

# CMS 招商证券

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

2020  
INTERIM REPORT



## Important Notice

- I. The Board, the Supervisory Committee, Director(s), Supervisor(s) and senior management of the Company undertake that the information in this interim report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume joint and several liabilities to the information in this report.**
- II. This report has been considered and approved at the 35th meeting of the sixth session of the Board of the Company. All Directors of the Company attended the Board meeting.**
- III. This interim report has not been audited and has been reviewed and approved by the Audit Committee of the Board of the Company.**
- IV. HUO Da, officer in charge of the Company, ZHAO Bin, officer in charge of accounting matters of the Company, and HE Min, officer in charge of the accounting office of the Company (head of accounting department), hereby warrant that the financial statements contained in this interim report are true, accurate and complete.**
- V. Proposal on profit distribution or capitalization of common reserve for the Reporting Period has been considered and approved by the Board**

The Company's proposal on profit distribution for the first half of 2020 considered at the 35th meeting of the sixth session of the Board is: to distribute a cash dividend of RMB3.35 (tax inclusive) for every 10 shares, and no distribution of bonus shares and no transfer of capital reserve into share capital will be undertaken. Such proposal is still subject to approval at the shareholders' general meeting of the Company.

Based on the total number of 8,696,526,806 shares of the Company after the A+H Shares rights issue, the total profit to be distributed will be RMB2,913,336,480.01. If the total share capital of the Company changes on the share registration date for the profit distribution, the Company intends to maintain the total amount of distribution unchanged and adjust the distribution per share accordingly.

The above cash dividend is denominated and declared in Renminbi, and paid in Renminbi to the A Shareholders and in Hong Kong dollars to the H Shareholders. The actual distribution amount of Hong Kong dollars is calculated according to the average benchmark exchange rate of Renminbi to Hong Kong dollars announced by the People's Bank of China five working days prior to the shareholders' general meeting where the Company reviewed the profit distribution plan.

### **VI. Risks statement relating to forward-looking statements**

Forward-looking statements, such as future plans and development strategies, contained in this report do not constitute any substantive commitments of the Company to investors. Investors should be aware of the investment risks.

- VII. There is no appropriation of the Company's funds by the controlling shareholder and its associates for non-operating purposes.**
- VIII. There is no provision of guarantee by the Company in favor of any third party in violation of the prescribed decision-making procedures.**
- IX. This interim report is prepared in both Chinese and English. In the event of any discrepancy between the Chinese and English versions of this interim report, the Chinese version shall prevail.**

## Important Notice

### **X. Warning on material risks**

The business, financial position and operating results of the Company may be susceptible to the general economic and market conditions in China and other regions where the relevant businesses are operated in various aspects.

The Company is primarily exposed to the following risks: securities industry is highly regulated and relevant rules and regulations could be revised from time to time based on the development of the securities markets. New rules and regulations, and changes in the interpretation or enforcement of the existing rules and regulations, may directly impact our business strategies and prospects, or could result in limitations on the business areas that we may conduct, modifications to our business practices or additional costs, which may adversely affect our ability to compete with other institutions that are not affected in the same way. If we are unable to fulfill the applicable laws, regulations and regulatory requirement in a timely manner, we may be exposed to legal and compliance risks; we are subject to credit risk associated with economic loss caused by the failure of the borrower or the counterparty to fulfill their contractual obligations; we face market risk arising from the losses on our portfolio due to adverse changes in relevant markets; we are exposed to operational risks arising from imperfect or defective internal procedures, employees and systems or external events; we face liquidity risk that we might not be able to get timely capital injection at reasonable costs to repay debts that are due, fulfill other payment obligations or satisfy other capital needs for normal business operation; we are subject to reputational risk arising from the negative publicity against the Company from stakeholders due to the operation, management or other acts of the Company or external events; and we are exposed to foreign exchange rate risks due to the operation of international business.

To cope with the above risks, the Company has adopted preventive measures in respect of the organizational structure, systems, indicators, risk management culture and IT system, and streamlined the business processes. For details, please see "III. Other Disclosures" under "Chapter 4: Report of the Board of Directors".

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## Chapter 1: Definitions

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

Common terms and expressions	
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》)
"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》)
"Articles of Association"	the Articles of Association of China Merchants Securities Co., Ltd.
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"CSRC Shenzhen Office"	the Shenzhen office of the CSRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"Exchanges"	the Shanghai Stock Exchange and the Shenzhen Stock Exchange
"SSE"	the Shanghai Stock Exchange (上海證券交易所)
"SZSE"	the Shenzhen Stock Exchange (深圳證券交易所)
"SSE website"	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , the website of the Shanghai Stock Exchange
"CSDC"	China Securities Depository and Clearing Corporation Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange website"	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> , the website of The Stock Exchange of Hong Kong Limited
"Company", "our Company", "Group" or "our Group"	China Merchants Securities Co., Ltd. (招商證券股份有限公司) and its controlled subsidiaries
"China Merchants Securities"	China Merchants Securities Co., Ltd. (招商證券股份有限公司)
"Company's website"	<a href="http://www.cmschina.com">http://www.cmschina.com</a> , the website of China Merchants Securities Co., Ltd.
"China Merchants Group"	China Merchants Group Limited (招商局集團有限公司)
"CM Finance Investment"	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)
"Jisheng Investment"	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)
"China Ocean Shipping"	China Ocean Shipping Co., Ltd. (中國遠洋運輸有限公司)
"China Merchants Bank"	China Merchants Bank Co., Ltd. (招商銀行股份有限公司)
"CMS International"	China Merchants Securities International Company Limited (招商證券國際有限公司)
"China Merchants Futures"	China Merchants Futures Co., Limited (招商期貨有限公司)



## Chapter 1: Definitions

Common terms and expressions	
"CMS Zhiyuan"	China Merchants Zhiyuan Capital Investment Co., Ltd. (招商致遠資本投資有限公司)
"CMS Investment"	China Merchants Securities Investment Co., Ltd. (招商證券投資有限公司)
"CMS Asset Management"	China Merchants Securities Asset Management Co., Ltd. (招商證券資產管理有限公司)
"Bosera Funds"	Bosera Asset Management Co., Limited (博時基金管理有限公司)
"China Merchants Fund"	China Merchants Fund Management Co., Ltd. (招商基金管理有限公司)
"Shanghai Brilliance"	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (上海新世紀資信評估投資服務有限公司)
"CCXI"	China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司)
"CCXR"	China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司)
"Everbright Securities"	Everbright Securities Company Limited (光大證券股份有限公司)
"China Galaxy"	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司)
"Essence Securities"	Essence Securities Co., Ltd. (安信證券股份有限公司)
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"NEEQ"	the National Equities Exchange and Quotations
"STAR Market"	the Science and Technology Innovation Board of the SSE
"A Share(s)"	domestic share(s) in the ordinary share capital of our Company with a nominal value of RMB1.00 each, which are listed on the SSE (stock code: 600999)
"H Share(s)"	overseas-listed foreign share(s) in the ordinary share capital of our Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 6099)
"A Shareholder(s)"	holders of A Shares of the Company
"H Shareholder(s)"	holders of H Shares of the Company
"Reporting Period" or "Current Period"	from January 1, 2020 to June 30, 2020
"Previous Period"	from January 1, 2019 to June 30, 2019
"End of Last Year"	December 31, 2019
"RMB", "RMB10,000", and "RMB100 million"	Renminbi 1 Yuan, Renminbi 10,000 Yuan and Renminbi 100 million Yuan
"Latest Practicable Date"	August 28, 2020

## Chapter 2: Corporate Profile and Key Financial Indicators

### I. Corporate Information

Chinese name of the Company	招商證券股份有限公司
Abbreviation	招商證券
English name of the Company	CHINA MERCHANTS SECURITIES CO., LTD.
Abbreviation	CMS
Legal representative of the Company	HUO Da
General manager of the Company	XIONG Jiantao
Authorized representatives of the Company	WU Huifeng, PENG Lei

### Registered capital and net capital

Unit: RMB Yuan

	As at the end of the Reporting Period	As at the End of Last Year
Registered capital	6,699,409,329.00	6,699,409,329.00
Net capital (parent company)	46,947,218,141.08	48,651,440,529.94

## Chapter 2: Corporate Profile and Key Financial Indicators

### Business qualifications of the Company

China Merchants Securities is a member of the Securities Association of China (Membership code: 185053), SSE (Membership code: 0037) and SZSE (Membership code: 000011). Qualifications of each of the business lines are as follows:

No.	Qualification	Approval authority	Date of approval
1	Market maker of stock index options	The Securities and Fund Institution Supervision Department of the CSRC	December 2019
2	Lead market maker of the CSI 300 ETF options	SZSE	December 2019
3	Trading authority for access to stock options business	SZSE	December 2019
4	Sale and settlement of foreign exchange business	State Administration of Foreign Exchange	August 2019
5	Participation in securities refinancing of the STAR Market	China Securities Finance Co., Ltd.	July 2019
6	Market maker of treasury bond futures	The Securities and Fund Institution Supervision Department of the CSRC	May 2019
7	Credit protection contract business	SSE	February 2019
8	Lead market maker of listed funds business	SSE	February 2019
9	Credit derivatives business	The Securities and Fund Institution Supervision Department of the CSRC	December 2018
10	Market maker of crude oil futures	Shanghai International Energy Exchange	October 2018
11	Market maker of nickel futures	Shanghai Futures Exchange	October 2018
12	Market maker of copper options	Shanghai Futures Exchange	September 2018
13	Dealer of OTC options business	Securities Association of China	August 2018
14	Market maker of Bond Connect "Northbound Trading"	China Foreign Exchange Trading Center	July 2018
15	Conducting pilot cross-border businesses	The Securities and Fund Institution Supervision Department of the CSRC	April 2018
16	Core dealer of credit risk mitigation instruments	National Association of Financial Market Institutional Investors	January 2017
17	Qualification to issue credit risk mitigation certificates	National Association of Financial Market Institutional Investors	January 2017
18	Qualification to issue credit-linked notes	National Association of Financial Market Institutional Investors	January 2017



## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
19	Non-bank member of the Shanghai Commercial Paper Exchange	General Administration Department of the People's Bank of China	November 2016
20	Trading authority for access to Southbound Trading business under Shenzhen-Hong Kong Stock Connect	SZSE	November 2016
21	Approval for provision of online account opening service	The Securities and Fund Institution Supervision Department of the CSRC	April 2015
22	Approval for financing through exercising incentive share options of listed companies	SZSE	March 2015
23	Licence for spot gold proprietary trading business	The Securities and Fund Institution Supervision Department of the CSRC	March 2015
24	Licence for providing payment services for customers' funds	China Securities Investor Protection Fund Corporation Limited	March 2015
25	Licence for stock options market-making business	CSRC	January 2015
26	Licence for market-making business for SSE 50 ETF options trading	SSE	January 2015
27	Proprietary trading of stock options	SSE	January 2015
28	Licence for options settlement	CSDC	January 2015
29	Stock options trading participant on the SSE	SSE	January 2015
30	Licence for pilot online securities business	Securities Association of China	November 2014
31	Trading authority for access to Southbound Trading business	SSE	October 2014
32	Ordinary member of Interbank Market Clearing House Co., Ltd. for centralized settlement of RMB interest rate swaps	Interbank Market Clearing House Co., Ltd.	June 2014
33	Qualification of lead manager business (market-making business)	National Equities Exchange And Quotations Co., Ltd.	June 2014
34	Licence for OTC options trading business	Securities Association of China	February 2014
35	Licence for securities investment fund custody business	CSRC	January 2014

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
36	Qualification for agency business of securities pledge registration	The Custody Department of CSDC	July 2013
37	Authority for stock-pledged repo business	SSE	June 2013
38	Authority for stock-pledged repo	SZSE	June 2013
39	Participation in interest rate swap transactions	CSRC Shenzhen Office	May 2013
40	Permit for conducting insurance agency businesses	China Insurance Regulatory Commission (currently the China Banking and Insurance Regulatory Commission)	April 2013 (latest certificate obtained in April 2019)
41	Qualification of lead manager business (recommendation and brokerage businesses)	National Equities Exchange And Quotations Co., Ltd.	March 2013
42	Licence for OTC trading business	Securities Association of China	February 2013
43	Licence for equity total return swap business	The Institution Supervision Department (currently the Securities and Fund Institution Supervision Department) of the CSRC	January 2013
44	Licence for special institutional client business of insurance companies	China Insurance Regulatory Commission (currently the China Banking and Insurance Regulatory Commission)	January 2013
45	Qualification for sale of financial products	CSRC Shenzhen Office	December 2012
46	Qualification of lead underwriting debt financing instruments of non-financial enterprises	National Association of Financial Market Institutional Investors	November 2012
47	Qualification to provide comprehensive custodian services for private investment funds	The Institution Supervision Department (currently the Securities and Fund Institution Supervision Department) of the CSRC	October 2012
48	Licence for margin and securities refinancing	China Securities Finance Co., Ltd.	August 2012
49	Qualification of underwriting private placement bonds of small and medium enterprises	Securities Association of China	June 2012
50	Licence for stock repurchase business	CSRC	May 2012

