company Law, the Guiding Opinion on the Establishment of Independent Director System of Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》), the Guidance on the Format of Annual Duty Report of Independent Directors (《獨立董事年度述職報告格式指引》), the Articles of Association of China Merchants Securities Co., Ltd., the Independent Director System of China Merchants Securities Co., Ltd. (《招商證券股份有限公司獨立董事制度》), and other laws, regulations and systems, we fulfilled our responsibilities and performed our duties diligently to regulate the operation of the Company, to safeguard the interests of all shareholders of the Company, especially minority shareholders, and to fully perform the functions of Independent Directors in corporate governance of the Company. The work report for 2016 is as follows:

I. Basic information about Independent Directors

(I) Changes in Independent Directors in 2016

In 2016, Independent Directors of the Company include: Mr. YI Xiqun, Mr. LIU Jialin, Mr. DING Huiping, Mr. XU Hua (resigned on July 20, 2016), Mr. ZHU Haiwu (appointed on July 20, 2016) and Mr. YANG Jun.

Due to personal reason, Mr. YI Xiqun resigned as Independent Director of the fifth session of the Board, convener of the Remuneration and Appraisal Committee of the Board and member of the Nomination Committee of the fifth session of the Board of the Company in November 2014 (please refer to the Announcement on Resignation of Independent Director of the Company (Lin 2014-077) (《關於公司獨立董事辭職的公告》(臨2014-077)) of the Company dated November 24, 2014). In accordance with the Guidelines on the Establishment of Independent Director System of Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》) and the Articles of Association of the Company, Mr. YI Xiqun will remain in his positions until a new Independent Director is appointed by the Company.

Due to personal reason, Mr. XU Hua resigned as Independent Director of the fifth session of the Board, convener of the Audit Committee of the Board and member of the Remuneration and Appraisal Committee of the Board of the Company in January 2016 (please refer to the Announcement on Resignation of Independent Director of the Company (2016-001) (《關於公司獨立董事辭職的公告》(2016-001)) of the Company dated January 6, 2016). In accordance with the Guidelines on the Establishment of Independent Director System of Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》) and the Articles of Association of the Company, Mr. XU Hua will remain in his positions until a new Independent Director is appointed by the Company.

According to the Resolution on the Nomination of Independent Director of the Fifth Session of the Board of Directors (《關於提名公司第五屆董事會獨立董事候選人的預案》) considered and approved at the ninth meeting of the Nomination Committee of the fifth session of the Board held on May 19, 2016, Mr. ZHU Haiwu was nominated as the candidate for Independent Director. The proposal was submitted to the Board of the Company for consideration.

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According to the Resolution on the Change of Independent Director (《關於獨立董事變更的議案》) adopted at the 36th meeting of the fifth session of the Board held on May 20, 2016, it was agreed to nominate Mr. ZHU Haiwu as candidate for independent Director of the fifth session of the board of Directors. The resolution was submitted to shareholders' general meeting for approval.

According to the Resolution on the Change of the Independent Directors (《關於獨立董事變更的議案》) passed at the first extraordinary meeting of 2016 held on June 30, 2016, Mr. ZHU Haiwu was elected as independent Director of the fifth session of the Board.

On July 20, 2016, pursuant to the Approval of the Shenzhen Branch of China Securities Regulatory Commission of the Qualification of Mr. ZHU Haiwu as an Independent Director of a Securities Company (《深圳證監局關於核准朱海武證券公司獨立董事任職資格的批覆》), Mr. ZHU Haiwu officially acts as the Independent Director of the Company.

According to the Resolution on the Election of Member to fill up Vacancies of the Special Committees of the Fifth Session of the Board of Directors passed at the 39th meeting of the fifth session of the Board on August 5, 2016, Mr. ZHU Haiwu was elected as the convener and a member of the Audit Committee and a member of the Remuneration and Appraisal Committee of the fifth session of the Board.

(II) Positions held by Independent Directors in the special committees under the Board

Independent Directors of the Company have held office in the Strategy Committee, Risk Management Committee, Audit Committee, Nomination Committee and Remuneration and Appraisal Committee. More than half of the members of the Audit Committee, Nomination Committee and Remuneration and Appraisal Committee are Independent Directors and the committees have an Independent Director acting as the convener.

The positions of Independent Directors in each of the special committees under the Board are as follows:

No.	Special Committee	Independent Directors	Remark
1	Strategy Committee	LIU Jialin	
2	Risk Management Committee	LIU Jialin	
3	Audit Committee	XU Hua, ZHU Haiwu, DING Huiping and YANG Jun	XU Hua and ZHU Haiwu acted as the convener successively
4	Nomination Committee	DING Huiping, YI Xiqun and YANG Jun	DING Huiping acted as the convener
5	Remuneration and Appraisal Committee	YI Xiqun, LIU Jialin, XU Hua and ZHU Haiwu	YI Xiqun acted as the convener

(III) Basic information about the incumbent Independent Directors

Mr. YI Xiqun has served as our Independent Non-executive Director since August 2013. Mr. YI has relevant experience via serving as independent directors of various listed finance-related companies. Mr. YI tendered his resignation from directorship for personal reasons in November 2014, and will continue to perform his duties until the new Independent Non-executive Director is appointed as soon as practicable and takes office. Mr. YI has been executive vice president of the China Association of Private Equity since October 2010; Mr. YI was independent non-executive director of Asian Capital Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 8295) from June 2010 to April 2016; and independent non-executive director of ICBC (listed on the SSE, stock code: 601398; listed on the Hong Kong Stock Exchange, stock code: 1398) from December 2013 to April 2016; independent non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968) from January 2008 to March 2014; independent non-executive director of SOHO China Limited (listed on the Hong Kong Stock Exchange, stock code: 0410) from September 2007 to May 2015; deputy chairman and chairman of the board of directors of Beijing Enterprises Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 0392) from September 1999 to August 2009. Mr. YI graduated from Beijing University of Chemical Technology (formerly Beijing Institute of Chemical Technology) majoring in polymer chemistry in December 1975 and completed the enterprise management and research courses from Tsinghua University in July 1982.

Mr. LIU Jialin has served as our Independent Director since August 2011. Mr. LIU has working experience in the financial industry via serving as managing director of Cinda International Asset Management Limited since February 2011, and independent non-executive director of Far East Horizon Ltd. (listed on the Hong Kong Stock Exchange, stock code: 3360) since March 2011. He held various positions with Morgan Stanley from February 1992 to December 2007 and the position he last held was managing director of the Hong Kong fixed income division of Morgan Stanley Asia Limited. Mr. LIU obtained a bachelor's degree in science majoring in physics from Peking University and a master's degree in science majoring in physics from Massachusetts Institute of Technology in July 1982 and June 1989, respectively.

Mr. DING Huiping has served as our Independent Director since July 2014. Mr. DING has worked at Beijing Jiaotong University (formerly Northern Jiaotong University) since December 1993, where he served as professor, Ph.D. tutor and head of the Center for Enterprise Competitiveness Research. Mr. DING has relevant experience via serving as an independent director of various listed companies, including independent non-executive director of Huadian Power International Corporation Limited (listed on the SSE, stock code: 600027; listed on the Hong Kong Stock Exchange, stock code: 1071) since May 2014 and from October 2003 to June 2009. He has been independent director of Metro Land Corporation Ltd. (listed on the SSE, stock code: 600683) since April 2015. Mr. DING was independent non-executive director of China International Marine Containers (Group) Co., Ltd. (listed on the SZSE, stock code: 000039; listed on the Hong Kong Stock Exchange, stock code: 2039) from May 2010 to July 2013; independent director of Road and Bridge International Co., Ltd. (formerly China Road and Bridge International Construction Co., Ltd.) (formerly listed on the SSE, stock code: 600263, delisted in March 2012 due to merger by absorption) from February 2009 to February 2012; independent director of Shandong Xinneng Taishan Power Generation Co., Ltd. (formerly Shandong Luneng Taishan Cable Co., Ltd.) (listed on the SZSE, stock code: 000720) from June 2003 to May 2009; and independent non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968) from June 2003 to May 2006. Mr. DING obtained an associate doctoral degree and a doctoral degree in production

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economics from Linkoping Institute of Technology, Sweden in December 1991 and March 1993, respectively. Mr. DING was appointed as Honorary Professor by the A.J. Palumbo School of Business Administration of Duquesne University in July 1996.

Mr. ZHU Haiwu has served as our Independent Non-executive Director since July 2016. Mr. ZHU has experience in management of listed companies and accountant-related work. Mr. ZHU has acted as partner of Ruihua Certified Public Accountants since January 2000. He has been independent director of Shanxi Securities Co., Ltd. (listed on the SZSE, stock code: 002500) since May 2015 and independent director of Sinosteel Engineering & Technology Co., Ltd. (listed on the SZSE, stock code: 000928) and Huayuan Property Co., Ltd. (listed on the SSE, stock code: 600743) since September 2014 and November 2014, respectively. Mr. ZHU was a member of the first and second session of the Listing Review Committee of Growth Enterprise Board of the CSRC from August 2009 to August 2011. He had successively served as project manager, manager and deputy general manager of Zhonghua Accounting Firm from September 1993 to December 1999. Mr. ZHU obtained a bachelor's degree in economics, majoring in accounting, from Shanghai University of Finance and Economics and a master's degree in professional accounting from Deakin University, Australia, in July 1985 and August 2002, respectively. Mr. ZHU obtained the qualification of Certified Public Accountant from the Chinese Institute of Certified Public Accountants in September 1994, the qualification of senior accountant from the Ministry of Finance in November 1998, and the status of fellow of Certified Practising Accountant Australia in September 2002.

Mr. YANG Jun has served as our Independent Director since June 2011. Mr. YANG has experience in financial and other relevant transaction via holding various positions at Shanghai United Assets and Equity Exchange ("SUAE") since July 2005, including assistant to the president, general manager of the Beijing headquarters, head of financial property transaction center, COO of equity trading and general manager of the equity trading department. He has been independent director of Shanghai Zhenhua Heavy Industries Company Limited (listed on the SSE, stock code: 600320) since April 2015. Mr. YANG has had years of experience working at the various levels of people's courts in Shanghai holding various positions, including grade four senior judge approved by the Supreme People's Court of the People's Republic of China in November 1998. Mr. YANG obtained a bachelor's degree in laws from the East China University of Political Science and Law (formerly the East China College of Political Science and Law) and a master's degree in civil laws from Peking University in August 1983 and July 1991, respectively.