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
51	Qualification for dealer-quoted bond pledged repo transactions	The Institution Supervision Department (currently the Securities and Fund Institution Supervision Department) of the CSRC	January 2012
52	Qualification for third-party custodian services for one customer – multiple bank services	CSRC Shenzhen Office	June 2011
53	Qualification for margin financing and securities lending business	CSRC	June 2010
54	Licence for direct investment business	CSRC	August 2009
55	Qualification for intermediary introduction business for China Merchants Futures	CSRC	February 2008
56	Category A clearing participant of CSDC	CSDC	February 2008
57	Licence for overseas securities investment management business	CSRC	August 2007
58	Primary dealer on the integrated e-platform for fixed income securities of the SSE	SSE	July 2007
59	Permit for foreign exchange operation in the securities business	State Administration of Foreign Exchange	December 2006 (latest certificate obtained in November 2012)
60	Clearing participant of CSDC	CSDC	March 2006
61	Primary dealer of SSE 180 Index Exchange Traded Fund	SSE	March 2006
62	Qualification for quote transfer business	Securities Association of China	January 2006
63	Licence for underwriting business of commercial paper	The People's Bank of China	July 2005
64	Qualification for operation of foreign shares business	CSRC	September 2002
65	Qualification for open-end securities investment fund consignment business	CSRC	August 2002
66	Qualification for trusted investment management business	CSRC	May 2002

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
67	Qualification for online securities agency business	CSRC	February 2001
68	Qualified member of interbank market	General Administration Department of the People's Bank of China	September 1999
69	Qualifications for RMB special stocks business (unrestricted) in Shanghai	Shanghai Securities Management Office	November 1996
70	Licence for starting foreign exchange business	Shenzhen Office of the State Administration of Foreign Exchange	October 1996
71	Pilot unit of equity trading agency system for non-listed companies	Property Right Transfer Leading Group Office of the Shenzhen Municipal Government	January 1996
72	Licence for starting proprietary business	Shenzhen Securities Management Office	August 1993

Qualifications of CMS International are as follows:

No.	Qualification	Approval authority	Date of approval
1	Licence for dealing in futures contracts	SFC	June 2014
2	Licence for advising on futures contracts	SFC	June 2014
3	Licence for asset management	SFC	March 2010
4	Licence for dealing in securities	SFC	February 2009
5	Licence for advising on securities	SFC	February 2009
6	Licence for advising on corporate finance	SFC	February 2009

## Chapter 2: Corporate Profile and Key Financial Indicators

Qualifications of China Merchants Futures are as follows:

No.	Qualification	Approval authority	Date of approval
1	Licence for commodities futures brokerage, financial brokerage and futures investment consulting	CSRC	July 2020 (Note)
2	Licence for market-making business	China Futures Association	March 2018
3	Member of Shanghai International Energy Exchange	Shanghai International Energy Exchange	May 2017
4	Licence for basis trading	China Futures Association	April 2017
5	Licence for OTC derivatives business	China Futures Association	April 2017
6	Licence for warehouse receipt services	China Futures Association	December 2016
7	Filing for entry of the interbank bond market	The People's Bank of China	July 2016
8	Licence for asset management	CSRC	March 2013
9	Licence for futures investment consultancy	CSRC	August 2011
10	Member of Dalian Commodity Exchange	Dalian Commodity Exchange	December 2009
11	Member of Zhengzhou Commodity Exchange	Zhengzhou Commodity Exchange	March 2009
12	Member of Shanghai Futures Exchange	Shanghai Futures Exchange	October 2008
13	Clearing and Settlement Member of China Financial Futures Exchange	China Financial Futures Exchange Co., Ltd.	December 2007
14	Licence for financial futures trading settlement	CSRC	November 2007

Note: In July 2020, China Merchants Futures renewed the Securities and Futures Business Licence (《經營證券期貨業務許可證》).



## Chapter 2: Corporate Profile and Key Financial Indicators

Qualification of CMS Zhiyuan is as follows:

No.	Qualification	Approval authority	Date of approval
1	Private investment fund subsidiary of a securities firm	Securities Association of China	April 2017

Qualifications of CMS Asset Management are as follows:

No.	Qualification	Approval authority	Date of approval
1	Pilot scheme for overseas investment of qualified domestic investors	Shenzhen Joint Meeting Office of the Pilot Scheme for Overseas Investment of Qualified Domestic Investors (深圳市合格境內投資者境外投資試點工作聯席會議辦公室)	November 2015
2	Qualification for securities asset management business and qualified domestic institutional investors	CSRC	January 2015

## II. Contact Persons and Contact Methods

	Secretary to the Board	Representative of Securities Affairs
Name	WU Huifeng	LUO Li
Correspondence address	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen
Telephone	0755-82943666	0755-82960432
Fax	0755-82944669	0755-82944669
E-mail address	IR@cmschina.com.cn	luoli@cmschina.com.cn

	Joint Company Secretaries	
Name	WU Huifeng	KWONG Yin Ping Yvonne
Correspondence address	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen	40/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong

## Chapter 2: Corporate Profile and Key Financial Indicators

### III. Changes in Basic Information

Registered address of the Company	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen
Postal code	518046
Office address of the Company	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen
Postal code	518046
Principal place of business in Hong Kong	48/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Company's website	<a href="http://www.cmschina.com">http://www.cmschina.com</a>
E-mail address	IR@cmschina.com.cn
Enquiry index of changes during the Reporting Period	During the Reporting Period, the Company had no changes of registration. The enquiry index is: <a href="http://www.szcredit.com.cn/web/Index.aspx">http://www.szcredit.com.cn/web/Index.aspx</a> (name: China Merchants Securities Co., Ltd.)

### IV. Update on Information Disclosure and Place of Document Inspection

Designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Website designated by the CSRC for interim report publication	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for interim report publication	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place for inspection of the Company's interim reports	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen
Enquiry index of changes during the Reporting Period	Nil

## Chapter 2: Corporate Profile and Key Financial Indicators

### V. Information on the Company's Shares

Classes	Exchange at which the shares are listed	Stock abbreviation	Stock code	Previous stock abbreviation
A Shares	SSE	CMS	600999	—
H Shares	Hong Kong Stock Exchange	CMS	6099	—

### VI. Other Relevant Information

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Huangpu, Shanghai
International accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
Domestic legal adviser appointed by the Company	Name	Beijing Jingtian Gongcheng Law Firm, Shenzhen Office
	Office address	Unit 05-06, 16/F, China Resources Tower, No. 2666 Keyuan South Road, Yuehai Street, Nanshan District, Shenzhen
International legal adviser appointed by the Company	Name	Clifford Chance
	Office address	27th Floor, Jardine House, One Connaught Place, Central, Hong Kong
A Share Registrar	Name	Shanghai Branch of CSDC
	Office address	3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New District, Shanghai
H Share Registrar	Name	Computershare Hong Kong Investor Services Limited
	Office address	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

## Chapter 2: Corporate Profile and Key Financial Indicators

### VII. Key Accounting Data and Financial Indicators of the Company

#### (I) Key accounting data

Unit: RMB'000

Key accounting data	The Reporting Period	The Previous Period	Change (%)
Total revenue and other income	15,105,849	11,764,843	28.40
Profit of the period attributable to shareholders of the Company	4,333,834	3,502,759	23.73
Profit of the period attributable to shareholders of the Company after deduction of non-recurring profit or loss	4,331,841	3,515,477	23.22
Net cash from operating activities	-6,743,330	7,132,020	-194.55
Other comprehensive income (expense)	-225,549	251,074	-189.83

	End of the Reporting Period	End of Last Year	Change (%)
Total assets	422,987,267	381,771,889	10.80
Total liabilities	333,478,740	296,644,038	12.42
Equity attributable to shareholders of the Company	89,422,811	85,048,321	5.14
Total equity	89,508,527	85,127,851	5.15

## Chapter 2: Corporate Profile and Key Financial Indicators

## (II) Key financial indicators

Key financial indicators	The Reporting Period	The Previous Period		Change (%)
		Before adjustment	After adjustment	
Basic earnings per share (RMB per share)	0.50	0.46	0.39	27.09
Diluted earnings per share (RMB per share)	0.50	0.46	0.39	27.09
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.50	0.47	0.39	26.50
Weighted average return on net assets (%)	5.45	4.61	4.61	Increased by 0.84 percentage point
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	5.45	4.63	4.63	Increased by 0.82 percentage point

Note: In July and August 2020, the Company's A Share and H Share rights issue completed respectively. The Company allotted 3 shares for every 10 shares to its existing shareholders, and the total share capital increased from 6,699,409,329 to 8,696,526,806. In consideration of the bonus shares involved in the rights issue, the weighted average number of ordinary shares outstanding for each period presented in the above table has been adjusted when calculating the earnings per share.



## Chapter 2: Corporate Profile and Key Financial Indicators

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

Unit: RMB Yuan

Items	As at the end of the Reporting Period	As at the End of Last Year
Net capital	46,947,218,141.08	48,651,440,529.94
Net assets	81,797,651,467.79	78,190,124,913.63
Sum of risk capital provisions	19,898,313,608.86	20,227,306,973.01
Total assets on and off-balance sheet	234,697,180,955.81	309,933,814,118.10
Risk coverage ratio (%)	235.94	240.52
Capital leverage ratio (%)	18.30	13.44
Liquidity coverage ratio (%)	237.35	222.67
Net stable funding ratio (%)	156.48	157.77
Net capital/net assets (%)	57.39	62.22
Net capital/liabilities (%)	19.64	22.26
Net assets/liabilities (%)	34.21	35.78
Value of proprietary equity securities and its derivatives/net capital (%)	31.35	32.50
Value of proprietary non-equity securities and its derivatives/net capital (%)	365.96	329.96

## Chapter 3: Summary of Operation

### I. Principal Business and Operating Models of the Company and Relevant Industry Condition during the Reporting Period

#### (I) Principal business and operating models of the Company during the Reporting Period

Operating with a client-oriented approach, the Group offers diverse and comprehensive financial products and services to individual, institutional and corporate clients, and engages in investment and trading. Its principal business lines comprise the following:

**Wealth management and institutional business:** the Group trades stocks, funds, bonds, futures and other derivatives on behalf of its clients and provides them with other value-added services such as investment consultancy, investment portfolio recommendation, sales of products, account assessment and assets allocation in return for fees and commissions. The Group also provides capital-based intermediary services (including margin financing and securities lending as well as stock pledge repo) to clients and earns interest income. In addition, the Group provides investment research, sales and trading, prime brokerage and other services for a variety of institutional clients such as funds and insurance companies in order to gain fees and commissions.

**Investment banking:** the Group provides one-stop domestic and international investment banking services to its corporate clients, including equity financing, debt financing, structured financing, NEEQ listing, financial advisory and other services. In return, it earns underwriting and sponsorship fees and financial advisory fees.

**Investment management:** the Group provides investment management services, including collective asset management, separately managed account, specialized asset management and equity investment fund management, and earns management fees and performance fees.

**Investment and trading:** the Group engages in proprietary trading and market-making business in relation to equity and fixed-income securities, commodities, alternative investment and other derivatives including OTC financial products to earn investment income. It also adopts advanced investment and trading strategies and techniques for mitigating investment risks and boosting returns.

#### (II) Development of the industry and market where the Company operates during the Reporting Period

During the Reporting Period, the SSE Composite Index, SZSE Component Index, ChiNext Index and ChinaBond Composite Total Return Index (Total Value) dropped by 2.15%, rose by 14.97%, rose by 35.60% and rose by 2.35%, respectively. The average daily turnover of stocks and funds in the SSE and the SZSE was RMB790.9 billion, representing a year-on-year increase of 29.92%. The amount of financing through IPO in the primary market was RMB143.628 billion, representing a year-on-year increase of 134.85%. The amount of refinancing (excluding share issuance for asset acquisition) was RMB249.773 billion, representing a year-on-year decrease of 21.54%. Bonds (excluding central bank bills and interbank deposit certificates) issued totaled to RMB17.94 trillion, representing a year-on-year increase of 35.43%. As at the end of the Reporting Period, the balance of margin financing and securities lending on the SSE and the SZSE amounted to RMB1,163.768 billion, representing an increase of 14.18% as compared to the end of 2019. The balance of stock pledge repo amounted to RMB360.217 billion, representing a decrease of 16.45% as compared to the end of 2019.

## Chapter 3: Summary of Operation

According to the statistics from the Securities Association of China, during the Reporting Period, the total revenue for the securities industry (unaudited, same for below) amounted to RMB213.404 billion, representing a year-on-year increase of 19.26%. Net profit amounted to RMB83.147 billion, representing a year-on-year increase of 24.73%. As at the end of the Reporting Period, the total assets of the securities industry amounted to RMB8.03 trillion, representing an increase of 10.57% as compared to the end of 2019. Net assets amounted to RMB2.09 trillion, representing an increase of 3.47% as compared to the end of 2019. Net capital amounted to RMB1.67 trillion, representing an increase of 3.09% as compared to the end of 2019.

### II. Analysis on Core Competitiveness during the Reporting Period

The Company, under the control of China Merchants Group, is the largest securities firm of the SASAC. Over years of development, the Company has built up significant competitive advantages. Firstly, the Company adheres to continuous and stable operations. It has been granted the highest “AA” rating for securities firms for 13 consecutive years, which represents a strong pillar for the Company to rely on when seeking regulatory policy support, seizing significant opportunities for new pilot projects, making responses to the volatile capital market and facing fierce peer competition in the future. Secondly, our service capability with a full-service platform that covers a whole industrial chain, a balanced business structure and a solid development foundation will help the Company to develop the business with its own features, differentiate its edges and facilitate the provision of one-stop services to clients, thereby paving a sound foundation for development. Thirdly, the brokerage business of the Company has a solid foundation with increasingly strengthened competitiveness. It has strong capability in providing comprehensive services to institutional clients and maintains stable performance in respect of providing whole industry chain services to corporate clients. Fourthly, the Company enjoys the strong brand name of “China Merchants” and its shareholders background as well as good reputation in the market.

During the Reporting Period, the Company recorded total revenue and other income of RMB15.106 billion, representing a year-on-year increase of 28.40%, and net profit attributable to the parent company of RMB4.334 billion, representing a year-on-year increase of 23.73%. According to the statistics from the Securities Association of China, in terms of net income from agency trading (including leasing of trading seats), net income from agency sales of financial products, interest income from margin financing and securities lending, interest income from stock pledge repo, net income from investment banking and net income from asset management business, the Company ranked third, seventh, sixth, sixth, eighth and tenth, respectively. According to the statistics from the Asset Management Association of China and Wind, the Company ranked first in terms of number of private and mutual funds under custody in the brokerage industry; the Company ranked second and fourth respectively in terms of the amount of custodian funds and the average monthly active private AUM by securities firms in the second quarter. According to the statistics from Wind (using issue date as statistics caliber), in terms of the overall scale of domestic equity and bond lead underwriting, equity lead underwriting (excluding share issuance for asset acquisition) and bond lead underwriting, the Company ranked seventh, eighth and ninth, respectively.

## Chapter 4: Report of the Board of Directors

### I. Operation Discussion and Analysis

Due to the sudden outbreak of the novel coronavirus (“COVID-19”) pandemic in the first half of 2020, the global economy and financial markets were significantly affected. Major economies around the world experienced negative economic growth, resulting in the global economy under pressure of depression. The domestic economy recorded negative growth for the first quarter, while it began to gradually recover month on month from the second quarter and recorded positive growth rate, reflecting the resilience and potential of the domestic economy. During the Reporting Period, opportunities and challenges co-existed in the securities market. First, the reform of the capital market was further deepened, where the reform of STAR Market, ChiNext board and NEEQ were carried forward together, greatly enhancing China’s capital market’s ability to serve the real economy. Second, foreign financial institutions have accelerated their penetration into China’s securities industry where the industry competition intensified. Third, the new Securities Law comprehensively increased the cost of violation, and put forward higher requirements for securities firms’ compliance.

During the Reporting Period, the Company has been focusing on epidemic control while propelling business development, striving to delivering satisfying results. The Company’s battle against the COVID-19 epidemic, efforts of work resumption and target accomplishment laid a solid foundation for the whole year. Thanks to these efforts, the Company achieved positive progress in prevention and control of the epidemic, stood the test both in terms of its emergency management and stable operation and its performance outperformed the market and other players. The reform and innovation have been deepened, with positive progress for key reforms and development such as the mechanism of “staff can get in and out; cadre can go up and down; salary can be high and low”, the “Gazelle Program”, data governance and process reengineering. The Company continued to maintain steady operation with no occurrence of significant risk events. Losses arising from various risks were kept at a relatively low level, making the Company one of the first batch of six pilot securities firms under consolidated supervision. The Company has also made significant progress in terms of capital operation. During the Reporting Period, the Company became the first securities firm to successfully implement an employee stock ownership scheme in accordance with the new regulations of the three ministries and commissions (CSRC, SASAC and Ministry of Finance). In August 2020, the Company has completed the A+H Shares rights issue, and raised total net proceeds of RMB14.821 billion, which significantly increased its capital strength.

## Chapter 4: Report of the Board of Directors

### II. Operating Results of Major Businesses for the Reporting Period

#### (I) Analysis of principal businesses

The Company provides a full range of financial products and services to individual, institutional and corporate clients. The Company's business is principally divided into four segments: wealth management and institutional business, investment banking, investment management as well as investment and trading.

##### 1. *Wealth management and institutional business*

The wealth management and institutional business of the Company mainly includes brokerage and wealth management, capital-based intermediary business and institutional client integrated services.

During the Reporting Period, the Company's retail and institutional businesses achieved significant business integration effects. By accelerating the transformation of wealth management and embracing technological empowerment, market share in terms of net income from agency securities trading increased. For the first half of the year, market share in terms of net income from agency securities trading was 4.81%, ranking third in the industry, up by 4 positions from 2019.

##### (1) **Brokerage and wealth management**

In the first half of 2020, the one-way trading volume of stocks and funds in the A share market amounted to RMB92.53 trillion, representing a year-on-year increase of 28.82%. The average net commission rate of the industry decreased by 8.54% year-on-year to 0.283‰, which showed a continuous downward trend over the past years. As for the first half of the year, the Hang Seng Index in Hong Kong closed at 24,427 points, representing a decrease of 13%, and the average daily trading volume of stocks in the Hong Kong market amounted to HK\$117.5 billion, representing a year-on-year increase of 20%.

During the Reporting Period, the Company actively carried out online channels marketing while strengthening cooperation among traditional marketing channels to reduce the impact of the pandemic. Through promoting the "Zhiyuan Yi Hu Tong" (智遠一戶通) APP, and launching the Weixin Mini Program "China Merchants Securities Fortune +" (招商證券財富+) social marketing service system, the Company had built a characteristic and differentiated wealth management transformation model, so as to drive the advancement of precise service capability. For the first half of the year, the number of monthly active users (MAU) of the Company's APP was 3.7863 million, representing an increase of 25.33% as compared to the end of 2019.

The Company established a special service system only available for high-net-worth customers for its wealth management business. A full range of products covering various levels, such as the "selected mutual fund" and "private fund 50" product pool, were released, making the product system further improved. As at the end of June, the number of high-net-worth customers for wealth management increased by 36.98% year-on-year. During the Reporting Period, the Company's net income from agency sale of financial products recorded a year-on-year increase of 126.71%. The scale of its agency sale of wealth management products amounted to RMB501.773 billion, representing a year-on-year increase of 8.09%.



## Chapter 4: Report of the Board of Directors

Operating indicators	First half of 2020	First half of 2019
Trading volume of stocks and funds (RMB100 million)	77,698.92	59,506.70
Market share in terms of the trading volume of stocks and funds	4.20%	4.14%
Market share in terms of net income from agency securities trading	4.81%	4.36%
Ranking in terms of net income from agency securities trading	3	7
Total sales of wealth management products (RMB100 million)	5,017.73	4,642.09

Source: Securities Association of China, SSE and SZSE, internal statistics of the Company

In respect of options brokerage business, the Company actively arranged online options training and continued to improve its IT system. As for the market fluctuation, the Company strengthened risk management for options clients to protect both the interests of the clients and the Company. As at the end of June 2020, the market share of aggregate number of stock options accounts opened by the Company was 8.77%, ranking first in the industry. During the Reporting Period, the accumulated stock options trading volume of the Company increased by 60.97% year-on-year.

In respect of futures brokerage business, in the first half of 2020, the trading volume and turnover of the futures market increased by 45.35% and 28.70% year-on-year, respectively. During the Reporting Period, China Merchants Futures adhered to promoting the IB service model, direct sales management model and reforms in relation to performance assessment and incentive policies. It managed to enhance the development of the marketing team to improve the business capability of the Company. As at the end of June, the customers' equity of China Merchants Futures amounted to RMB7.883 billion, representing an increase of 40.27% as compared to the end of 2019.

In respect of the overseas market, CMS International enriched its products and trading forms, and its net income from agency trading recorded a year-on-year increase of 34.08%.

## Chapter 4: Report of the Board of Directors

### (2) Capital-based intermediary services

The Company's capital-based intermediary services mainly include margin financing and securities lending as well as stock pledge repo.

As at the end of June 2020, the scale of margin financing and securities lending business in the securities market amounted to RMB1,163.768 billion, up by 14.18% as compared to the end of 2019. Of which, the balance of securities lending was RMB32.394 billion, representing a significant increase of 135.07% as compared to the end of 2019. The scale of the stock pledge repo business continued to decrease, and the relevant risks were further relieved.

During the Reporting Period, the Company proactively responded to changes in market conditions. The Company tailored financing plans for different customers while actively expanded securities lending business. It also propelled relevant system development to satisfy the needs of institutional customers for hedging and high frequency trading. While prudently controlling risks, the Company continued to strengthen the compliance of the capital-based intermediary business, the comprehensiveness of due diligence and the effectiveness of continuous management, so as to achieve a balanced development in terms of quality, scale and efficiency.

As at the end of June 2020, the balance of the Company's margin financing and securities lending amounted to RMB58.138 billion, representing a year-on-year increase of 12.98% as compared to the end of 2019, and the overall maintenance coverage ratio was 316.57%. The balance of stock pledge repo amounted to RMB28.578 billion, and the overall collateral coverage ratio was 344.79%. Of which, contribution from self-owned capital was RMB20.604 billion, and the collateral coverage ratio was 390.29%.

Operating indicators	As at the end of the first half of 2020	As at the end of 2019
Balance of margin financing and securities lending (RMB100 million)	581.38	514.59
Market share of margin financing and securities lending	4.99%	5.05%
Balance of stock pledge repo (RMB100 million)	285.78	302.85
Market share of stock pledge repo by self-owned capital	5.62%	4.82%

Source: SSE and SZSE, Securities Association of China, internal statistics of the Company

In the overseas market, CMS International actively tightened risks control and improved the quality of collateral and return during the first half of 2020. As at the end of June 2020, the balance of margin business amounted to HK\$3.020 billion.

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### (3) Institutional client integrated services

The integrated service system for institutional clients is based on investment research, trading and custody services, and provides value-added services such as product sales, margin financing and securities lending, market making, operation outsourcing and fund incubation. An integrated service system that provides a full package of solutions for institutional clients has been initially established.

#### ① Institutional integrated services

The institutional business of the Company continued to maintain its competitive advantages. According to the statistics from Wind, the Company ranked 4th in the industry in terms of commission from mutual fund trading in 2019. In the first half of 2020, the Company innovated the online service model in respect of investment research service, continued to promote application of the “Tou Yan Bao” (投研寶) Weixin Mini Program, and focused on provision of unique investment research services for institutional clients. The Company has further consolidated its leading position through further provision of tailored and featured services to mutual funds and insurance asset management firms. At the same time, the Company seized appropriate market opportunities to give full play to the efficiency of wealth management strategic transformation, and fully tapped the marketing potential of these brokerage branches and thus to improve its ability of fund sales. In addition, active efforts were made to enable the introduction of products under settlement model of brokerage firms, and to advance the relevant customer services of its subsidiaries engaging in banking wealth management.

In respect of primary broker business, the Company continued to push forward the development of PB business system and functions, continued to optimize the integrated trading platform, integrated service platform and coordination management platform for institutional clients so as to provide clients with professional system and trading services, enhancing its service efficiency and customers' experience on a constant basis. Besides, additional resources were arranged to reinforce the “Geetek Institutional Transaction Service Platform”, which further strengthened the Company's ability of investment management, instant transaction and strategic transaction and thereby laid a solid technology foundation for expansion of institutional clients. During the Reporting Period, the trading volume of stock and funds of institutional clients supported by Geetek was approximately RMB1.5 trillion, representing a year-on-year increase of 19.53%.

#### ② Research

The Company's research covers macroeconomic analysis, investment strategy, industry and company research, fixed-income products and derivatives, etc. As at the end of June 2020, the Company had 178 research staff, the research of which involved 1,256 listed companies in 18 industry sectors and 71 categories on the CSRC, covering 88% of the total market capitalization of CSI 300 Index constituent stocks and 83% of the total market capitalization of ChiNext Index constituent stocks.

## Chapter 4: Report of the Board of Directors

During the Reporting Period, the Company actively promoted market transformation to improve customer services on a thorough basis. The Company focused its research service on the major institutional clients and put more efforts in terms of STAR Market related research. Efforts were also made to strengthen development of research platforms, so as to continuously innovate functions and provide more diversified research products. In response to the impact of the epidemic, the Company optimized online services by actively offering a combination of various online activities, such as telephone conference and online road show. In total, 340 telephone conferences were convened with a year-on-year increase of 106%, and 281 online road shows were arranged with a year-on-year increase of 33%.