Mr. XU Hua was an Independent Director of the Company from July 2013 to July 2016. Mr. XU has served as chief accountant and principle partner of Grant Thornton Accounting Firm (Limited Liability Partnership) (致同會計師事務所 (特殊普通合伙)) since July 1998; Mr. XU had been the Deputy Secretary-General of the Beijing Institute of Certified Public Accountants from June 1993 to June 1998, and the director of Beijing Municipal Bureau of Finance from September 1983 to May 1993. Mr. XU obtained a bachelor's degree in Finance and a master's degree in Accounting from Capital University of Economics and Business (formerly known as Beijing Institute of Finance and Trade). Mr. XU was granted the qualification of senior accountant by the Beijing Evaluation Committee of Senior Professionals in November 1995; he is also a certified accountant.

II. Performance of Independent Directors during the year

(I) Attendance at Board meetings and shareholders' general meetings

During the reporting period, the Company had convened 14 Board meetings and three shareholders' general meetings. The attendance of all Independent Directors at Board meetings and shareholders' general meetings is as follows:

Name	Attendance of Board meetings					Attendance of shareholders' general meeting (times)
	Number of Board meetings requiring attendance	Resolution voted on (number)	Attendance in person (times)	Attendance by proxy (times)	Absence (times)	
YI Xiqun	14	51	14	0	0	2
LIU Jialin	14	51	14	0	0	3
DING Huiping	14	51	14	0	0	3
ZHU Haiwu	7	17	7	0	0	1
YANG Jun	14	51	14	0	0	3
XU Hua	7	34	7	0	0	1

To be better prepared for making decisions at Board meetings, all Independent Directors read the resolutions carefully before every Board meeting, proactively made enquiry to have a better understanding and, where necessary, required the Company to provide supplementary information. The Independent Directors made positive contribution to the scientific decisions of Board meetings by carefully reviewing each resolution, participating in discussions and making practicable suggestions. During recession of Board meetings, the independent shareholders irregularly made enquires on the implementation of resolutions of Board meetings.

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(II) Presiding over and attending meetings of the special committees under the Board

During the reporting period, all Independent Directors presided over and attended meetings of the special committees to duly perform their relevant duties in accordance with the Rules of Procedures of the special committees under the Board. In 2016, a total of 16 meetings were convened by the special committees under the Board, including one meeting by the Strategy Committee, four meetings by the Risk Management Committee, six meetings by the Audit Committee, three meetings by the Remuneration and Appraisal Committee and two meetings by the Nomination Committee. The attendance of all Independent Directors at the meetings of the special committees under the Board is as follows (attendance/attendance required):

Name	Strategy Committee	Risk Management Committee	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee
YI Xiqun	—	—	—	3/3	2/2
LIU Jialin	1/1	4/4	—	3/3	—
DING Huiping	—	—	6/6	—	2/2
ZHU Haiwu	—	—	3/3	1/1	—
YANG Jun	—	—	6/6	—	2/2
XU Hua	—	—	3/3	2/2	—

Meetings of the Strategy Committee in 2016

No.	Session	Date	Proposal	Report
1	The fifth meeting of the fifth session	February 25, 2016	—	Report on the Implementation of the Business Strategy of the Company for 2015

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Meetings of the Risk Management Committee in 2016

No.	Session	Date	Proposal	Report
1	The eighth meeting of the fifth session	February 26, 2016	Budget for proprietary investment of the Company for 2016; compliance management report of the Company for 2015; risk evaluation report of the Company for 2015; report on risk appetite, risk tolerance and allocation of economic capital of the Company for 2016; report on all-inclusive budget for proprietary investment of the Company for 2016; report on net capital and risk control indicators of the Company for 2015.	—
2	The ninth meeting of the fifth session	June 14, 2016	Compliance management report of the Company for the first quarter of 2016; risk evaluation report of the Company for the first quarter of 2016.	—
3	The tenth meeting of the fifth session	August 25, 2016	Interim compliance report of the Company for 2016; risk evaluation report of the Company for the second quarter of 2016.	—
4	The eleventh meeting of the fifth session	December 30, 2016	Compliance work report of the Company for the third quarter of 2016; risk evaluation report of the Company for the third quarter of 2016.	—

Meetings of the Audit Committee in 2016

No.	Session	Date	Proposal	Report
1	The tenth meeting of the fifth session	February 25, 2016	Audit report of the Company for 2015; assessment report on internal control of the Company for 2015; audit report on internal control of the Company for 2015; engagement of auditing firm of the Company for 2016; contemplated ordinary related party transactions of the Company for 2016; work report of the Audit Committee under the Board of the Company for 2015.	Audit of the annual report of the Company for 2015; audited financial report of the Company for 2015; work report on internal audit of the Company for 2015 and working schedule on internal audit for 2016.
2	The eleventh meeting of the fifth session	April 29, 2016	First quarterly report of the Company for 2016; adjustment to the impairment indicators for financing business.	—
3	The twelfth meeting of the fifth session	June 23, 2016	—	Internal audit report of the Company from January 2016 to May 2016; business report of the sales department in Hohhot.
4	The thirteenth meeting of the fifth session	August 25, 2016	Amendments to the Integrated Assessment Methods of the Audit and Supervision Department and its Personnel of China Merchants Securities Co., Ltd. (Trial) (《招商證券股份有限公司稽核監察部及稽核監察部人員綜合考評辦法(試行)》); interim financial report of the Company for 2016.	Interim work report on internal audit of the Company for 2016.
5	The fourteenth meeting of the fifth session	October 28, 2016	Third quarterly financial statement of the Company for 2016.	—
6	The fifteenth meeting of the fifth session	November 11, 2016	Amendments to the Terms of Reference of the Audit Committee of the Board of China Merchants Securities Co., Ltd. (《招商證券股份有限公司董事會審計委員會工作規則》).	Third quarterly internal audit report of the Company and the report on the schedule adjustment of the internal audit project of the Company for 2016; report on the work schedule of auditing for 2016.

Meetings of the Remuneration and Appraisal Committee in 2016

No.	Session	Date	Proposal	Report
1	The fifth meeting of the fifth session	February 25, 2016	Provision of total remuneration of the Company for 2015; amendments to the Management Methods of the Remuneration of Senior Management of China Merchants Securities Co., Ltd. (《招商證券股份有限公司高級管理人員薪酬管理辦法》).	Work debriefing of the senior management of the Company for 2015.
2	The sixth meeting of the fifth session	March 11, 2016	Proposal regarding the subscription of H Shares by management and key employees of the Company through asset management plans (draft).	—
3	The seventh meeting of the fifth session	August 25, 2016	Adjustment to allowance of Independent Directors.	—

Meetings of the Nomination Committee in 2016

No.	Session	Date	Proposal	Report
1	The eighth meeting of the fifth session	March 11, 2016	Nomination of Director of the fifth session of the Board (SU Min).	—
2	The ninth meeting of the fifth session	May 19, 2016	Nomination of Director of the fifth session of the Board (WANG Daxiong); nomination of Independent Director of the fifth session of the Board (ZHU Haiwu).	—

(III) Audit and investigation of annual report

On February 25, 2016, the Independent Directors met with the certified accountants responsible for the annual audit and the management of the Company, and were debriefed by SHINEWING with regard to the audit of the 2015 annual report. SHINEWING, the accountants responsible for the annual audit, reported to the Independent Directors the audit of the 2015 annual report of the Company and introduced the major areas of their work, such as objectives and scope of the audit, schedule, major working procedures, findings and major data of the audit, major issues of concern, audit of internal control and issues required the attention of the Audit Committee. The Independent Directors highly recognized the 2015 audit by SHINEWING and had close liaison with the accountants in respect of the audit of bailout funds contribution by the Company, valuation of the investment projects of China Merchants Zhiyuan Capital Investment Co., Ltd. and other issues. The Audit Committee reminded the Company to closely monitor the risks of commodity futures arbitrage business and customer-entrusted and market-making businesses for global commodities identified by the auditors.

On June 23, 2016, XU Hua, DING Huiping and YANG Jun, Independent Directors, and the Audit Committee of the Board paid a business visit to the sales office in Hohhot to listen to the internal audit work report for the period from January to May in 2016 and the operation report of the office.

On November 11, 2016, the Independent Directors and the Audit Committee had a meeting with SHINEWING, the auditors, to listen to the report on the audit plan for the annual report of the Company for 2016. The audit plan that the auditors presented covered the following major areas: general arrangement of audit, changes and challenges, assessment and audit strategy of special risks, scope and focus of audit, communication and issues of concern. The Independent Directors discussed with the auditors questions regarding the differences between the audits for H Shares and A Shares, the effect of adoption of IFRS9 on the audit of annual report, the effect of post-investment measurement of blue chip ETF, IT audit team, unsolved issues, significant audit adjustment, the SHINEWING (HK) team, and the difference between cooperation and different special audit practices, and the auditor gave relevant explanations and reports. Independent Directors have reminded the auditors to liaise with the regulatory authorities in Hong Kong and China in relation to the problems and to ensure the successful audit of the annual report for 2016. The audit plan for the annual report of the Company for 2016 by SHINEWING was approved during the meeting.

III. Performance highlights of Independent Directors

(I) Related party transaction

The Independent Directors were in strict compliance with the laws and regulations, including the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Guidelines for the Implementation of Related Party Transactions of Listed Companies (《上市公司關聯交易實施指引》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, in judging and verifying the necessity, objectivity and fairness of related party transactions and whether the pricing of the related party transactions have harmed the interests of the Company and its shareholders.