### ③ Custody and outsourcing

The asset management industry in China has further developed as the capital market reformed and developed in the first half of 2020. As at the end of June 2020, the AUM of private investment fund amounted to RMB14.35 trillion with an increase of 4.44% as compared to the end of 2019, while the AUM of mutual fund was RMB15.86 trillion with an increase of 15.22% as compared to the end of 2019. Of which, the total scale of mutual fund custody by brokers was RMB238.820 billion. The private fund industry continued to lessen its restrictions on foreign investment. As at the end of the Reporting Period, 25 well-known WFOEs (Wholly Foreign Owned Enterprises) successfully registered as private investment fund managers. Three custody brokers were introduced during the first half of 2020, making the industry competition more intense.

During the Reporting Period, the Company adhered to the strategy of transforming into an integrated financial service platform in respect of its custody outsourcing business, aiming to realize the intelligent target of offering one-stop services covering operation management, customer service, marketing management and risk control through proper application of financial technology. Meanwhile, it has built a collaborative marketing system relying on its abundant platform resources to maintain its leading industry position amid increasingly fierce market competition. As at the end of June 2020, the number of custody and outsourcing products (including products of asset management subsidiaries) of the Company was 22,254 and the size was RMB2,454.392 billion, representing an increase of 9.57% and 8.10% respectively as compared to the end of 2019. The Company ranked first for six consecutive years among brokers in terms of number of private fund products and number of mutual fund products under custody. Of which, the number of private fund products under custody accounted for 24.76% of that of products under custody by brokers, leading the industry with absolute advantages.

## 2. *Investment banking business*

Investment banking business of the Company includes equity underwriting and sponsorship, bond underwriting and financial advisory businesses.

The Company is committed to providing corporate customers with a full range and entire industry chain of investment banking services. For the first half of 2020, the Company has further optimized the business structure of investment banking business in terms of industry, region and products, while improved the marketing service system. The Company continued to deepen the industrial transformation of investment bank, focusing on advantageous and major sectors, strengthen the deployment of personnel in key national regions, such as the Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area, to improve customer localized marketing services. Optimized adjustment was made in respect of bond underwriting business chain to balance the structure of bond products.

## Chapter 4: Report of the Board of Directors

### (1) Equity underwriting

During the first half of 2020, reform of capital market has been accelerated with continuous release of favorable policies, and the equity financing market of A shares continued its positive growth rate in 2019. According to the statistics from Wind (using issue date as statistics caliber), the total amount of equity financing in A shares market (excluding share issuance for asset acquisition) was RMB393.401 billion, representing a year-on-year increase of 3.66%. A total of 128 IPOs were completed in the whole market with raised proceeds of RMB143.628 billion, representing a year-on-year increase of 100% and 134.85% respectively. Of which, a total of 50 IPOs were completed on the STAR Market with raised proceeds of RMB53.089 billion. The total proceeds raised from refinancing (excluding share issuance for asset acquisition) amounted to RMB249.773 billion, representing a year-on-year decrease of 21.54%. Of which, the placement outperformed with raised proceeds of RMB126.784 billion, representing a significant year-on-year increase of 156.85%.

During the Reporting Period, the Company continued to seize the opportunities arising from the STAR Market and the ChiNext registration system, proactively captured incremental business opportunities from reform of the NEEQ, and further consolidated its advantage in running IPO projects. Increasing efforts were also made to explore the opportunities of refinancing, especially focusing on major clients engaging in TMT, agricultural products and finance. The Company leveraged upon the value of investment banking, and was committed to providing comprehensive financial services for high-quality medium, small and micro-sized enterprises relying on its own platforms and cooperation with external resources.

According to the statistics from Wind, in the first half of 2020, the Company ranked eighth and ninth in the industry in terms of the amount and number of A share projects underwritten, respectively. Of which, the Company ranked sixth and eighth respectively in terms of the value and number of IPO projects underwritten. The value of IPO projects underwritten by the Company in the STAR Market were RMB2.507 billion, ranked seventh in the industry. According to the data from the CSRC, SSE and SZSE and Wind, 33 IPO projects underwritten by the Company were pending approval (including approved projects to be offered) as at the end of June 2020, ranking seventh in the industry. Of which, 10 projects were pending approval in the STAR Market (including the projects approved to be offered by the Listing Committee of the STAR Market of SSE), ranking seventh in the industry. The Company was awarded with various honors, including the “2020 China Investment Bank Junding Award” by the Securities Times and “Best Local Investment Bank” of the 13th New Fortune Awards.



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Item	First half of 2020		First half of 2019	
	Lead underwriting amount (RMB100 million)	Number of projects	Lead underwriting amount (RMB100 million)	Number of projects
IPOs	57.96	6	44.79	5
Refinancing	48.73	6	41.95	6
<b>Total</b>	<b>106.69</b>	<b>12</b>	<b>86.74</b>	<b>11</b>

Source: Statistics from Wind, using issue date as statistics caliber

Note: Refinancing excludes share issuance for asset acquisition

### (2) Bond underwriting

During the first half of 2020, due to the impact of the COVID-19 epidemic, economies around the world were all under severe downward pressure; the uncertainty of domestic and international economy and trade increased, and the bond market yield underwent significant fluctuation. The Chinese government continued to implement proactive fiscal policies such as tax and fee reductions and more stable and flexible monetary policies, while innovated monetary policy instruments to direct funding to the real economy, thus guaranteed the financing needs of the real economy. The overall scale of domestic bond financing grew steadily. The total bonds (excluding central bank bills and inter-bank deposit certificates) issued amounted to RMB17.94 trillion, representing a year-on-year increase of 35.43%. Of which, the total credit bonds (excluding treasury bonds, local government bonds, central bank bills, interbank deposit certificates and policy bank bonds) issued amounted to RMB9.13 trillion, representing a year-on-year increase of 41.34%. Of which, sub-categories of bonds such as corporate bonds, medium-term notes and short-term commercial papers maintained relatively strong growth. The business scale of credit asset securitization has shrunk sharply, with issuance amounted to RMB207.724 billion, down by 41.78% year-on-year.

## Chapter 4: Report of the Board of Directors

During the Reporting Period, the Company responded actively to the country's call for offering financial supports for the real economy to win the battle against the pandemic. In particular, it assisted enterprises participating in issuance of COVID-19 prevention and control bonds, so as to smooth the direct financing channels of enterprises. Meanwhile, as the scale of credit asset securitization, the Company's advantageous business, has shrunk sharply year-on-year, both the total scale and ranking of bond underwriting business of the Company declined. According to the statistics from Wind (using issue date as statistics caliber), in the first half of the year, the amount of bonds lead underwritten (including debt securities issued as a principal) was RMB150.081 billion, ranking ninth in the industry. Of which, the amount of ABS underwritten was RMB47.242 billion, ranking fifth in the industry. The Company was awarded "Excellent Corporate Bond Underwriter in 2019" by the SZSE.

Item	First half of 2020		First half of 2019	
	Lead underwriting amount (RMB100 million)	Number of issuance (tranche)	Lead underwriting amount (RMB100 million)	Number of issuance (tranche)
Enterprise bonds	6.25	2	10.00	1
Corporate bonds	213.33	53	238.16	42
Financial bonds	508.72	27	574.92	29
Short-term commercial papers	53.20	11	22.35	7
Medium-term notes	78.64	21	40.96	13
Private placement notes	85.25	15	43.57	16
Exchangeable bonds	39.99	4	30.00	1
Asset-backed securities	472.42	130	1,025.43	168
Others	43.00	271	13.90	102
<b>Total</b>	<b>1,500.81</b>	<b>534</b>	<b>1,999.30</b>	<b>379</b>

Source: Statistics from Wind, using issue date as statistics caliber

Note: Bond underwriting includes debt securities issued as a principal; others include municipal bonds, international institutional bonds and government-backed institutional bonds.

## Chapter 4: Report of the Board of Directors

### (3) Financial advisory

During the first half of 2020, the M&A transaction market weakened, and M&A in the same industry continued to dominate the market. According to the statistics from Wind, during the first half of the year, the CSRC M&A Committee has reviewed 42 M&A applications (excluding exemptions and quick reviews), and the approval rate was 78.57%. The number of approved cases and the approval rate both showed a downward trend. During the first half of 2020, the number of transactions announced by the Chinese M&A market (excluding overseas M&A) was 3,876, with a transaction value of RMB716.799 billion, representing a year-on-year decrease of 41.83%. The number of transactions completed was 3,289, with a transaction value of RMB823.647 billion, representing a year-on-year decrease of 18.21%.

During the Reporting Period, the Company closely focused on economic structural transformation and upgrade as well as the opportunities from SOE reform, while also coordinated closely with China Merchants Group and other shareholders. According to the statistics from Wind, the number of M&A transactions as disclosed by the Company was 3, and the total M&A transaction amount was RMB11.891 billion, ranking seventh in the industry.

### (4) Overseas investment banking

During the first half of the year, the aggregate equity underwritten scale in the Hong Kong market amounted to HK\$225.8 billion, representing a year-on-year increase of 51%. The IPO funds raised amounted to HK\$87.5 billion, representing a year-on-year increase of 22%. The amount raised from the underwritten Asia ex-Japan G3 Currency Bonds amounted to USD169.5 billion, representing a year-on-year decrease of 9%.

During the Reporting Period, CMS International continued to consolidate its business advantages in the new economy sector. According to the statistics from Bloomberg, CMS International underwrote 4 IPO projects (namely Huijing Holdings (匯景控股), InnoCare Pharma (諾誠健華), AkesoBio (康方生物) and Yeahka (移卡)) in the Hong Kong market, and the financing size amounted to USD0.16 billion, ranking 7th among Chinese brokers. CMS International's bond underwriting business has been developed rapidly, and has completed a total of 7 bond underwriting projects with an underwriting amount of USD0.190 billion; underwritten Asia ex-Japan G3 Currency Bonds ranking 69th, up by 13 positions year-on-year; and ranking 23rd among Chinese brokers, up by 2 positions year-on-year.

### 3. Investment management

The Company engages in securities asset management business and private equity investment fund business through its subsidiaries, namely CMS Asset Management and CMS Zhiyuan. The Company engages in fund management business through its associates, namely Bosera Funds and China Merchants Fund.

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**(1) Asset management business of securities companies**

During the first half of 2020, the management scale of the securities asset management industry continued its downward trend in 2019 due to the new asset management regulations. As of the end of June, the total entrusted management scale of the industry was RMB11.67 trillion, down by 5% from the end of 2019. At the end of July, the central bank announced that the transition period for the new asset management regulations will be extended to the end of 2021, which to a certain extent alleviated the impact of the pandemic on the asset management scale, and eased the pressure on financial institutions for rectification in a short term. Meanwhile, with the entry of banking wealth management subsidiaries and foreign mutual funds in the industry, the industry competition was becoming increasingly fierce, and higher requirements were prescribed for the active management capabilities of securities asset management.

During the Reporting Period, CMS Asset Management further strengthened the transformation of active management, enhanced cooperation on institutional business and utilized online and offline multi-channel marketing services, so as to achieve steady growth of new product launch. Meanwhile, it actively promoted transformation of large collective products to public offering products and successfully passed the regulatory approval of four products. At the end of the Reporting Period, the AUM of the Company amounted to RMB703.317 billion. Of which, the average monthly private AUM of active management (second quarter) amounted to RMB263.904 billion, representing an increase of 70.72% from the average monthly AUM of 2019. According to the statistics from the Asset Management Association of China, the total entrusted management scale of CMS Asset Management ranked second in the industry, up by 2 positions from 2019; and the average monthly private AUM of active management (second quarter) of securities companies ranked fourth in the industry, remaining flat with 2019 (fourth quarter).

Category	AUM (RMB100 million)		Net income (RMB100 million)	
	For the first half of 2020	As of the end of 2019	For the first half of 2020	For the first half of 2019
Collective asset management	1,162.30	1,325.86	3.64	3.62
Separate asset management	5,242.29	4,866.62	1.49	0.99
Specialized asset management	628.58	679.59	0.13	0.06
<b>Total</b>	<b>7,033.17</b>	<b>6,872.07</b>	<b>5.26</b>	<b>4.67</b>

Source: Internal statistics of the Company

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### (2) Private equity funds

The domestic equity investment market was considerably hampered during the first half of 2020. In terms of fundraising, the COVID-19 pandemic rendered offline fundraising activities to stagnate for a while. Coupled with the macroeconomic downturn, customers' ability and willingness to contribute funds were negatively affected; in terms of investment, investment activities were forced to be interrupted or delayed, and investment activity was reduced; in terms of exit, although IPO exits, stimulated by policies, have shown a positive growth trend, yet, as some of the companies were facing pressure with production and operation and cash flows were tight, the risk of project investment thus increased, resulting in obvious obstacles to non-IPO exits. According to the statistics from Zero2IPO Group, for the first half of 2020, the total amount of newly-raised funds in the domestic equity investment market was RMB431.840 billion, representing a year-on-year decrease of 29.5%; the number of newly-raised funds was 1,069, representing a year-on-year decrease of 20.3%; the total investment amount was RMB266.925 billion, representing a year-on-year decrease of 21.5%; the number of investment projects was 2,865, representing a year-on-year decrease of 32.7%; the number of exit cases was 1,145, representing a year-on-year decrease of 6.9%.