1. Before the thirty-second meeting of the fifth session of the Board, the Independent Directors had a thorough investigation of the ordinary related party transactions of the Company and granted their consent prior to their meeting. Based on independent judgment and careful study, the Independent Directors delivered their independent opinions regarding the contemplated ordinary related party transactions of the Company in 2016.
2. Before the fortieth meeting of the fifth session of the Board, the Independent Directors had conducted thorough study of the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (including the requirements of related party transactions) and the Securities and Financial Products, Transactions and Services Framework Agreement to be entered into with China Merchants Group and granted their consent prior to the meeting. Based on independent judgment and careful study, the Independent Directors delivered their independent opinions regarding the execution of the Securities and Financial Products, Transactions and Services Framework Agreement with China Merchants Group.

(II) Proposed subscription of H Shares by management and key employees of the Company through asset management plans (draft)

The Independent Directors carefully considered the proposed subscription of H Shares by management and key employees of the Company through asset management plans (draft) (《關於公司管理層及骨幹員工通過資產管理計劃認購H股方案(草案)的議案》) at the thirty-third meeting of the fifth session of the Board of the Company and delivered their independent opinions.

(III) Changes in accounting estimates

The Independent Directors carefully considered the resolution regarding the adjustment to the impairment indicators for financing business (《關於融資類業務減值標準調整的議案》) at the thirty-fifth meeting of the fifth session of the Board of the Company and delivered their independent opinions.

(IV) Guarantees for third parties and application of funds

According to the Guidance Opinions on the Establishment of Independent Director System by Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》) by the CSRC, Notice of Certain Issues in relation to the Regulation on Capital Flow between Listed Companies and its Connected Parties and External Guarantee of Listed Companies (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) ([2003] No. 56) by the CSRC and Notice on Regulation of External Guarantee Acts of Listed Companies (《關於規範上市公司對外擔保行為的通知》) ([2005] No.120), the Independent Directors carefully examined the guarantees provided for third parties and the application of funds of the Company.

Having carefully studied the information provided by the Board of the Company, the Independent Directors delivered their independent opinions on the resolution regarding the commitment for provision of guarantee in respect of the net capital increase of asset management subsidiary by the Company (《關於公司為資產管理子公司增加淨資本擔保承諾的議案》) which was considered at the forty-second meeting of the fifth session of the Board.

The Independent Directors were of the view that, except the cash flow with related parties in normal operation, the financial resources of the Company had never been misappropriated by the controlling Shareholders and other related parties and the Company had not provided guarantee for controlling Shareholders, de facto controller and other related parties, legal persons, non-legal persons and individuals who hold 50% or less of the Shares of the Company.

(V) Performance of undertakings by the Company and Shareholders

The Independent Directors closely monitored the performance of undertakings by the Company and Shareholders, including the prevention of competition in relation to the initial public offer, lock-up of Shares in relation to re-financing and other undertakings to minority shareholders, in order to uphold the interests of the Company as a whole, in particular ensuring that the legal interests of minority Shareholders are not infringed. The Independent Directors were of the view that, during the reporting period, the Company and Shareholders were in strict compliance with the relevant laws and regulations and did not breach the undertakings.

(VI) Use of proceeds

The Independent Directors, having reviewed the Report on the Deposit and Usage of Proceeds from Issuance of H Shares in 2016 of China Merchants Securities Co., Ltd. prepared by the Company and the Verification of the Deposit and Usage of Proceeds (《募集資金年度存放與使用情況鑒證報告》) prepared by SHINEWING, were of the view that the Company deposited, used and managed the proceeds from issuance of H Shares in 2016 in strict compliance with the Administrative Measures on the Usage of Proceeds by Listed Companies of the Shanghai Stock Exchange (《上海證券交易所上市公司募集資金管理辦法》) and relevant laws and regulations, and performed its obligations to disclose the relevant information in accordance with the laws and regulations, and did not breach the rules and regulations.

(VII) Nomination of Directors

1. Before the thirty-third meeting of the fifth session of the Board, each of the Independent Directors considered the Resolution on the Change of Directors and agreed the nomination of Ms. SU Min as the candidate for the Director of the fifth session of the Board, and delivered independent opinions.
2. Before the thirty-sixth meeting of the fifth session of the Board, each of the Independent Directors considered the Resolution on the Change of Directors and Resolution on the Change of Independent Directors and agreed the nomination of Mr. WANG Daxiong and Mr. ZHU Haiwu as the candidates for Director and Independent Director of the fifth session of the Board, and delivered independent opinions respectively.

(VIII) Appointment of accounting firms

According to the resolution of the shareholders' general meeting for 2015, the Company has reappointed SHINEWING as the auditor of the Company's financial report and internal control audit for 2016 for an audit fee of not more than RMB2.68 million. If the H Shares of the Company are successfully listed in 2016, an additional audit fee of RMB1 million shall be paid. The Independent Directors were of the view that SHINEWING, while serving as the auditor of the Company's financial report for 2016, duly performed their duties in a professional manner and the report prepared by them was objective and fair and reflected the results of the Company during the reporting period.

(IX) Cash dividend and other distributions for investors

The thirty-second meeting of the fifth session of the Board proposed the profit distribution plan for 2015 for approval at the 2015 shareholders' general meeting. Based on a total share capital of 5,808,135,529 Shares and cash dividend of RMB2.47 (before tax) for every 10 Shares, the total cash dividend distributed for the period was RMB1,434,609,475.66, representing 13.15% of the consolidated net profit attributable to the owners of the parent company in 2015. Together with the interim cash dividend for 2015 of RMB5.04 (before tax) for every 10 Shares, RMB2,927,300,306.62 in aggregate, a cash dividend of RMB7.51 (before tax) was distributed for every 10 Shares for the year, RMB4,361,909,782.28 in aggregate, representing 39.99% of the consolidated net profit attributable to the owners of the parent company in 2015.

The fortieth meeting of the fifth session of the Board proposed the interim profit distribution plan for 2016 for approval at the second extraordinary general meeting for 2016. Based on a total share capital of 5,808,135,529 Shares and cash dividend of RMB1.54 (before tax) for every 10 Shares, the total interim dividend distributed for 2016 was RMB894,452,871.47, representing 8.18% and 39.90% of distributable profit and the consolidated net profit attributable to the owners of the parent company for 2016, respectively.

The Independent Directors considered all the resolutions on profit distribution before the aforementioned meetings and delivered independent opinions. They were of the view that the aforementioned profit distribution proposals were reasonable, in line with the long-term interests of the Company and in compliance with the Company Law, the Securities Law, Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies (Zheng Jian Fa [2012] No. 37) (《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012] 37號)) of the CSRC, Guidelines on the Distribution of Cash Dividends by Listed Companies of the Shanghai Stock Exchange (Shang Zheng Gong Zi [2013] No. 1) (《上海證券交易所上市公司現金分紅指引》(上證公字[2013]1號)) and the Articles of Association.

(X) Execution of Information disclosure

During the reporting period, the Company duly disclosed information in strict compliance with the laws, regulations and regulatory documents, including the Company Law, the Securities Law, Rules Governing the Listing of Stocks on Shanghai Stock Exchange and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the Articles of Association and other internal regulations. The Company has published 115 announcements on A Shares and 39 announcements on H Shares during the year. All information disclosure documents were standardized, factual, accurate, complete and were timely and fairly disclosed.

(XI) Execution of Internal control system

Having studied and investigated the internal control of the Company and reviewed the Assessment Report on Internal Control of the Company for 2016 (《公司2016年度內部控制評價報告》), the Independent Directors were of the opinion that, as of the date of internal control assessment report, the Company did not have any material deficiency in the internal control for financial reporting and was not aware of any material deficiency in the internal control for financial reporting and non-financial reporting aspects. Based on the regulations of corporate internal control system and requirements of the related regulations, the Company has maintained efficient internal control in all material aspects.

(XII) Operation of special committees under the Board

The fifth session of the Board of the Company had five special committees, namely the Risk Management Committee, Strategy Committee, Audit Committee, Remuneration and Appraisal Committee and Nomination Committee. During the reporting period, 16 meetings were convened by the committees, including 4 meetings of the Risk Management Committee, 1 meeting of the Strategy Committee, 6 meetings of the Audit Committee, 3 meetings of the Remuneration and Appraisal Committee and 2 meetings of the Nomination Committee. The special committees under the Board convened meetings in strict compliance with the Articles of Association, Rules of Procedures for the Board and the regulations of committees, and performed their duties in line with the laws and regulations. The committees proposed their opinions and suggestions in respect of financial report and

management, internal control, compliance management, risk management, development strategies, nomination of Directors and Independent Directors, remuneration and appraisal of senior management which significantly enhanced the efficient and scientific decision making of the Board.

(XIII) Development suggestions proposed by Independent Directors

During the reporting period, the Independent Directors paid close attention to the development strategies, operation and management and risk control of the Company, and proposed the following suggestions, together with the Company's response:

1. Execution of the development strategies of the Company for 2015–2017

In view of the significant changes in market conditions in 2016 and the increasing uncertainties in the economic and regulatory environment, the Independent Directors suggested the Company to focus on the important strategies for 2016, such as the development of wealth management business with lower risk yet higher return under the complicated environment.

Company's response: When executing the strategies for 2016, the Company considered and adopted all the aforementioned opinions and suggestions proposed by Independent Directors. The assets management business of the Company includes assets management and wealth management. In view of the declining commission fee, the Company increased the strategic investment in wealth management and strengthened the business through changes in business model and system. The transaction-based wealth management business of the Company transformed to comprehensive wealth management business to compete with other institutions, including banks, insurers and other wealth management institutions.

2. Business risks

During a discussion with our auditor on the audit of the annual report for 2015, the Independent Directors recommended the Company to pay special attention to the auditor's remark on the risks in relation to the commodity futures arbitrage business and global commodity agency and market-making business in Hong Kong.

Company's response: The securities investment department of the Company and CMS International had strengthened the risk control of the relevant businesses to ensure that the risks involved were controllable and tolerable.

3. Centralized trading system of the Company

The Independent Directors have always been highly concerned about the centralized trading system and inquired about the upgrade and maintenance of the system while conducting assessment on the operation of the business department. They reminded the Company to maintain the high level of attention to be paid to system configuration and maintenance.