In the meantime, the equity investment industry faced greater opportunities. With the continuous liberalization of domestic financial policies, it will be more convenient for companies to go public. Coupled with the promotion of mixed ownership reform of SOEs, subsidiary spin-offs, and return of overseas-listed Chinese companies, private equity investment institutions held by key SOEs and SOEs are expected to be fully benefited.

During the Reporting Period, CMS Zhiyuan Capital strengthened the establishment of fundraising system and promoted the raising of funds with special features; vigorously explored investment opportunities and strengthened project quality control; optimized business process and improved the efficiency of operation and management; seized market opportunities and realized the multi-channel exit of projects; and leveraged upon the collaboration between the various business platforms of China Merchants Group and China Merchant Securities, proactively implemented the "value of traction of investment banking" strategy and participated in the "Gazelle Program" to achieve win-win cooperation. During the first half of 2020, CMS Zhiyuan Capital had made substantial progress in respect of fundraising, investment, management and exiting. In respect of fundraising, it initiated the establishment of 3 funds, and raised approximately RMB3 billion of proceeds. In respect of investment, it identified investment opportunities in financial, greater health, TMT, high-end manufacturing and some other sectors, with the cumulative investment amount exceeding RMB1.7 billion. In respect of management, 3 investees have undergone IPO, with another 6 investees being in the stage of approval or under pre-listing tutoring of IPO. In respect of exiting, it has recorded a total exiting proceeds of more than RMB1.6 billion, and also received refund of principals on funds and bonus of more than RMB1.7 billion, rewarding the investors with positive returns.



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### (3) Fund management

#### ① Bosera Funds

The Group holds 49% of the equity of Bosera Funds. During the first half of 2020, Bosera Funds deepened the reform of the investment and research system, firmly established the digital transformation strategy, accelerated the transformation and development of subsidiaries, strengthened the construction of compliance and risk control mechanism, and promoted the balanced development of the Company and improved its quality and efficiency.

As of the end of the Reporting Period, the AUM of Bosera Funds was RMB1,215.0 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) was RMB702.9 billion, staying firmly in the first tier of the industry. According to the statistics from Wind, as at the end of June 2020, Bosera Funds ranked fourth in the industry in terms of AUM of non-monetary mutual funds.

#### ② China Merchants Fund

The Company holds 45% of the equity of China Merchants Fund. During the first half of 2020, China Merchants Fund optimized the investment and research mechanism, enhanced its investment performance, promoted collaborative marketing, and facilitated AUM growth.

As of the end of the Reporting Period, the AUM of China Merchants Fund was RMB604.8 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) was RMB405.2 billion. According to the statistics from Wind, as at the end of June 2020, China Merchants Fund ranked tenth in the industry in terms of AUM of non-monetary mutual funds.



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### 4. Investment and trading

Investment and trading business of the Company includes the investment and trading of equity and fixed-income securities and other financial products.

During the first half of 2020, the A share market has shown structural differentiation. In February and March, the market experienced two drastic slumps followed by steady recovery. The domestic bond market boomed first and then declined, more specifically, rising from January till April and falling from May till June. During the first half of 2020, the ChinaBond Composite Total Return Index recorded an annualized increase of 4.72%, which slightly outperformed the average level of the bond market for the past decade.

During the Reporting Period, the Company's proprietary stock business upheld firmly the principle of "risk control always goes first" and strictly strengthened position management, actively enriched investment strategies, enlarged the investment scale of funds, and earned steady returns by virtue of the diversified investment strategies.

The Company engaged, via financial instruments and derivatives, in market-neutral trade business by adopting quantitative trading and hedging approaches and leveraging on its abundant strategies, in order to diversify the risk in such investment and gain excess return steadily with low-risk exposure. The current business mainly includes market-making for funds, market-making for listed options, OTC derivatives trading and commodity trading. The Company continued to enrich its trading projects for the business of market-making for funds, so as to further expand its business scale; and continued to improve its market competitiveness for quotations by optimizing its market-making strategies and systems for its listed options market-making business. As at the end of the Reporting Period, the Company had more than 6,000 market-making contracts, ranking among the top tier in the industry. The Company continued to improved product competitiveness for its OTC derivatives business, with underlying covering various assets such as domestic and overseas stocks, indices and commodities. The scale of the OTC options business expanded rapidly. The Company continued to develop the existing strategies for its commodities trading business, so as to enrich business categories and business models.

In respect of fixed-income investment business, the Company upheld its prudential investment philosophy. Against the backdrop of changing domestic and international macro situations, frequent occurring of black swan incidents and generally lower yield, the Company strengthened macro research, market research and risk screening, steadily broadened the scale of investment, flexibly carried out swing trading, expanded investment varieties, enriched trading strategies, actively utilized various derivatives, vigorously developed market neutral strategies and strengthened the capability of financial technology. As a result, it achieved excellent investment performance, with its investment yields significantly outperforming the market.

In terms of foreign exchange business, the Company has obtained the foreign exchange business qualifications and established a professional foreign exchange trading team. At present, it has developed a complete set of trading strategies which include daily trading, trend trading and arbitrage trading. The Company actively conducted foreign exchange trading on all types of foreign exchange products which covers spot, forward, swap and option, driving its trading volume ranking top among brokers. In July 2020, the Company's foreign exchange client business was approved by the State Administration of Foreign Exchange in respect of the "foreign exchange client business filing letter". In the future, while expanding its proprietary foreign exchange business, the Company will steadily promote foreign exchange client business.

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### 5. *Outlook for the second half of 2020*

Looking forward, the global economy tends to be more complicated for the second half of 2020 since there is significant uncertainty regarding the subsequent development and impact of the COVID-19 pandemic. Amid the obvious pressure from downward domestic macroeconomic conditions, the Central Government initiated to ensure six priorities and stabilities to be implemented, and this would be an arduous challenge. Financial supervision will further focus on capital market reform, in order to accelerate the development of a capital market with standardization, transparency, openness, vitalness and resilience through intensified risk control. Financial technology will deeply penetrate into and influence securities operations. As foreign-funded brokers and financial peers speed up to enter into the domestic securities market, the competition layout under which the fittest and strongest would survive will be further highlighted. For the second half of the year, the Company will actively make itself adapted to normal prevention and control of the pandemic through proper operation management and transformation reform, managing to accomplish the annual operation targets.

**Wealth management and institutional business:** the Company will strengthen its capability of online marketing and services to facilitate the tremendous development of wealth management business, rapidly increase the proportion of income from wealth management business and improve the income structure and stability of retail brokerage business. As for institutional business, the Company strives to be the leader of the industry through integrated service platform development and enhancement of services for institutional clients.

**Investment banking:** by capitalizing on the structure adjustment and resources integration, the Company will take full play of the coordination management of investment banking department. Through intensified forward-looking market research, establishment of professional platforms, team management and compliance risk management, the traction value of investment banking will be taken into full play, thus to enhance the comprehensive contribution of investment banking business.

**Investment management:** further innovation will be made in development of key products and precise marketing so as to optimize the income structure. Continuous reforms are arranged to facilitate transformation of collective products. Besides, the Company has established a full range of products system through continuous innovation and products enrichment. Relying on the characteristic resources of China Merchants Group and itself, the Company has built its unique business system featured with private equity investment and established its specialized investment capability.

## Chapter 4: Report of the Board of Directors

Investment and trading: the role of coordination played by the financial market investment department will be further strengthened in resource allocation, investment decision and risk management, with increasing resource allocation for major assets. It will actively expand the scale of neutral strategy business, develop more investment varieties and reinforce development of business driven by clients' demand. Increasing efforts will be made to speed up the development of cross-border investment, and to expand such cross-border investments with low risk and steady return rapidly. It will vigorously reinforce its investment research capability to continuously explore the depth of investment.

The Company will strengthen business collaboration, thoroughly improve the management and service standard of the middle and back office, accelerate the promotion of financial technology innovation, elevate the digital level, further strengthen the integration between business personnel and technology staff, make good use of the financial technology innovation fund, and accelerate the establishment of a number of projects that have significant impact on the Company's digital transformation, making financial technology an essential competitive advantage for the Company to differ from other players.

### (II) Analysis of financial statements

#### 1. Analysis of the profitability of the Company during the Reporting Period

In the first half of 2020, the total revenue and other income of the Company amounted to RMB15.106 billion, representing a year-on-year increase of 28.4%. The net profit attributable to shareholders of the listed Company amounted to RMB4.334 billion, representing a year-on-year increase of 23.73%.

Unit: RMB'000

Item	Current Period		Previous Period		Change	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fee and commission income	5,441,628	36.02%	4,355,041	37.02%	1,086,587	24.95%
Interest income	4,547,633	30.11%	3,932,263	33.42%	615,370	15.65%
Net gain on investment	3,098,145	20.51%	3,000,239	25.50%	97,906	3.26%
Other income and gains	2,018,443	13.36%	477,300	4.06%	1,541,143	322.89%
<b>Total revenue and other income</b>	<b>15,105,849</b>	<b>100.00%</b>	<b>11,764,843</b>	<b>100.00%</b>	<b>3,341,006</b>	<b>28.40%</b>

Fee and commission income amounted to RMB5.442 billion, representing a year-on-year increase of 24.95%. Among which, the fee and commission income from securities and futures brokerage business amounted to RMB3.798 billion, representing a year-on-year increase of 31.07%, which was mainly due to the increase in trading volume of stock and funds in the A share market. The income from underwriting and sponsorship business amounted to RMB730 million, representing a year-on-year increase of 34.38%, which was mainly due to the increase in income from IPOs. The income from financial advisory business amounted to RMB79 million, representing a year-on-year decrease of 43.79%, which was mainly affected by the decline in scale of M&A business. The income from asset management business amounted to RMB530 million, representing a year-on-year increase of 3.95%, which was mainly due to the increase in active management scale.

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Interest income amounted to RMB4.548 billion, representing a year-on-year increase of 15.65%. Among which, the interest income from deposits of the Company with the Exchanges and financial institutions recorded a year-on-year increase of 15.24%. Interest income from margin financing and securities lending recorded a year-on-year increase of 17.76%. Interest income from stock pledge repo recorded a year-on-year increase of 9.60%. Interest income from debt instruments measured at amortized cost remained basically the same as last year. Interest income from financial assets at fair value through other comprehensive income recorded a year-on-year increase of 9.17%.

Net gain on investment amounted to RMB3.098 billion, representing a year-on-year increase of 3.26%. Among which, for equity investment, as the SSE Composite Index dropped by 2.15% at the end of June 2020 from the beginning of the year and the stock market fluctuated widely, investment income from the Company's derivative trading business increased significantly year-on-year, yet the income from proprietary stock trading and private equity investment decreased year-on-year. For fixed-income investment, the Company's investment scale expanded, yet the investment yield declined due to market influence, and investment income increased slightly year-on-year.

Other income and gains amounted to RMB2.018 billion, representing a year-on-year increase of 322.89%, which was mainly due to the increase in income from commodities.

Unit: RMB'000

Item	Current Period		Previous Period		Change	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Depreciation and amortization	287,706	2.80%	257,599	3.26%	30,107	11.69%
Staff costs	3,220,142	31.39%	2,905,213	36.78%	314,929	10.84%
Fee and commission expenses	919,701	8.96%	762,073	9.65%	157,628	20.68%
Interest expenses	3,146,048	30.66%	2,917,925	36.94%	228,123	7.82%
Tax and surcharges	59,613	0.58%	45,451	0.58%	14,162	31.16%
Other operating expenses	2,545,345	24.81%	1,041,861	13.19%	1,503,484	144.31%
Impairment losses	81,016	0.79%	-30,238	-0.38%	111,254	
<b>Total expenses</b>	<b>10,259,571</b>		<b>7,899,884</b>		<b>2,359,687</b>	<b>29.87%</b>

In the first half of 2020, the total expenses of the Company amounted to RMB10.260 billion, representing a year-on-year increase of 29.87%, of which:

Fee and commission expenses amounted to RMB920 million, representing a year-on-year increase of 20.68%. Among which, expenses of securities and futures brokerage business recorded a year-on-year increase of 21.7%; expenses of underwriting and sponsorship business recorded a year-on-year decrease of 9.08%; expenses of asset management business recorded a year-on-year increase of 48.84%; and expenses of financial advisory business recorded a year-on-year increase of 50.76%.

Interest expenses amounted to RMB3.146 billion, representing a year-on-year increase of 7.82%, which was mainly due to the increase in amount of debt financing, partially offset by the decline in interest rates for financing.



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Staff costs amounted to RMB3.22 billion, representing a year-on-year increase of 10.84%, which was mainly due to the increase in performance salary of the staff in line with the increase in revenue.

Other operating expenses amounted to RMB2.545 billion, representing a year-on-year increase of 144.31%, which was mainly due to the commencement of spot commodity trading business, resulting in a significant increase in related costs.

Unit: RMB'000

Business segment	Current Period		Previous Period		Change
	Amount	Percentage	Amount	Percentage	
Wealth management and institutional business	7,417,476	49.10%	6,038,667	51.33%	Decreased by 2.22 percentage points
Investment banking	804,242	5.32%	683,702	5.81%	Decreased by 0.49 percentage point
Investment management	737,538	4.88%	1,002,197	8.52%	Decreased by 3.64 percentage points
Investment and trading	3,978,766	26.34%	3,436,778	29.21%	Decreased by 2.87 percentage points
Others	2,192,382	14.51%	634,024	5.39%	Increased by 9.12 percentage points

In terms of business segment, revenue and other income from the wealth management and institutional business amounted to RMB7.417 billion, representing a year-on-year increase of 22.83%. Revenue and other income from the investment banking business amounted to RMB804 million, representing a year-on-year increase of 17.63%. Revenue and other income from the investment management business amounted to RMB738 million, representing a year-on-year decrease of 26.41%. Revenue and other income from the investment and trading business amounted to RMB3.979 billion, representing a year-on-year increase of 15.77%. Revenue and other income from other business amounted to RMB2.192 billion, representing a significant year-on-year increase of 245.79%.

### 2. Analysis of assets and liabilities

As at the end of June 2020, the equity attributable to shareholders of the parent company amounted to RMB89.423 billion, representing an increase of 5.14% as compared to the end of 2019, which was mainly due to the net profit attributable to the parent company of RMB4.334 billion for the first half of the year.

As at the end of June 2020, the total assets of the Company amounted to RMB422.987 billion, representing an increase of RMB41.215 billion, or 10.80%, as compared to the end of 2019. Among which, the total current assets amounted to RMB395.385 billion and total non-current assets amounted to RMB27.602 billion. Excluding the accounts payable to brokerage clients, the total assets amounted to RMB345.410 billion, representing an increase of RMB25.362 billion, or 7.92%, as compared to the end of 2019, mainly attributable to the increase in financial assets at fair value through profit or loss and advances to financing customers.

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As at the end of June 2020, the total liabilities of the Company amounted to RMB333.479 billion, representing an increase of RMB36.835 billion, or 12.42%, as compared to the end of 2019. Among which, the current liabilities amounted to RMB281.875 billion and non-current liabilities amounted to RMB51.604 billion. Excluding the accounts payable to brokerage clients, the total liabilities amounted to RMB255.901 billion, representing an increase of RMB20.982 billion, or 8.93%, as compared to the end of 2019. Of which, as at the end of the period, the balance of bonds payable increased by RMB7.132 billion; the balance of financial liabilities at fair value through profit or loss increased by RMB8.201 billion; and the balance of financial assets sold under repurchase agreements increased by RMB4.749 billion.

As at the end of June 2020, net current assets amounted to RMB113.511 billion. As at the end of June 2020, the Company's cash and bank balances, clearing settlement funds, financial assets, advances to financing customers, financial assets held under resale agreements and long-term equity investment accounted for 22%, 48%, 14%, 10% and 2% of the total assets, respectively. The Company's financial assets sold under repurchase agreements, short-term borrowings and placements from other financial institutions in aggregate accounted for 32% of the total liabilities, while accounts payable to brokerage clients, bonds payable and short-term commercial papers accounted for 23%, 22% and 10% of the total liabilities, respectively.

As at June 30, 2020, the gearing ratio of the Company was 74.09%, representing a rise of 0.69 percentage point as compared to the end of 2019.

### 3. Cash flows

Unit: RMB'000

Item	Current Period	Previous Period	Change	Percentage change
Net cash flow from operating activities	-6,743,330	7,132,020	-13,875,350	-194.55%
Net cash flow from investing activities	3,915,670	4,245,889	-330,219	-7.78%
Net cash flow from financing activities	3,918,495	-5,742,821	9,661,316	-
Net increase in cash and cash equivalents	1,090,835	5,635,088	-4,544,253	-80.64%

In the first half of 2020, the net increase in cash and cash equivalents of the Company amounted to RMB1.091 billion. Among which, the net cash flow from operating activities amounted to RMB-6.743 billion; the net cash flow from investing activities amounted to RMB3.916 billion; and the net cash flow from financing activities amounted to RMB3.918 billion.

Net cash from operating activities amounted to RMB-6.743 billion, representing a decrease of RMB13.875 billion as compared to the corresponding period in 2019, primarily due to the increase in financial assets held under resale agreements of RMB12.664 billion, the decrease in financial assets at fair value through profit or loss of RMB24.710 billion and the decrease in financial assets sold under repurchase agreements of RMB20.674 billion.



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Net cash flow generated from investing activities amounted to RMB3.916 billion, representing a decrease of RMB330 million as compared to the corresponding period in 2019, primarily due to the year-on-year decrease of RMB547 million in net proceeds from disposal of debt instruments at fair value through other comprehensive income during the year.

Net cash flow generated from financing activities amounted to RMB3.918 billion, representing an increase of RMB9.661 billion as compared to the corresponding period in 2019, primarily due to the year-on-year increase of RMB29.492 billion in the proceeds from issuance of bonds and short-term debt instruments, the sale of repurchased treasury stocks of RMB664 million, the year-on-year increase of RMB18.820 billion in repayment of bonds and short-term debt instruments and the year-on-year increase of RMB1.859 billion in repayment of short-term borrowings.

### (III) Analysis of investment

#### 1. General analysis of external equity investments

During the Reporting Period, the Company did not have any new external equity investment.

#### (1) Significant equity investments

Holding equity in financial companies

Target	Initial investment (RMB10,000)	Shareholding as at the beginning of the period (%)	Shareholding as at the end of the period (%)	Closing balance (RMB10,000)	Gain or loss during the Reporting Period (RMB10,000)	Change in owners' equity during the Reporting Period (RMB10,000)	Accounting item	Source
Bosera Funds	369,319.04	49.00%	49.00%	521,817.76	24,498.63	119.49	Long-term equity investment	Acquisition
China Merchants Fund	85,084.45	45.00%	45.00%	266,034.55	20,155.81	433.05	Long-term equity investment	Promotion and acquisition
<b>Total</b>	<b>454,403.49</b>			<b>787,852.31</b>	<b>44,654.44</b>	<b>552.54</b>		

- Note:
1. The closing balance refers to the balance net of recognized provision for impairment as at the end of the Reporting Period.
  2. Gain or loss during the Reporting Period refers to the effect of investment on the consolidated net profit of the Company during the Reporting Period.
  3. Change in owners' equity during the Reporting Period does not take into account of the effect of gain or loss during the Reporting Period.

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## (2) Financial assets measured at fair value

Unit: RMB10,000

Item	End of the Reporting Period		The Reporting Period	
	Initial investment cost/nominal amount	Fair value	Investment gains/interest income	Change in fair value
Financial assets at fair value through profit or loss	14,518,941.61	14,895,407.98	299,496.66	41,294.20
Debt instruments at fair value through other comprehensive income	4,146,315.70	4,295,614.28	121,065.07	-25,124.40
Equity instruments at fair value through other comprehensive income	688,253.00	684,920.23	0.00	-20,860.70
Derivative financial assets	29,639,996.13	361,728.50	-18,601.09	-15,164.23
Derivative financial liabilities		355,715.79		
Financial liabilities at fair value through profit or loss	1,845,887.34	1,827,761.31	-47,321.62	9,953.76
<b>Sub-total</b>	—	—	<b>354,639.02</b>	<b>-9,901.37</b>

## (IV) Analysis of major subsidiaries and associated companies

## 1. Analysis of subsidiaries

## (1) China Merchants Securities Asset Management Co., Ltd.

CMS Asset Management is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB1 billion. Its principal business is securities asset management.

Unit: RMB10,000

Item	For/as of the end of the first half of 2020	For/as of the end of the first half of 2019
Registered capital	100,000	100,000
Total revenue and other income	59,099	52,640
Net profit	37,875	33,594
Total assets	524,951	412,383
Net assets	456,178	376,517

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### (2) China Merchants Securities International Company Limited

CMS International is a wholly-owned subsidiary of China Merchants Securities with a paid-up capital of HK\$4.104 billion. Through its subsidiaries, CMS International is principally engaged in securities and futures contracts brokerage, custody services, listing sponsorship, financial advisory, corporate financing, investment management, asset management, market research and other businesses permitted by regulatory rules of the place where its subsidiaries operate.

Unit: HK\$10,000

Item	For/as of the end of the first half of 2020	For/as of the end of the first half of 2019
Paid-up capital	410,363	410,363
Total revenue and other income	32,667	61,802
Net profit	-8,322	15,521
Total assets	2,472,123	2,336,432
Net assets	571,620	572,098

### (3) China Merchants Futures Co., Limited

China Merchants Futures is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB630 million. Its principal businesses include commodity futures brokerage, financial futures brokerage, futures investment consultation and asset management. As of the end of June 2020, China Merchants Futures had four branches in Beijing, Guangzhou, Shanghai and Hangzhou as well as one risk management subsidiary.

Unit: RMB10,000

Item	For/as of the end of the first half of 2020	For/as of the end of the first half of 2019
Registered capital	63,000	63,000
Total revenue and other income	228,307	67,591
Net profit	7,995	6,395
Total assets	1,221,457	681,066
Net assets	167,172	150,655

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**(4) China Merchants Zhiyuan Capital Investment Co., Ltd.**

CMS Zhiyuan is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB2.1 billion and a paid-up capital of RMB1.8 billion. CMS Zhiyuan is principally engaged in private equity investment funds and related advisory and consultation services and other business as permitted by regulatory authorities

Unit: RMB10,000

Item	For/as of the end of the first half of 2020	For/as of the end of the first half of 2019
Registered capital	210,000	210,000
Total revenue and other income	11,113	45,738
Net profit attributable to the parent company	3,329	27,890
Total assets	681,525	680,090
Net assets attributable to the parent company	257,804	247,643

**(5) China Merchants Securities Investment Co., Ltd.**

CMS Investment is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB7.1 billion and a paid-up capital of RMB3.44 billion. CMS Investment is principally engaged in alternative investment businesses such as financial products and equity not included in the List of Securities Investments for Proprietary Trading of Securities Companies (《證券公司證券自營投資品種清單》).

Unit: RMB10,000

Item	For/as of the end of the first half of 2020	For/as of the end of the first half of 2019
Registered capital	710,000	310,000
Total revenue and other income	28,897	592
Net profit	23,209	2,151
Total assets	400,986	136,605
Net assets	392,292	136,505

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### 2. Analysis of associated companies

#### (1) Bosera Asset Management Co., Limited

The Company holds 49% equity interest in Bosera Funds. Bosera Funds was established on July 13, 1998 as one of the first five mutual fund management companies in mainland China. Its business scope includes fund raising, sales of funds, asset management and other businesses permitted by the CSRC.

The following table sets forth the key financial data of Bosera Funds during the Reporting Period:

Unit: RMB10,000

Item	For/as of the end of the first half of 2020	For/as of the end of the first half of 2019
Registered capital	25,000	25,000
Operating income	185,034	164,847
Operating profit	65,989	63,758
Net profit	49,997	48,261
Total assets	793,417	679,278
Net assets	502,409	438,393

#### (2) China Merchants Fund Management Co., Ltd.

The Company holds 45% equity interest in China Merchants Fund. China Merchants Fund was established on December 27, 2002. Its business scope includes fund management, promotion and establishment of funds, and other businesses permitted by the CSRC.

The following table sets forth the general financial condition of China Merchants Fund during the Reporting Period:

Unit: RMB10,000

Item	For/as of the end of the first half of 2020	For/as of the end of the first half of 2019
Registered capital	131,000	131,000
Operating income	139,194	129,957
Operating profit	57,563	58,234
Net profit	44,791	45,626
Total assets	755,188	686,357
Net assets	546,845	503,077

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### (V) Structured entities controlled by the Company

As of June 30, 2020, the Group consolidated 12 structured entities, including mainly collective asset management schemes, limited partnership and investment funds. Under the circumstance that the Group is involved in a structured entity as manager and investor, the Group assesses whether its potential variable returns will be significantly affected by the returns attributable to its investment and the remuneration as a manager and whether the Group is a principal of the entity. As of June 30, 2020, the total assets of the consolidated structured entities amounted to RMB7.097 billion.