Company's response: The Company always attaches great importance to the centralized trading system. To deal with the issue found in 2015, it adopted three measures: (i) division of the trading and enquiry functions of the system to reduce loading; (ii) enhancing the system capacity; (iii) establishment of a dual-core center or regional centers to prevent the contagion of system failure in the entire network.

4. *Building of broker team of the sales department*

In view of the difficulties in building of broker team as reflected by the sales department, the Independent Directors suggested different requirements should be determined in accordance with the situation. For new sales offices and sales offices in remote or economically less-developed areas, a long business development period should be allowed by adopting an employee-based customer manager system initially before a broker system is adopted when the operation of such sales offices is mature, in order to ensure growth of such sales offices.

Company's response: The retail brokerage business of the Company accepted the suggestion and consider the actual situation when building the broker teams of new offices.

5. The Independent Directors also opined on and gave suggestions regarding compliance training for new sales offices, audit plan, establishment of data centre, balance between risk and return, which were all accepted and adopted by the Company.

IV. Overall evaluation

During their terms of office, all Independent Directors were in compliance with the laws, regulations and the Articles of Association and devoted adequate time and attention to perform their duties independently. While making independent judgments, the Independent Directors seriously upheld the legal interests of the shareholders as a whole, particularly the minority shareholders. They also thoroughly considered all resolutions, and fully employed their expertise to make contributions to the Company, facilitate the rationality and efficiency of the Board's decision making and duly performed their duties as Independent Directors.

Independent Directors: YI Xiqun, LIU Jialin, DING Huiping, ZHU Haiwu, YANG Jun, XU Hua

I. BASIC INFORMATION FOR THE ORDINARY RELATED PARTY TRANSACTIONS**(I) Procedures for the consideration of ordinary related party transactions**

Pursuant to the requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (上海證券交易所《股票上市規則》), the Guidelines for Related Party Transactions of Listed Companies (《上市公司關聯交易實施指引》) and the Decision-Making Policy on Related Party Transactions of China Merchants Securities Co., Ltd. (《招商證券股份有限公司關聯交易決策制度》) (collectively “Regulations on Related Party Transactions”), China Merchants Securities Co., Ltd. (the “Company”) has conducted reasonable estimation on the possible ordinary related party transactions in 2017. On March 28, 2017, the forty-seventh meeting of the fifth session of the Board of the Company considered and approved the Resolution on the Contemplated Ordinary Related Party Transactions of the Company for 2017 (《關於公司2017年度預計日常關聯交易的議案》) and agreed to submit the resolution to the AGM for 2016 for approval (for details, please refer to the Announcement on the Resolutions of the 47th Meeting of the Fifth Session of the Board of the Company (《第五屆董事會第四十七次會議決議公告》)).

In considering the related party transactions with China Merchants Bank Co., Ltd. and China Merchants Fund Management Co., Ltd., the related Directors, namely, SU Min and WANG Daxiong, had abstained from voting and did not vote on behalf of any other Directors. In considering the related party transactions with China Merchants Group Limited and its subsidiaries, related Directors, namely GONG Shaolin (the Chairman), SU Min (a Director), HUA Li (a Director), XIONG Xianliang (a Director), WANG Yan (a Director), GUO Jian (a Director) and PENG Lei (a Director), had abstained from voting and did not vote on behalf of other Directors. In considering the related party transactions entered into with China COSCO Shipping Corporation Limited and other related parties controlled by it, which constituted related parties under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, WANG Daxiong and HUANG Jian, both Directors, had abstained from voting and did not vote on behalf of other Directors. In considering the related party transactions entered into with CIB Fund Management Co., Ltd., WANG Daxiong, a Director, had abstained from voting and did not vote on behalf of other Directors. In considering the related party transactions entered into with Morgan Stanley Huaxin Fund Management Co., Ltd. and Great Wall Securities Co., Ltd., PENG Lei, a Director, had abstained from voting and did not vote on behalf of other Directors.

This resolution was passed unanimously by the non-related Directors.

The Independent Directors have given prior approval of this resolution of related party transactions and expressed the following independent opinions:

1. The relevant related party transactions were conducted in a fair manner at prices determined with reference to the market rates, and there was no harm to the interests of the Company and its minority Shareholders;
2. The commencement of such business was in line with the business development of the Company and beneficial to its growth;
3. The voting procedures were in strict compliance with the Articles of Association of China Merchants Securities Co., Ltd. and the Decision-Making Policy on Related Party Transactions of China Merchants Securities Co., Ltd. (《招商證券股份有限公司關聯交易決策制度》). Related Directors had abstained from voting, and the decision-making procedures were in compliance with the laws and regulations.

(II) Estimated amount of ordinary related party transactions for the year and implementation of ordinary related party transactions in previous year*1. Contemplated ordinary related party transactions with China Merchants Bank Co., Ltd.*

Nature of Related Party Transaction	Item	Estimated amount for the year (RMB10,000)	Actual amount for previous year (RMB10,000)	Percentage in the same type of business
Financial services	Interest income from deposit	The actual amount shall prevail due to the difficulty in the estimation of the self-owned deposits and deposits from customers	53,814.65	33.38%
	Interest expenses on loans for the construction of China Merchants Securities Building	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	1,750.42	100%
	Interest expenses on borrowings	The actual amount shall prevail due to the difficulty in the estimation of the actual amount and the market rate	920.25	9.68%
	Interest expenses for placements	It shall be based on the national interbank interest rate for loans, and the actual amount shall prevail due to the difficulty in the estimation of the amount and interest rate of loans	479.15	18.10%
	Income from underwriting service	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	960.66	0.49%
	Income from third-party custodian service fee		4,517.24	46.42%
	Fee for wealth management products custodian and agency sales		20,567.05	45.26%
	Income from targeted assets management products		3,549.17	16.54%

Nature of Related Party Transaction	Item	Estimated amount for the year (RMB10,000)	Actual amount for previous year (RMB10,000)	Percentage in the same type of business
Securities and financial products and transactions	Purchase of products managed by related parties	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	24,359 (as at the end of the year)	0.37%
	Purchase of non-publicly issued bonds and structured notes by related parties		710,000 (as at the end of the year)	12.50%
	Other related party transactions	The actual amount shall prevail due to the estimation of the actual business scale	2,316 (derivatives transactions as at the end of the year)	0.22%

Note: Securities and financial products and transactions mainly represent fixed-income products or transactions, equity products or transactions, financing transactions, other related securities and financial products and derivative products.

2. *Contemplated ordinary related party transactions with China Merchants Group Limited and subsidiaries under its control*

Nature of Related Party Transaction	Item	Estimated amount for the year (RMB10,000)	Actual amount for previous year (RMB10,000)	Percentage in the same type of business
Financial services	Income from financial consulting and others	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	261.77	0.74%
Securities and financial products and transactions	Purchase of products under our management by related parties		52 (as at the end of the year)	0%
Joint investment with related party	Joint investment in Shenyang China Merchants Business and Development Investment Center (LP) (沈陽招商致遠創業發展投資中心(有限合夥))		CMS Zhiyuan invested RMB17.2 million; Shenyang China Merchants Business and Development Investment Management Co., Ltd invested RMB4 million; and China Merchants Capital Holdings Co., Ltd (招商局資本控股有限責任公司) invested RMB28.8 million	—
Other related party transactions	Lease expense		284.45	0.84%

3. *Contemplated ordinary related party transactions with China Merchants Fund Management Co., Ltd.*

Nature of Related Party Transaction	Item	Estimated amount for the year (RMB10,000)	Actual amount for previous year (RMB10,000)	Percentage in the same type of business
Financial services	Commission from trading of mutual funds	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	2,564.69	5.37%
	Income from agency sales of financial products		103.78	1.04%
Securities and financial products and transactions	Purchase of products managed by related parties		145,471 (as at the end of the period)	2.2%
	Other related party transactions		0	—

4. *Contemplated ordinary related party transactions with China COSCO Shipping Corporation Limited and other related parties controlled by it*

Item	Estimated amount for the year (RMB10,000)	Related Party	Actual amount for previous year (RMB10,000)	Percentage in the same type of business
Joint investment with related parties	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	China Shipping Investment Co., Ltd.	CMS Zhiyuan invested RMB375 million; China Shipping Investment invested RMB150 million for Zhongan China Merchants Equity Investment Partnership (中安招商股權投資合夥企業)	—
Securities and financial products and transactions		China Ocean Shipping (Group) Company, China COSCO Shipping Corporation Limited (with its Directors and senior management being the current/former Directors and Supervisors of the Company) and related corporations controlled by it	0	—

5. *Contemplated ordinary related party transactions with other related parties*

The contemplated ordinary related party transactions with other related parties are mainly ordinary related party transactions entered into with the Directors, Supervisors and senior management of the Company, enterprise(s) with Directors, Supervisors and senior management of the Company who serve as its/their directors or senior management in the past/next twelve months and the related natural persons thereof.

Nature of Related Party Transaction	Item	Estimated amount for the year (RMB10,000)	Related party	Actual amount for previous year (RMB10,000)	Percentage in the same type of business
Financial services	Commission from trading of mutual funds	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	Bosera Funds	5,338	11.18%
			CIB Fund	0	—
			Morgan Stanley Huaxin Fund	0	—
	Income from agency sales of financial products	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	Bosera Funds	70	0.69%
			CIB Fund	0	—
			Morgan Stanley Huaxin Fund	0	—
Securities and financial products and transactions	Purchase of products managed by related parties	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	Bosera Funds	250,000 (as at the end of the year)	3.79%
	Financial products and transactions	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	CIB Fund	0	—
			Morgan Stanley Huaxin Fund	0	—
			China Great Wall Securities	0	—
			Other related parties	0	—
Other related party transactions	The actual amount shall prevail due to the difficulty in the estimation of the actual business scale	Other related parties	4,027 (as at the end of the year)	0%	

Note: Other related party transactions for 2016 were mainly purchases of financial products under management of the Company by Guangdong Equity Exchange Co., Ltd. and related natural persons.

II. INFORMATION OF RELATED PARTIES AND THE RELATIONSHIP

- (I) China Merchants Bank Co., Ltd. is under significant influence by the de facto controller of the Company. Ms. SU Min and Mr. WANG Daxiong, Directors of the Company, are also the Directors of such company. Such company is listed on the Shanghai Stock Exchange (stock code: 600036). Please refer to its announcement for its profile.
- (II) China Merchants Group Limited is the de facto controller of the Company. Its registered capital was RMB13.75 billion and the major business scope includes sea and land transportation and agency of goods, leasing and agency of sea and land transportation tools and equipment, investment in and management of port and warehouse businesses; sea rescue, salvage, towing; manufacturing; building, repair, inspection and sale of vessels and offshore oil drilling equipment; repair and inspection of oil rigs and containers; contracting and construction of and back office services for sea and land construction projects and offshore oil exploitation projects; procurement, supply and sale of sea and land transportation equipment and relevant supplies; import and export transportation businesses; investment in and management of businesses in the financial, insurance, trust, securities and futures industries; investment in and management of businesses in the tourism, hotel, catering and relevant services industries; real estate development and property management and consultancy business; investment in and management of petrochemical business; investment in and operation of transportation infrastructure; operation of offshore assets; development, operation and management of Shekou Industrial Zone in Shenzhen and Zhangzhou Development Zone in Fujian (operations that require prior approvals according to laws can only be conducted after obtaining approvals from the relevant authorities).
- (III) China Merchants Fund Management Co., Ltd. is an associate of the Company. The Company holds 45% equity interests in it. Ms. DENG Xiaoli, the Vice President and Chief Risk Officer of the Company, serves as its vice chairman. Its registered capital was RMB210 million and the major business scope includes fund management, promotion and establishment of funds, and other businesses approved by the CSRC.
- (IV) China COSCO Shipping Corporation Limited, which was established after the restructuring of China Ocean Shipping (Group) Company and China Shipping (Group) Company in 2016, is a shareholder of the Company which indirectly holds more than 5% equity interests in the Company. Its registered capital was RMB11 billion and the major business scope includes international shipping, auxiliary business for international maritime transportation; import and export of goods and technologies; international maritime, land and air freight agency business; leasing of self-owned vessels; sales of vessels, containers and steel; design of maritime engineering equipment; investment in docks and ports; sales of communication equipment, information and technology services; warehousing (other than hazardous chemicals); technological development, technology transfer, technological consultancy and technological services in relation to shipping, spare parts and related fields; equity investment funds.
- (V) Bosera Asset Management Co., Limited is an associate of the Company. The Company holds 49% equity interests in it. XIONG Jiantao, the Vice President of the Company, is one of its directors. Its registered capital was RMB250 million and the major business scope includes fund raising, sales of funds, asset management and other businesses approved by the CSRC.

- (VI) Guangdong Equity Exchange Co., Ltd. is an associate of the Company. The Company holds 32.5% equity interests in it. Mr. SUN Yizhen, the Vice President of the Company, is one of its directors. Its registered capital is RMB100 million and the major business scope includes the provision of venues, facilities and supporting services for the listing, transfer, financing, registration, custody and settlement of equity, debts, equity products and related financial products of unlisted companies, entrusted asset management and other businesses approved by laws.

III. PARTICULARS AND PRICING OF THE RELATED PARTY TRANSACTIONS

- (I) Interest income from deposit: interest income for deposits of certain funds of the Company and subsidiaries under its control as well as funds from customers placed with China Merchants Bank shall be determined based on the market interest rate for interbank deposits.
- (II) Interest expenses on placements: the interest payable by the Bank for placements from China Merchants Bank through the national interbank funding market shall be determined based on the interest rate of national interbank borrowing market.
- (III) Interest expenses on loans for the construction of China Merchants Securities Building: interests payable by the Company for loans from China Merchants Bank in relation to the construction of China Merchants Securities Building shall be determined based on the 3-to-5-year loan interest rate set by the People's Bank of China.
- (IV) Interest expenses on borrowings: interest payable to China Merchants Bank or its offshore branches for the borrowings of the Company and subsidiaries under its control shall be determined based on the market interest rate.
- (V) Third-party custodian service fees: the third-party custodian service fees payable in relation to the transaction settlement funds deposited by customers of the Company and subsidiaries under its control with China Merchants Bank shall be determined based on the pricing standard of China Merchants Bank and other comparable securities firms.
- (VI) Fee for custody and agency sales of wealth management products: custodian fees for collective wealth management products and relevant fees for agency sales of wealth management products payable by the Company and subsidiaries under its control to China Merchants Bank shall be determined based on the market rates and industry practice.
- (VII) Income from targeted asset management services: service fees from targeted asset management provided by the Company and subsidiaries under its control to China Merchants Bank shall be determined based on the market rates and industry practice.
- (VIII) Purchase of financial products under the management of the Company by related parties: prices of financial products managed by the Company and subsidiaries under its control that may be purchased by related parties shall be determined based on the market rates and industry practice.
- (IX) Purchase of financial products managed by related parties: prices of financial products managed by related parties that may be purchased by the Company and subsidiaries under its control shall be determined based on the market rates and industry practice.

- (X) Purchase of the Company's non-publicly issued financial products by related parties: prices of the Company's non-publicly issued financial products, including bonds and structured notes, shall be determined based on the market rates and industry practice.
- (XI) Over-the-counter derivatives transactions with related parties: prices of over-the-counter derivatives transactions that may be conducted by the Company and subsidiaries under its control with related parties shall be determined based on the market rates and industry practice.
- (XII) Joint investment with related parties: prices of joint investment that may be made by the Company and subsidiaries under its control with related parties shall be determined based on the market rates and industry practice.
- (XIII) Commission income from trading of mutual funds: commission from securities transactions such as the trading of stock and bonds that may be made by fund products of related parties through leasing of participant business unit of the Company and subsidiaries under its control shall be determined based on the market rates and industry practice.
- (XIV) Income from agency sales of financial products: attributable income from management fees, subscription fees and redemption fees payable by related parties to the Company in respect of the agency sales services provided by the Company and subsidiaries under its control as a distribution channel for the fund products issued by related parties shall be determined based on the market rates and industry practice.

IV. REASONS FOR THE RELATED PARTY TRANSACTIONS AND IMPACT ON THE COMPANY

- (I) The pricing of the abovementioned related party transactions is determined in accordance with the market rates on a reasonable and fair basis without prejudicing the interests of the non-related shareholders of the Company. The relationship between the Company and the related parties is mutually beneficial and fair and equal to both parties without causing any harm to the interest of the Company.
- (II) The abovementioned related party transactions are conducted in the Company's ordinary course of business which are beneficial to its business development and enhancement of overall competitiveness.
- (III) The abovementioned related party transactions do not affect the independence of the Company. Major business of the Company has not been in reliance on the related parties due to these related party transactions.

In accordance with the requirements of the above laws and regulations, during the consideration of the related party transactions between the Company and China Merchants Group Limited and its subsidiaries, China Merchants Finance Investment Holdings Co., Ltd., Shenzhen Jisheng Investment Development Co., Ltd., China Merchants Steam Navigation Company Limited and Best Winner Investment Limited, the related shareholders of the Company, shall abstain from voting. During the consideration of the related party transactions between the Company and China Ocean Shipping (Group) Company and its subsidiaries which are deemed as the related parties of the Company under the Listing Rules of the Shanghai Stock Exchange, China Ocean Shipping (Group) Company, COSCO Shipping (Guangzhou) Co., Ltd. and COSCO Shipping Energy Transportation Co., Ltd., the related shareholders of the Company, shall abstain from voting.

The biographical details of each of the Proposed Directors are as follows:

Ms. SU Min, aged 49, has served as our non-executive Director since June 2016. Ms. SU has experience in management of finance-related or listed companies via serving as general manager and director of China Merchants Finance Holdings Company Limited from September 2015 and December 2015, respectively, supervisor of China Merchants Capital Investments Co., Ltd. from January 2016 and director of China Merchants Innovative Investment Management Co., Ltd. (招商局創新投資管理有限公司) from November 2015. Ms. SU also served as director of China Merchants Bank (listed on the Shanghai Stock Exchange (“SSE”), stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968) from September 2014, and chairman of the board of directors of Shenzhen China Merchants Qihang Internet Investment Management Co., Ltd. (深圳招商啓航互聯網投資管理有限公司) from November 2015. Ms. SU served as director of China Shipping Development Co., Ltd. (listed on the SSE, stock code: 600026; listed on the Hong Kong Stock Exchange, stock code: 1138) from May 2013 to August 2015; and director of China Shipping Container Lines Company Limited (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 2866) from June 2013 to December 2015. Ms. SU was appointed as director of Huishang Bank Corporation Limited (listed on the Hong Kong Stock Exchange, stock code: 3698) from December 2009 to May 2011 and as director of Anhui Province Wenenergy Company Limited (listed on the Shenzhen Stock Exchange (the “SZSE”), stock code: 000543) from March 2008 to September 2011. Ms. SU has accounting-related experience and had served as chief accountant of China Shipping (Group) Company from April 2011 to September 2015; chief accountant of Anhui Province Energy Group Co., Ltd. from May 2007 to November 2011 and deputy general manager from November 2010 to April 2011. Ms. SU obtained a bachelor’s degree in finance from Shanghai University of Finance and Economics and a master’s degree in business administration from the University of Science and Technology of China in July 1990 and December 2002, respectively. She was granted the qualification of senior accountant in June 2008 by Department of Human Resources and Social Security of Anhui Province.

Mr. XIONG Xianliang, aged 49, has served as our non-executive Director since December 2014. Mr. XIONG has experience in strategic management and research via serving as general manager (head) of strategic research department of China Merchant Group since October 2011, and head of strategic development department (information management department and research department) of China Merchants Group since March 2015, and concurrently head of the security and supervision department since February 2017. Mr. XIONG acted as non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968) from July 2012 to June 2014. Mr. XIONG worked at the Research Office of the State Council from December 2004 to October 2011; at the general group of the steering committee of the Western Region Development of the State Council (國務院西部開發領導小組綜合組) from July 2003 to December 2003; at the Chongqing Development and Planning Commission from December 2000 to December 2004; and at the Development Research Center of the State Council from March 1994 to December 2000. Mr. XIONG obtained a master’s degree and a doctoral degree in global economics from Nankai University in June 1991 and December 1993, respectively.