### III. Other Disclosures

#### *Potential risks*

During the Reporting Period, the Company adhered to the philosophy of “taking the lead in innovation with controllable risk level” and continued to explore new risk management practices and approaches to ensure its long-term and sustainable development. Details and relevant measures in relation to the risk management profile and the market risk, credit risk, operating risk, liquidity risk and other risks during the business operation of the Company are as follows:

#### **1. Risk management**

##### **(1) Risk management structure**

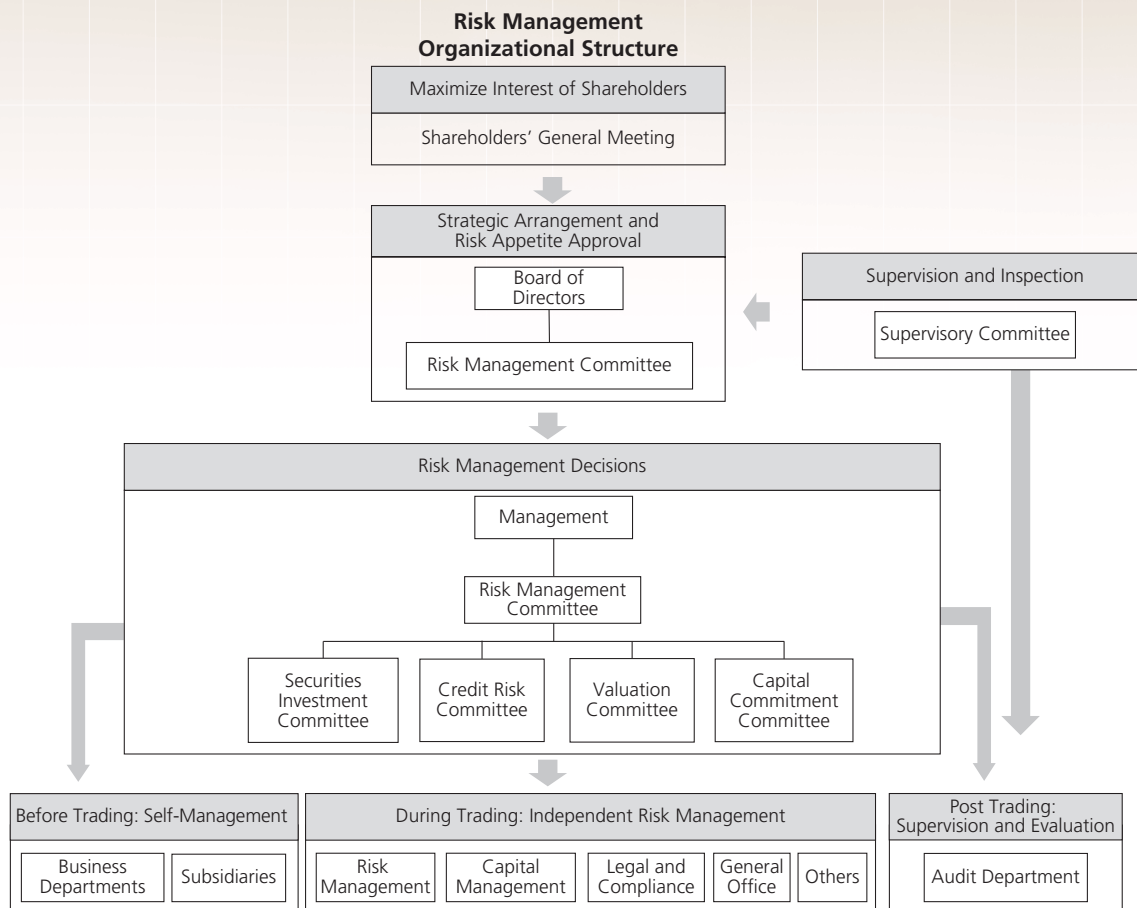
Since inception, the Company has been committed to establishing an innovative and insightful risk management system that is aligned with its operation strategies and covers its core business lines comprehensively. Sound corporate governance and effective risk management and internal control system have been put in place to cope with the risks in the securities market faced by the Company.

In accordance with the Guidelines for Internal Control of Securities Companies (《證券公司內部控制指引》) and Enterprise Risk Management Standard of Securities Companies (《證券公司全面風險管理規範》), and taking into account our operational needs, the Company has taken the lead in establishing a five-level risk management structure, consisting of strategic arrangements of the Board, supervision and inspection of the Supervisory Committee, risk management decision of the senior management and the Risk Management Committee, risk control and supervision of relevant departments in charge of risk management and the direct management of other departments, branches and wholly-owned subsidiaries.



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The chart below sets out our risk management organizational structure:



The overall risk management responsibilities of each department/position in the risk management organizational structure of the Company are as follows:

- ① The Board and its Risk Management Committee are responsible for reviewing and approving the overall risk management system, the risk appetite, risk tolerance and various risk limit indicators of the Company, convening quarterly meetings to review quarterly risk reports and thoroughly assessing the risk management of the Company.
- ② The Supervisory Committee is responsible for supervising and examining the operation of the risk management system of the Company.

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- ③ The senior management is fully responsible for the risk management in the Company's business operation. They regularly review risk assessment reports, formulate risk management measures and establish risk limit indicators. The Risk Management Committee was set up under the senior management for the highest risk management decision-maker at the operation level. The Company has also appointed a Chief Risk Officer to oversee the formation of the overall risk management system, monitor, evaluate and report the enterprise risk level, and provide risk management advice for business decision-making of the Company. In addition, the Securities Investment Committee, Credit Risk Committee, Valuation Committee and Capital Commitment Committee were set up under the Risk Management Committee and responsible for making collective decisions based on experts' suggestions on issues relating to securities investment, credit risk, securities evaluation and capital risks within their respective scope of authorization. The risk management of subsidiaries is managed by the enterprise risk management system of the Company through vertical management approach. The person-in-charge of risk management of subsidiaries shall be nominated, appointed, removed and appraised by the Chief Risk Officer of the Company.
- ④ As the department to coordinate market, credit and operating risks management of the Company, the Risk Management Department is responsible for managing the market risks and credit risks, as well as assisting and guiding other business departments in managing operational risks of the Company. As the department in charge of the liquidity risk management of the Company, the Capital Management Department is responsible for managing liquidity risks and the formation of the liquidity risk management system. The Legal and Compliance Department is responsible for managing the compliance and legal risks as well as money laundering risks of the Company and assisting the Chief Compliance Officer in reviewing, supervising and examining the compliance of both the business operations of the Company and the employees' practicing behavior, and promoting the implementation of anti-money laundering. The General Office is responsible for managing the reputation risks of the Company together with the Risk Management Department and other relevant departments. The Audit Department is responsible for auditing and examining the effectiveness and execution of the risk management procedures of the Company as well as conducting an overall evaluation of the internal control system of the Company at least once a year.
- ⑤ Each of the business departments, branches and wholly-owned subsidiaries of the Company is directly responsible for risk management and supervision of their respective business and management fields.

The Company has established a "three lines of defense" system of risk management to identify, assess, address, monitor, inspect and report risks. The first line of defense was set up by departments and branches which conduct effective self-governed risk management; the second line of defense was set up by departments in charge of risk management issues which focus on implementing professional risk management measures; and the third line of defense was set up by the Audit Department which focuses on inspecting and assessing risks after they occur.

### (2) Risk management system

Guided by the Enterprise Risk Management System of China Merchants Securities (《招商證券全面風險管理制度》) and the Rules of Procedures for Risk Management Committee of the Board (《董事會風險管理委員會工作規則》), the Company has developed risk management system that covers various risk exposures including overall, market, credit, operational, liquidity, reputation and money laundering risks and specifies the boundaries and general principles of each risk category.

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### (3) Quantitative risk management indicator system

The Company has established a quantitative risk management indicator system covering risk appetite, risk tolerance, economic capital and risk limit, so as to prioritize businesses with higher risk-adjusted returns for resources allocation. This approach has effectively improved the risk management and the corporate value of the Company.

- ① **Coherent risk appetite and tolerance indicators:** Risk appetite framework establishes the fundamental attitude of the Board and the senior management towards the balance between risk and return based on the analysis of various risk exposures of the Company. Risk tolerance is a quantitative limit indicator that reflects the effectiveness of risk management. According to the risk appetite, the Company has set risk tolerance indicators for each specific business line based on its characteristics to specify the maximum tolerance of the risk management. After years of effort, the Company has developed clear risk appetite descriptions covering risk types such as overall risk, market risk, credit risk, operational risk and liquidity risk, based on which a risk appetite indicator system and a risk tolerance indicator system were established. The Company sets its targets of risk appetite and risk tolerance at the beginning of each year and determines economic capital budget and business authorization accordingly. The Company monitors and reports risk appetite and risk tolerance on a monthly basis, and continuously reviews the risk management based on the results.
- ② **Scientific economic capital management model:** The Company took the lead to introduce an economic capital management model in the securities industry in 2006, and kept on optimizing the methodologies on economic capital measurement and improving the economic capital management process. Our economic capital management covered market risk, credit risk and operational risk. The Company has developed internal models to measure market risk and credit risk of the economic capital that are sufficiently sensitive to risk factors and practically sound. It measured operational risks according to the standards under the Basel Accords. The measurement of economic capital is generally used in risk monitoring, quantitative assessment and performance assessment.
- ③ **Business authorization management system with the core of risk limits:** Within the statutory business scope, the Company granted business authorization at different levels based on the risk rating of the business. The Company granted authorization prudently based on the risk management capability, implementation of business authorization and actual risk management results of each business department, so as to improve decision-making efficiency while keeping the risks under control. Unauthorized operations were strictly prohibited. Authorized persons at each level must exercise their power and conduct business activities only within the authorized scope.
- ④ **Comprehensive stress testing mechanism:** The Company established the Administrative Measures for Stress Testing (《壓力測試管理辦法》), which specified the division of duties among departments in stress test and determined the methods and procedures of stress test. The Company conducts routine or ad hoc stress test on liquidity risk, credit risk and market risk, as well as net capital and other risk limit indicators, based on business and market development. With this approach, the Company can effectively evaluate changes in the operation and risk profiles under extreme circumstances.

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### **(4) Risk management culture**

With “effective risk control” integrated into its corporate culture, the Company aimed at efficient risk control, strict of compliance with minimum requirements and appropriate risk bearing for reasonable returns. The Company adhered to the dynamic balance between business and risk control by maintaining risk exposure within the approved limits. The “advanced internal control management system and risk management ability” are considered important elements in the strategic planning of the Company and are the essence of its core competitiveness. A comprehensive internal control management system covering all stages in advance of, during and after an event is incorporated in our operation to ensure the effective performance of functions of management and services in order to maintain the healthy and sustainable development of the businesses of the Company, prevent any material risks and safeguard its reputation. The Company ensured all the employees to exercise risk management through promotion platforms at different levels to promote its risk management culture. The Company safeguarded the effectiveness of its comprehensive risk management system through a performance appraisal system and an accountability mechanism which cover all employees and are linked to the effectiveness of risk management.

### **(5) Risk management IT system**

The Company fully understood the importance of IT system in the modern risk management and thus enhanced the systemization and scientific standardization of risk management with reference to the experience drawn from international leading investment banks. With the establishment of a platform for innovative integrated intelligent risk management of the Group, the Company realized the idea of managing risks which were associated with cross-border businesses of the parent company and its subsidiaries, globalization and multiple currencies in T+1 days and even in real-time gradually with enhanced transparency. The Group won second prize of the Shenzhen Financial Innovation Award in 2019. Massive risk data was put under the scope of data governance, and through data comparing models and applying sets of rules for data examination, the risk management platform safeguarded data consistency and accuracy with higher intelligence level; the Company utilized techniques such as model constructing and historical data analysis to refine the calculation of risk indicators of the market, creditability and liquidity as well as to manage risks from multiple dimensions; the Company automated the monitoring and warning on risk data and limit indicators so as to address potential risks in time. With the Group’s integrated risk data collection, the Company integrated the collection and management of risk data from the parent company and its subsidiaries. Each subordinate risk management system which was constructed based on the collected data integrates into one platform through a risk management and control center, and thus allows single-point login and unifies access management, thus forming a unified perspective on the Company’s risk profile. All subsidiaries were put under the scope of the risk management platform to standardize data input and output, data standards and indicators measurements between the parent company and its subsidiaries, and therefore realizing management and control on subsidiaries in all aspects of risk data governance, risk appetite, risk reporting and risk events. The platform for integrated intelligent risk management of the Group met the industry-leading standard for risk data governance with the capacity to allow the system being widely applied, significantly improved the efficiency of risk management and reduced workloads stemmed from data-handling, which in turn helped the Company explore innovative, complex and cross-border businesses.

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### 2. *Market risks and corresponding measures*

#### (1) **Overview**

The market risk of the Company is the risk of losses on its investment portfolio due to adverse changes in market conditions. The investment portfolio of the Company includes portfolios covering equity, fixed-income, commodity, foreign exchange and equity investment. Major market risks of the Company include:

- ① equity risk: attributable to portfolio risk exposure to changes in prices and volatility of equity securities such as stocks, stock portfolio and stock index futures;
- ② interest rate risk: attributable to portfolio risk exposure to yield curve of fixed-income investment, interest rate movements and credit spreads;
- ③ commodity risk: attributable to portfolio risk exposure to changes in spot commodity prices, forward commodity prices and volatility;
- ④ exchange rate risk: attributable to portfolio risk exposure to changes in spot exchange rate, forward exchange rate and volatility;
- ⑤ equity investment risk: attributable to the risk exposure to changes in fair value of equity investment projects and private equity funds investment.

#### (2) **Market risk management approaches**

In order to manage the market risk, the Company has adopted the following measures:

- ① a comprehensive, multi-currency and cross-market risk management system;
- ② generic and specific market risk management methods.

Through these measures, the Company has robustly controlled the market risk. However, the usage and effectiveness of such measures are subject to certain limitations and various factors, such as hedging effectiveness, changes in market liquidity, and relevance of hedging prices. Therefore, based on market development and changes in the portfolio as well as real-time and accurate assessment of market risk, the Company has continuously improved and adjusted the risk management measures to actively manage market risks.