Mr. SU Jian, aged 45, has been the deputy head of the finance department (property rights department) and the person in charge (minister level) of China Merchants Group Limited since January 2017. He served as the clerk, head and financial manager of China Merchants International Travel Service Co. Ltd. from July 1993 to August 2002, head and senior manager of finance department of China Merchants Group from August 2002 to August 2008, senior manager of finance department of China Merchants Shekou Industrial Zone Company Limited from August 2008 to August 2009, senior manager, assistant to the head and deputy head of finance department of China Merchants Group Limited from September 2009 to February 2014, deputy head of human resources department, deputy manager of the party committee office and deputy head of the department of party committee organization of China Merchants Group Limited from February 2014 to May 2016, and secretary of the party committee, secretary of the discipline committee and deputy general manager of China Merchants Industry Holdings Co., Ltd. from May 2016 to January 2017. Mr. SU Jian obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in 1993. Mr. SU Jian obtained the qualifications of non-practising member of the Chinese Institute of Certified Public Accountants and intermediate accountant in 2000 and 2002, respectively.

Mr. WANG Yan, aged 51, has served as our executive Director since December 2011, and President and Chief Executive Officer of the Company since January 2012. Mr. WANG has experience in management of securities and financial companies via serving in management or administrative positions of various securities companies and banks. Mr. WANG has been director of CMS International and China Merchants Securities (HK) Co., Limited since October 2011 successively, and he is currently serving as chairman of the board of directors of CMS International. Mr. WANG was director of China Merchants Securities Investment Management (HK) Co., Limited, CMS Capital (HK) Co., Limited and China Merchants Nominees (HK) Co., Limited from October 2011 to May 2014. Mr. WANG served as president and chief operating officer, acting chief executive officer, executive president and chief executive officer of BOC International Holdings Limited from March 2005 to September 2011; deputy general manager of the Hong Kong branch of Industrial and Commercial Bank of China Limited (listed on the SSE, stock code: 601398; listed on the Hong Kong Stock Exchange, stock code: 1398) from April 2000 to January 2005, and during that period from July 2001 to December 2004 also as deputy general manager of Industrial and Commercial Bank of China (Asia) Limited; representative and chief representative of the New York branch of ICBC from February 1997 to April 2000; and deputy division head of the general planning division of the international business department of ICBC from August 1991 to February 1997. Mr. WANG obtained a bachelor's degree and a master's degree in law majoring in international law, and a doctoral degree in economics majoring in national economics, all from Peking University, in July 1986, July 1989 and January 2005, respectively. Mr. WANG was granted the title of senior economist by ICBC in August 1999.

Ms. PENG Lei, aged 44, has served as our non-executive Director since August 2007. Ms. PENG has relevant management and working experience via serving in management and administrative positions of various securities and finance-related companies. Ms. PENG has served as the deputy general manager of China Merchants Finance Holdings Company Limited since April 2016, as director of Morgan Stanley Huaxin Fund Management Co., Ltd. since March 2015 and as director of China Great Wall Securities Co., Ltd. since June 2011. Ms. PENG joined China Merchants Finance Holdings Company Limited in May 2002, and had served as deputy general manager of the general management department, general manager of the audit department, general manager of the China business department, general manager of the securities department and assistant to the general manager. Ms. PENG served as executive director of Union Asset Management Company from May 2002 to October 2003. Ms. PENG obtained a bachelor's degree in economics majoring in business management from Southwestern University of Finance and Economics and a master's degree in economics majoring in finance from Peking University in July 1994 and July 2010, respectively.

Mr. XIONG Jiantao, aged 48, has been our Vice President since December 2005. He has served as chairman of the board of directors of China Merchants Futures since March 2008, director of Bosera Funds since November 2014, chairman of the board of directors of CMS Asset Management since March 2015, and director of CMS International since September 2015. Mr. XIONG served as manager of our computer department, general manager of our computer center and general manager of our IT technology center and our technical director from June 1995 to December 2005. Mr. XIONG had been temporarily transferred by the China Securities Regulatory Commission to be a member of the administrative take-over group of China Southern Securities. Mr. XIONG served as deputy manager of the information center in the China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968) from April 1993 to June 1995. Mr. XIONG obtained a bachelor's degree in engineering, majoring in telecommunications engineering, from Nanjing University of Posts and Telecommunications (formerly Nanjing Institute of Posts and Telecommunications), a master's degree in engineering, majoring in automatic instrumentation and installation, from Huazhong University of Science and Technology and an executive master's degree in business management from Fudan University in July 1989, June 1992 and June 2014, respectively.

Mr. HUANG Jian, aged 47, has served as our non-executive Director since August 2012. Mr. HUANG has finance-related experience via serving in financial departments and administrative positions of various companies. Mr. HUANG has served as general manager of capital operation department of China COSCO Shipping Corporation Limited since September 2016, deputy general manager (person-in-charge) of capital operation department of China COSCO Shipping Corporation Limited from February to August 2016 and non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 2866) since June 2016. Mr. HUANG held various positions with COSCO, including deputy general manager of the finance department of China Ocean Shipping (Group) Company from February 2012 to February 2016; general manager of the finance department and chief financial officer of COSCO Americas Inc. from November 2006 to February 2012; vice president and general manager of the finance department of COSCO Logistics (Americas), Inc. (中遠物流(美洲)有限公司) (formerly known as Intermodal Bridge Services Inc. (中遠美國內陸運輸公司)) from September 2004 to November 2006; Mr. HUANG held several positions in COSCO from July 1996 to September 2004, and the last position he held was head of capital management department of finance and capital division; and Mr. HUANG was staff at the finance department of Shenzhen Ocean Shipping Co., Ltd. from July 1993 to July 1996. Mr. HUANG obtained a bachelor's degree in economics majoring in auditing from Capital University of Economics and Business (formerly known as Beijing Institute of Finance and Trade) and a master's degree in business management from Beijing Institute of Technology in July 1992 and March 2002, respectively. Mr. HUANG obtained the qualifications of accountant and senior accountant from the Ministry of Finance in May 1997 and December 2015, respectively.

Mr. WANG Daxiong, aged 56, has served as our non-executive Director since September 2016. Mr. WANG has experience in management of listed companies. Mr. WANG has acted as the chairman of the board of directors of COSCO SHIPPING Financial Co., Limited since March 2014, the chief executive officer and executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 2866) since May 2016, director of CIB Fund Management Co., Ltd. and China Merchants Bank Co., Ltd. since April 2016 and November 2016, respectively, vice chairman of the board of the directors of New China COSCO Financial Holdings Limited (新華遠海金融控股有限公司) since March 2017, director of China Shipping Development Company Limited (listed on the Hong Kong Stock Exchange, stock code: 1138; listed on the SSE, stock code: 600026) from August 1997 to March 2014, director of China Shipping Container Lines Company Limited (listed on the Hong Kong Stock Exchange, stock code: 2866; listed on the SSE, stock code: 601866) from June 2004 to June 2014, the vice chairman and chairman of the board of directors of China Shipping Haisheng Shipping Co., Ltd. (listed on the SSE, stock code: 600896) from June 1998 to July 2001 and from July 2001 to April 2014, respectively, and director of China Merchants Bank (listed on the Hong Kong Stock Exchange, stock code: 3968; listed on the SSE, stock code: 600036) from April 1998 to March 2014. Mr. WANG has finance-related experience via serving as chief accountant, vice president and deputy general manager of China Shipping (Group) Company from January 1998 to March 2014, head of the finance department and chief accountant of Guangzhou Maritime Transport (Group) Co., Ltd. from January 1996 to January 1998; department head, financial assistant and division head of the Finance Division of the Guangzhou Maritime Bureau (廣州海運局財務處) from March 1991 to January 1996, deputy head and head of the Finance Division of the Second Cargo of Guangzhou Maritime Bureau (廣州海運局二貨公司) from March 1988 to March 1991, and deputy head of the Finance Division of the Guangzhou Maritime Bureau (廣州海運局) from December 1987 to March 1988. Mr. WANG obtained a bachelor's degree, majoring in finance and economy, from Shanghai Maritime University and an EMBA degree from Shanghai University of Finance and Economics in July 1983 and January 2012, respectively. Mr. WANG also obtained the qualification of senior accountant from Ministry of Transport in November 1995.

Mr. CHEN Zhigang, aged 45, started his career in July 1993. He held various positions in the People's Bank of China, the Financial Committee of the Communist Party (中共中央金融工作委員會) and the China Banking Regulatory Commission (the "CBRC") during the period from July 1993 to August 2009, including the position of deputy director (assistant director grade) of the training centre of the CBRC. He joined PICC Health Insurance Company Limited as assistant to president in September 2009 and was promoted as vice president of PICC Health Insurance Company Limited in April 2011. He joined PICC Life Insurance Company Limited as vice president in January 2017. Mr. CHEN graduated from the finance department of Hangzhou University (now known as Zhejiang University) in July 1993 and obtained a bachelor's degree in economics. He obtained a master's degree and a doctorate in economics from the Chinese Academy of Social Science and Renmin University of China in July 1999 and July 2005 respectively. He was granted the qualification of senior economist in November 2003.

Mr. XIANG Hua, aged 46, has been the chief executive officer and chief operating officer of Deepwater Capital Limited since 2014. He served as the general manager of SAFE Investment Company Limited from 2009 to 2014, head of the Investment Center of the State Administration of Foreign Exchange from 2004 to 2009, and the officer and deputy head of the Balance of Payments Department and General Affairs Department of the State Administration of Foreign Exchange from 1994 to 2004. Mr. XIANG obtained a bachelor's degree in economics from Beijing Normal University in 1994 and a master's degree in economics from Renmin University of China in 2001.

Mr. XIAO Houfa, aged 49, has served as the principal partner of HuaPu TianJian Certified Public Accountants LLP since January 2014. He served as chief accountant of HuaPu TianJian Certified Public Accountants (Beijing) Co., Ltd. (華普天健會計師事務所北京有限公司) from December 2008 to December 2013, chief accountant of Anhui HuaPu Certified Public Accountants (安徽華普會計師事務所) from September 1999 to December 2008, founder and deputy chief accountant of Anhui HuaPu Certified Public Accountants (安徽華普會計師事務所) from January 1999 to August 1999, and worked in Anhui Certified Public Accountants (安徽會計師事務所) from July 1988 to December 1998. Mr. XIAO obtained a bachelor's degree in accounting from Shanghai University of Finance and Economics in July 1988. Mr. XIAO has received the title of senior accountant and is a certified public accountant.

Each of the Proposed Directors (other than the Proposed INEDs) will not receive any allowance from the Company during his/her term as a Director. Each of the Proposed INEDs will receive RMB200,000 (before tax) per annum as Director's allowance from the Company during his/her term as a Director. Such amounts are determined from time to time based on the remuneration and appraisal system of the Company. Each of the Proposed Directors will enter into a service contract with the Company after the approval of his/her appointment.

As at the Latest Practicable Date, save as disclosed above, each of the Proposed Directors has confirmed that he/she does not have any other relationship with any of the Directors, Supervisors, senior management, substantial shareholder or controlling shareholder of the Company or any of its subsidiaries, and does not have any interests in the shares of the Company as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and each of the Proposed Directors does not have any information in relation to his/her appointment which shall be subject to disclosure pursuant to Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save as disclosed above, each of the Proposed Directors has confirmed that he/she did not hold any directorship in any other listed companies in the last three years and there is no other matter that shall be brought to the attention of the shareholders of the Company.

**APPENDIX VI DETAILS OF PROPOSED SHAREHOLDERS' REPRESENTATIVE SUPERVISORS
OF THE SIXTH SESSION OF THE SUPERVISORY COMMITTEE**

The biographical details of each of the Proposed Supervisors are as follows:

Ms. ZHOU Linda Lei, aged 49, has served as Chairman of the Supervisory Committee since July 2014. Ms. ZHOU was executive director of China Merchants China Direct Investments Limited (listed on the Hong Kong Stock Exchange, stock code: 0133) from March 2008 to September 2014 and from March 2002 to September 2005; managing director of China Merchants China Investment Management Limited from February 2008 to May 2014 and from February 2002 to July 2005; and independent director of China Merchants Fund from September 2007 to November 2013. Ms. ZHOU served as independent director of Jiangxi Selon Industrial Co., Ltd. (listed on the SZSE, stock code: 002748) from May 2008 to May 2014; supervisor of Industrial Bank Co., Ltd. (listed on the SSE, stock code: 601166) from April 2008 to October 2013. Ms. ZHOU obtained a bachelor's degree in economics majoring in finance and accounting from Renmin University of China and a master's degree in business administration from Sonoma State University of the California State University.

Mr. LI Xiaofei, aged 47, has served as our Supervisor since July 2014. Mr. LI has been the assistant to the general manager of China Merchants Finance Holdings Company Limited since November 2014, and supervisors of China Great Wall Securities Co., Ltd. and Shenzhen China Merchants Qihang Internet Investment Management Co., Ltd. (深圳招商啓航互聯網投資管理有限公司) since July 2015 and July 2016, respectively. Mr. LI also served as the general manager of the human resources department of China Merchants Finance Holdings Company Limited from May 2010 to September 2016, senior manager of the human resources department of China Merchants Group from October 2006 to May 2010, and manager of the administration and human resources department and secretary to the board of directors of Grand Auto Park Company Limited (深圳市平方汽車園區有限公司) from October 2003 to October 2006. Mr. LI joined Shenzhen Nanyou (Holdings) Ltd. since July 1993, and served as the following: secretary of the general manager office, deputy manager of the planning and development department and deputy manager of the leasing department. Mr. LI obtained a master's degree in economics majoring in labor economics from Renmin University of China in January 2004.

Mr. WANG Zhangwei, aged 45, has been an assistant to general manager of China Merchants Finance Holdings Co., Ltd. since May 2016. He was a general manager of finance department of China Merchants Finance Holdings Co., Ltd., senior manager of audit department of China Merchants Group Limited, manager of finance department of China Merchants Technology Holdings Co., Ltd., manager of audit department of China Merchants Shekou Holdings Co., Ltd., project manager of Shenzhen Chinese Accountants Firm (深圳中華會計師事務所) and an accountant of Shenzhen Sanjiu Group (深圳三九集團). Mr. WANG also works as a supervisor of China Merchants Finance Investment Holdings Co. Ltd., supervisor of Morgan Stanley Huaxin Fund Management Co., Ltd., and general manager and director of Shenzhen Yan Qing Investment and Development Co. Ltd., Shenzhen Chu Yuan Investment and Development Co., Ltd. and Shenzhen Jisheng Investment Development Co., Ltd.. Mr. WANG obtained a bachelor's degree from Dongbei University of Finance and Economics in July 1995 and an MBA degree from University of South Australia in April 2008. He is a certified public accountant in the PRC and an international certified internal auditor.

**APPENDIX VI DETAILS OF PROPOSED SHAREHOLDERS' REPRESENTATIVE SUPERVISORS
OF THE SIXTH SESSION OF THE SUPERVISORY COMMITTEE**

Mr. MA Yunchun, aged 49, has served as general manager and deputy party secretary of Hebei Port Group Investment Management Co., Ltd. (河北港口集團投資管理有限公司), and chairman of the board of directors and general manager of Hebei Port Group Shanghai Investment Management Company (河北港口集團上海投資公司) since January 2016. He served as manager and deputy party secretary of First Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司一公司) from June 2014 to January 2016, manager of First Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司一公司) from March 2008 to June 2014, manager of Logistics Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司物流公司) from September 2003 to March 2008, deputy manager of Sixth Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司六公司) from April 2003 to September 2003, fleet captain of Sixth Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司六公司) from April 2001 to April 2003, vice fleet captain of Sixth Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司六公司) from May 1998 to April 2001, cadre of the electromechanical division of Sixth Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司六公司) from April 1994 to May 1998, and worked in Shanhaiguan Bridge Works from July 1989 to September 1991. Mr. MA obtained a bachelor's degree and master's degree in welding from Tianjin University in July 1989 and April 1994, respectively.

Mr. FANG Xiaobing, aged 47, has served as our Supervisor since July 2011. Mr. FANG has served as general manager of the financial management department of China Communications Construction Company Ltd. (listed on the SSE, stock code: 601800; listed on the Hong Kong Stock Exchange, stock code: 1800) since August 2014; director of CCCC Finance Company Limited (中交財務有限公司) since March 2016, and has held the following positions at China Communications Construction Company Limited: executive general manager and chief financial officer of the overseas business department from July 2013 to August 2014; chief accountant of the overseas business department from June 2012 to July 2013; and deputy general manager of the finance department from October 2005 to April 2011. Mr. FANG served as general manager of the financial funding department of China Communications Construction Group (Limited) from April 2011 to June 2012. Mr. FANG served at China Harbor Construction (Group) Company (中國港灣建設(集團)總公司) between November 1994 and September 2005, and the highest position he held was deputy general manager of finance department. Mr. FANG obtained a bachelor's degree in engineering majoring in finance from Changsha University of Science & Technology (formerly known as Changsha College of Transportation), a master's degree in business administration from Fordham University in the U.S. and doctoral degree in administration from Beijing Jiaotong University in June 1993, February 2006 and June 2016, respectively. Mr. FANG was granted the title of Senior Accountant (Professor) in December 2015 by China Communications Construction Company Limited.

Mr. ZHANG Zehong, aged 45, has served as our Supervisor since July 2011. Mr. ZHANG has been vice president of Shenzhen Huaqiang Holdings Limited since August 2014 and director of Shenzhen Huaqiang Industry Co., Ltd. (listed on the SZSE, stock code: 000062) since June 2012. Mr. ZHANG served as general manager of Huaqiang Industry from June 2012 to August 2014; vice president of Huaqiang Holdings from November 2011 to June 2012; assistant to the president of Huaqiang Holdings from January 2007 to November 2011; managing director of Shenzhen Huaqiang Dingxin Investment Co., Ltd. from December 2008 to June 2012; and head of the auditing department, the finance department, and the settlement center of Huaqiang Holdings from October 2003 to October 2008. Mr. ZHANG obtained a bachelor's degree in economics majoring in accounting from Xi'an Shiyou University (formerly known as Xi'an Shiyou College) in June 1994 and a master's degree in economics majoring in accounting from Shaanxi Institute of Finance and Economics (now merged into Xi'an Jiaotong University) in July 1997. Mr. ZHANG was granted the title of Intermediate Accountant by the Ministry of Finance in May 1999.

**APPENDIX VI DETAILS OF PROPOSED SHAREHOLDERS' REPRESENTATIVE SUPERVISORS
OF THE SIXTH SESSION OF THE SUPERVISORY COMMITTEE**

Each of the Proposed Supervisors will not receive any allowance from the Company during his/her term as a Supervisor. Each of the Proposed Supervisors will enter into a service contract with the Company after the approval of his/her appointment.

As at the Latest Practicable Date, save as disclosed above, each of the Proposed Supervisors has confirmed that he/she does not have any other relationship with any of the Directors, Supervisors, senior management, substantial shareholder or controlling shareholder of the Company or any of its subsidiaries, and does not have any interests in the shares of the Company as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and each of the Proposed Supervisors does not have any information in relation to his/her appointment which shall be subject to disclosure pursuant to Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save as disclosed above, each of the Proposed Supervisors has confirmed that he/she did not hold any directorship in any other listed companies in the last three years and there is no other matter that shall be brought to the attention of the shareholders of the Company.

1. Type of the Debt Financing Instruments

The Company may issue onshore and offshore debt financing instruments, through public or non-public offering, on a one-off or multiple issuances or multi-tranche issuances basis, including but not limited to: onshore corporate bonds, subordinated bonds (including perpetual subordinated bonds), short-term corporate bonds of securities companies, short-term financing notes, structured notes, asset securitization and other instruments as approved by the regulatory authorities; offshore debt financing instruments such as foreign currency (such as USD and EUR) corporate bonds and offshore Renminbi corporate bonds, mid-term notes programme, foreign currency notes, commercial notes and other instruments as approved by the regulatory authorities.

The aforementioned onshore and offshore debt financing instruments do not contain any provision for conversion into shares, and will not be linked to any shares or other equity derivatives of the Company.

The specific types and priorities for repayment of the onshore and offshore debt financing instruments shall comply with the relevant rules and be determined based on the then prevailing market conditions at the time of issuance.

2. Issue Size of the Debt Financing Instruments

The aggregate outstanding balance of the onshore and offshore debt financing instruments shall be no more than 3.5 times of the net assets of the Company in the latest financial statements (based on the balance outstanding on the instruments issued and, in the case of an instrument denominated in foreign currency, based on the median exchange rate published by the People's Bank of China on each date of issuance), and shall be in compliance with the requirements prescribed in the relevant laws and regulations on the maximum amount of the onshore and offshore debt financing instruments to be issued. In particular:

- (1) during the authorization period, the issuance size and outstanding balance of the short-term financing notes shall be no more than 60% of the net capital of the Company (the mandate for maximum issue size of the Company shall be subject to adjustment based on changes in the policy of maximum issue size of relevant regulatory authorities), and the outstanding debt financing instruments issued shall not exceed the prescribed limit. The actual issuance size shall be in line with the size approved by the People's Bank of China. The Company may issue on a multi-tranche issuances basis based on its needs and the then prevailing market conditions.
- (2) during the authorization period, the size and outstanding balance of corporate bonds issued through public offering shall be no more than 40% of the net asset of the Company (the mandate for maximum issue size of the Company shall be subject to adjustment based on changes in the policy of maximum issue size of relevant regulatory authorities) by the end of the preceding period. The actual limit shall be subject to the approval of the regulatory departments. The Company may issue on a one-off or multi-tranche issuances basis based on its needs and the then prevailing market conditions.

3. Issuer of the Debt Financing Instruments

The Company or its wholly-owned subsidiaries will act as the issuer of the onshore and offshore debt financing instruments.

4. Maturity of the Debt Financing Instruments

The term of the onshore and offshore debt financing instruments of the Company shall be no longer than 15 years (inclusive). It may have single or multiple maturities. The issuance of perpetual bonds is not subject to the aforementioned requirement on the term. A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management of the Company to determine the details including the term and size of each type of debt financing instrument in accordance with the relevant rules and the then prevailing market conditions at the time of issuance.

5. Interest Rate of the Debt Financing Instruments

The debt financing instruments may carry interests at fixed rate and/or floating rate. A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management of the Company to determine the interest rate for the onshore and offshore debt financing instruments to be issued as well as the method of calculation and payment thereof in accordance with the then prevailing onshore and offshore market conditions at the time of issuance and upon negotiation with the underwriters (if any) pursuant to the relevant rules of interest rate management on debt financing instruments.

6. Security and Other Arrangements

The Company or its eligible wholly-owned subsidiaries will act as the issuer of the onshore and offshore debt financing instruments of the Company. A (counter) guarantee, letter of support and/or keep-well agreement will be provided by the Company, its wholly-owned subsidiaries and/or third party(ies) in accordance with the structure of each issuance. A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management of the Company to determine the specific arrangement relating to the provision of (counter) guarantee, the issuance of the letter of support and/or the entering of keep-well agreement in accordance with the structure of each issuance.

7. Use of Proceeds

The proceeds raised from the issuance of the onshore and offshore debt financing instruments of the Company shall be used to meet the needs of business operation, improve the debt structure, replenish the liquidity and/or finance project investment of the Company. A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management of the Company to determine the specific use of proceeds based on the funding needs of the Company.

8. Issue Price

A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management of the Company to determine the issuance price of the onshore and offshore debt financing instruments in accordance with the then prevailing market conditions at the time of issuance and relevant laws and regulations.

9. Issue Target

The issue target of the onshore and offshore debt financing instruments shall be the onshore and offshore institutional investors and/or individual investors (in case of a public issuance) or eligible investors which/who meet the qualifications for subscription. A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management of the Company to determine the details regarding the issue target in accordance with relevant laws and regulations, the prevailing market conditions and the matters in connection with the issuance.

The debt financing instruments may be placed to the shareholders of the Company. A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management of the Company to determine the details of the placement arrangements (including whether to make such placement and the proportion of placement) in accordance with the prevailing onshore and offshore market conditions and the matters in connection with the issuance.

10. Listing of the Debt Financing Instruments

A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management of the Company to determine matters in relation to the application for listing of the onshore and offshore debt financing instruments in accordance with the actual conditions of the Company and the prevailing onshore and offshore market conditions.

11. Guarantee Measures for Repayment of the Debt Financing Instruments

A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management of the Company to implement, as a minimum, the following measures in the event that the Company is expected to be unable to repay the principal and interests of the debts as scheduled, or the Company fails to repay the principal and interests of the debts when they become due:

- (1) no dividends shall be distributed to the shareholders;
- (2) the implementation of projects that incur capital expenditure such as material external investments, acquisitions and mergers shall be suspended;
- (3) payment of salary and bonus to the Directors and senior management of the Company shall be adjusted, reduced or ceased;
- (4) key personnel accountable shall not be allowed for re-designation.

In case of an issuance of perpetual subordinated bonds, if the Company is expected to be unable to pay the interests thereof as scheduled, it shall implement, as a minimum, the following measures:

- (1) no dividend shall be distributed to the holders of the ordinary shares;
- (2) the registered capital shall not be reduced.

12. Validity Period of the Resolution

The resolution shall be valid for a period of 36 months from the date when the resolution is passed at the shareholders' general meeting. However, where the management so authorized have, during the term of the authorization, decided the issuance or partial issuance of onshore and offshore debt financing instruments of the Company, and provided that the Company has also, during the term of the authorization, obtained the approval or license from or completed filing or registration (if applicable) with the regulatory authorities regarding the issuance, the Company may, during the validity period of such approval, license, filing or registration, complete the issuance or relevant partial issuance of the onshore and offshore debt financing instruments. With respect to matters of the issuance or partial issuance, the above authorization shall remain valid until the date of completion of such issuance or partial issuance.

13. Authorization for Issuance of the Company's Onshore and Offshore Debt Financing Instruments

A resolution will be proposed at the shareholders' general meeting to authorize the Board, which in turn authorizes the management (except for the financing types which must be separately proposed to the Board or the shareholders' general meeting for approval in accordance with the national policies and regulations as well as the Company's internal policies) to deal with, at its/their sole discretion, all matters in connection with the issuance of debt financing instruments, within the limit of outstanding debt financing instrument and during the validity period of this resolution, adhering to the principle of maximizing the interest of the Company, provided that the leverage ratio, risk control indicators, liquidity regulatory indicators and risk limits of various debt financing instruments shall be in compliance with the requirements of the regulatory authorities, including but not limited to:

- (1) formulating and adjusting of the details of the proposal for issuances of onshore and offshore debt financing instruments in accordance with the applicable laws, regulations and relevant provisions from regulatory authorities as well as resolutions passed at the shareholders' general meeting of the Company, and based on the actual conditions of the Company and the then prevailing conditions of the relevant market, including but not limited to, the determination of the suitable issuer(s), timing of issuance, details of issuance size and method, terms of issuance, issuance targets, maturity, whether to issue on a one-off, multiple issuances, multi-tranche issuances or multiple-category issuances basis and, if on multiple issuances, multi-tranche issuances or multiple-category issuances basis, the issuance size and term of each issuance, tranche and category, the methods in which the nominal value and interest rate are determined, currency, pricing method, issuance arrangements, credit enhancement arrangements including letter of guarantee/letter of support, rating arrangement, details of subscription method, whether to incorporate terms of repurchase or redemption, details of placement arrangements, use of proceeds, registration, listing of onshore and offshore debt financing instruments and place of listing, measures to mitigate repayment risks, measures to ensure debt repayment (if applicable), term and methods of repayment of the principal and the interests, and all matters in connection with the issuance of onshore and offshore debt financing instruments; handling the formalities with the relevant regulatory departments and authorities relating to the reporting, approval, registration, filing, verification and obtaining of consent for the issuance;

- (2) engaging relevant intermediary agency (if applicable), signing, implementing, amending and completing all agreements and documents relating to the issuance of debt financing instruments, including but not limited to, the prospectus, sponsor agreement, underwriting agreement, credit enhancement agreements such as guarantee agreement/letter of support, bond indenture, engagement letter with intermediary agency, trust management agreement, rules for meeting of the bondholders, settlement management agreement, registration and custody agreement, listing agreement and other legal documents, and disclosing the relevant information in accordance with the laws, regulations and other regulatory documents;
- (3) making corresponding adjustments to the matters related to the issuance of the corporate bonds in accordance with opinions of regulatory authorities in the event of any changes in the policy of regulatory authorities on the issuance of corporate bonds or any changes in market conditions, save for the matters that are subject to shareholders' re-voting at the shareholders' general meeting under relevant laws, regulations and the articles of association of the Company;
- (4) dealing with other relevant matters in connection with the issuance and listing of the onshore and offshore debt financing instruments of the Company.

The authorization shall be valid for a period of 36 months from the date when the resolution is passed at the shareholders' general meeting. However, where the management so authorized have, during the term of the authorization, decided the issuance or partial issuance of onshore and offshore debt financing instruments of the Company, and provided that the Company has also, during the term of the authorization, obtained the approval or license from or completed filing or registration (if applicable) with the regulatory authorities regarding the issuance, the Company may, during the validity period of such approval, license, filing or registration, complete the issuance or relevant partial issuance of the onshore and offshore debt financing instruments. With respect to matters of the issuance or partial issuance, the above authorization shall remain valid until the date of completion of such issuance or partial issuance.