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### (3) Responsibilities for market risk management

The Company collectively allocates the economic capital in accordance with a series of risk appetite and tolerance indicators set by the Board. By considering the risk and return associated with each type of investment and for the purpose of relevance and diversification, the Company diversifies the overall risk limitation to different business departments and business lines and formulates corresponding business authorization. Directly confronted with the market risk, the front-office business departments are responsible for risk management as the first line of defense. The person in charge and the investment manager conduct trades and the front-line risk management within the scope of authorization by virtue of their in-depth knowledge and extensive experience in the relevant markets and products. They dynamically control the market risk exposures to the securities held by the Company and actively take risk management measures to reduce or hedge against such risks. The Risk Management Department, which is a department responsible for supervision and management independent from the business departments and is headed by the Chief Risk Officer, uses professional risk management tools and methods for controlling, evaluating and managing different levels of market risk from investment strategies, business departments and business lines and the Company. Different risk reports and analyses and assessment reports are delivered on a daily, monthly and quarterly basis to the operation management and the responsible officers of the business departments and business lines of the Company. When a risk indicator is approaching or exceeds the threshold values, the Risk Management Department will send an early warning and risk warning to the operation management as well as the responsible officers of the relevant business departments and business lines in a timely manner. Based on the review opinions from leaders of the Company and committee, the business departments will be urged to take corresponding measures. The Risk Management Department will continuously communicate with the respective business departments and business lines with regard to the latest market conditions, the current risk exposures, and possible losses in extreme situations.

### (4) Measurement of market risk

The Company uses a series of risk measurement approaches to measure and analyze potential market risk losses under different market situations. The Company mainly employs VaR as the risk management instrument to measure potential losses from regular fluctuation in the short-term market. Stress test is also used to assess possible losses under extreme circumstances.

#### ① VaR

The Company employs VaR, a common instrument used by international financial institutions, as its major tool for risk measurement. VaR analysis is a statistical technique that estimates the potential losses that could occur in portfolio positions due to movements in market prices over a specified time period and at a given level of confidence. The Company uses a VaR with a confidence level of 95% and a holding period of one day as a major indicator measuring the market risk. Historic market data is used in the VaR model. It also takes into account the impact of relevant risk factors in various risk types such as equity, interest rate, commodity and exchange rate on the portfolio position of the Company. In this way, movement in the market risk arising from changes in securities prices, interest rate, commodity prices and exchange rate, etc. can be measured and the diversified effects of the portfolio are also considered.

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With an ongoing expansion of the businesses, the Company continues to refine the VaR model, including adding risk factors in the new market and optimizing the computation. In addition, the Company examines the accuracy of the VaR computation through methods such as a back-testing.

For certain particular investment portfolio of the Company (such as equity investment including private equity investment, equity funds investment and structured equity investment) lack of liquidity, VaR may not be considered as an effective measure for risk calculation. Therefore, the Company has followed the industry practice to forecast the potential effect by assuming that the value of assets invested drops for a certain percentage.

### ② Stress test

Stress test is an integral and complementary instrument in the VaR risk measurement. Potential losses on the portfolio position under extreme circumstances were evaluated through stress test. Potential losses from a single risk factor or specific stressful circumstance were also assessed. Through analysis of risks and return, the Company examined the compliance of various key regulatory indicators as well as the bearing on the Company. For non-linear options portfolios, the Company established a stress test matrix based on the subject and the fluctuation ratio and conducted daily stress test so as to control significant tail risks.

### ③ Sensitivity analysis

The Company has also conducted sensitivity analysis on certain risk factors, including interest rate and exchange rate, to analyze their potential effects by measuring the possible changes in the assets and liabilities portfolio when the specific risk factor is assumed to have changed by a certain rate while all other factors remain constant.

## (5) Market risk limit management system

The Company has already established relevant risk limit indicator system in departments, business lines and even trading strategies, in order to control the fluctuation of profit and loss and market risk exposure. The risk limit of the Company is determined with reference to the risk appetite and tolerance after taking into account the investment features, risks and effects on overall risk exposures of different operations. The risk limit is adjusted based on the market environment, business development needs and risks of the Company.

The risk limit of the Company mainly comprises size, concentration ratio, quantitative risk value (including VaR and Greeks, etc.), stop-loss and other indicators. The Company has implemented classified review system and respective sub-limit indicators within the risk limit are applied to business departments, business lines and investment managers. The operation management is able to effectively manage the overall risk exposure of the Company with risk indicators at the Company level. Business departments, business lines and investment managers are able to enter into transactions effectively within the scope of sub-limit indicators. Sub-risk limit indicators, therefore, do not serve as risk tolerance of business but mainly a mechanism which reports any increasing risks in risk management when certain conditions are fulfilled.

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The Risk Management Department independently monitors each risk limit of the Company on a daily basis. The department will warn or remind the operation management, relevant business departments and business lines in a timely manner if the risk limit is to be reached or is exceeded. Such business departments and lines will issue analysis reports and propose appropriate measures and, according to the specific condition, reduce risk exposures or increase risk threshold based on the authorization system.

The Company has continuously optimized the risk limit system and enriched risk limit system for the Company, business departments, business lines and trading strategies based on the existing indicators and pursuant to the business development and risk management of the Company. Specific rules or guidelines have been set up and the limit system was further optimized.

### **3. Credit risks and corresponding measures**

#### **(1) Overview**

The credit risk of the Company refers to the risk of economic loss caused by the failure of a borrower or counterparty to fulfill their contractual obligations. Our credit risk arises primarily from the following four businesses:

- ① financing businesses such as securities lending, stock pledge repo and margin financing in which clients breach the contract and cannot repay the debts owed to the Company;
- ② investment in bonds, trusts and other credit products in which the issuer or the borrower breaches the contract, generating the risk that the principal and the interest cannot be paid;
- ③ OTC derivatives business such as an equity return swap, interest rate swap, OTC option or forward contract in which the counterparties or the spot counterparties fail to fulfill their payment obligation;
- ④ brokerage business in which clients default after brokers trade and settle securities, futures and other financial products on behalf of the clients due to their lack of funds on the settlement date.

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### (2) Management of credit risk

In order to effectively control credit risk, the Company has adopted the following measures:

- ① Prudent and proactive credit risk management culture;
- ② An institutional system covering all stages and a risk policy system based on risk limits;
- ③ Industry-leading credit risk management quantitative tools;
- ④ An internal credit rating system with the best practice in the industry;
- ⑤ Full coverage of the substantive assessment of credit risk.

The Company has adopted the following measures including credit risk limit, internal credit rating, quantitative management of collaterals and credit risk measurement model to manage credit risk:

#### ① Credit risk limit

The Company has adopted a classified credit risk limit system to control risk exposure. In accordance with the risk appetite and risk tolerance set by the Board, the Risk Management Department has monitored, reported and issued warning on the implementation of each limit indicator, including business scale limit, low-risk bonds investment ratio, the value of margin financing granted to a single customer and the market value of a single collateral to total market value ratio, which were formulated based on credit features and subject to relevant adjustments based on market condition, business development needs and risk profile of the Company.

#### ② Internal credit rating

The Company has developed several internal credit rating models and comprehensive internal credit rating systems based on the characteristics of different industries and target customers, to rate the credit standings of borrowers or bond issuers and their debts. Internal credit rating results are gradually employed in business authorization, limit forecast, limit approval, risk monitoring, asset quality management, etc. The internal credit rating has become an important instrument for credit business decisions and risk management.

#### ③ Quantitative management of collaterals

The Company has paid great attention to how the quality of collateral guarantees can protect our rights as a creditor. The Company has strengthened collateral management by establishing negative list models for collaterals and collateral conversion rate models and adjusting collateral types and conversion rate periodically. The adjustment mechanism on conversion rate is determined based on intrinsic value (financial statements) and market factors (market price fluctuation, increase, etc.). The Company has also founded a centralized collateral monitoring mechanism and key collaterals assessment mechanism.

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### ④ Credit risk measurement model

The Company has taken into account each credit transaction with factors such as client mix, single liability amount, duration of borrowing, collateral coverage ratio and concentration of collaterals when conducting credit rating, borrower qualification assessment and collateral quantitative management on its counterparties. The aforementioned factors will be reflected as parameters such as probability of default (PD), loss given default (LGD) and maturity (M) to calculate the possible default loss for each credit transaction. Hence, the credit risk measurement model reflects the aggregate credit risk of the Company and is adjusted based on risk calculation by stress testing and sensitivity analysis.

### **(3) Responsibility for managing credit risk**

The Risk Management Committee of the Board is responsible for the review and approval of credit risk appetite. The Risk Management Committee of the Company is responsible for the review of overall risk management on credit business and development of major high-risk and innovative credit business. The Risk Management Committee of the Company and its Credit Risk Committee are responsible for the approval for the loan provision policy and high-risk credit business. All business departments of the Company are responsible for the particular operation, management and monitoring of credit-related business. The Risk Management Department of the Company is responsible for the research and establishment of credit risk management system, the determination of credit risk management preference and tolerance, formulation of loan provision policy of the Company and independent monitoring and warning system on credit risk.

### **(4) Credit risk management on principal businesses**

In respect of margin financing and securities lending, stock pledge repurchase, stock repurchase business and other financing businesses, the Company has established a multi-faceted business approval management system and a sound full-process risk management system covering all stages in advance of, during and after an event by virtue of client due diligence, credit approval, post-loan evaluation, approval of and dynamic adjustment to collaterals, mark-to-market system, forced liquidation and disposal on default.

For debt securities investment business, the Company has developed an internal credit rating system to assess the credit rating of issuers and counterparties. The Company kept track of credit ratings of issuers and counterparties by means of minimum rating requirements for various types of investments and counterparties through a business authorization system, concentration limits, monitoring and risk examination, etc. Risky bonds were enhanced through subsequent monitoring to manage the credit risk of bond investment business.

For OTC derivatives trading business, the Company has formulated a set of management measures and rules in relation to the appropriateness of investors, client due diligence, credit extension to counterparties, conversion rate of securities, effective monitoring of gearing ratio, management of collaterals and follow-up on default of clients, in order to strengthen the management before, during and after trading.

For brokerage business, the securities trading for domestic customers of whom the Company are an agent are settled by margin in full. With regard to the trading of securities and other financial products for overseas customers, the Company has effectively controlled the relevant credit risk by strengthening the management over credit grant and customer deposits.



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### (5) Risk exposure of the Company's investment in domestic and overseas bonds at the end of the Reporting Period

Unit: RMB10,000

	June 30, 2020	December 31, 2019
Issuers in Mainland China		
PRC sovereign bonds	7,285,594	5,487,568
AAA	6,081,351	7,522,352
AA+	783,364	817,432
AA	248,458	252,896
AA-	–	–
Below AA-	4,705	899
A-1	40,381	30,722
Non-rated	52,986	57,026
<b>Sub-total</b>	<b>14,496,839</b>	<b>14,168,895</b>
Issuers in Hong Kong and other regions		
PRC sovereign bonds	239	267
A	40,926	95,175
B	270,114	459,871
C	–	–
D	–	–
Non-rated	5,039	7,440
<b>Sub-total</b>	<b>316,318</b>	<b>562,753</b>
<b>Total</b>	<b>14,813,157</b>	<b>14,731,648</b>

Note 1: The above data is provided on a consolidated basis;

Note 2: PRC sovereign bonds represent the rating of bonds issued by the government of the PRC. AAA~AA- and below AA- represent debt ratings. If there is no debt rating, issuer rating would be used instead, where AAA is the highest rating, and A-1 is the highest rating for short-term commercial papers. Non-rated represents that the credit rating agency has not rated the issuer or debt.

Credit rating of the bonds issued in Hong Kong and other regions were derived from the lowest of Moody's, Standard & Poor's and Fitch Rating, if any. The bonds, which are not rated by the above agencies, are classified as Non-rated. Including in A rating are the bonds comprising Aaa~A3 rating of Moody's, AAA~A-rating of Standard & Poor's and AAA~A- rating of Fitch; including in B rating are the bonds comprising Baa1~B3 rating of Moody's, BBB+~B- rating of Standard & Poor's and BBB+~B- rating of Fitch; including in C rating are the bonds comprising Caa1~C rating of Moody's, CCC+~C rating of Standard & Poor's and CCC+~C rating of Fitch; and including D rating are the bonds comprising D rating of Moody's and D rating of Fitch.

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### 4. *Operational risks and corresponding measures*

#### (1) Overview

Operational risk refers to the risk arising from imperfect or problematic internal procedures, employees, systems or external events.

Operational risk events mainly include the following seven categories: internal fraud, external fraud, employment policy and safety of working environment, customers, products and business activities, damage of physical assets, interruption of business operation and shutdown of IT system, and execution, settlement and process management.

#### (2) Operational risk management

Operational risk management has been the focus among all types of risk management. Through development of mechanisms such as prior coordination, whole process monitoring and information collection after loss from operational risks, a refined operational risk management cycle has been established. In order to effectively manage operational risk, the Company has adopted the following measures:

- ① The Company has established comprehensive systems for operational risk management in accordance with the New Basel Accord and our strategic development needs, and effectively led the operation of various businesses through measurement and allocation of operational risk-based economic capital;
- ② The Company has established a scientific system on the basis of operational risk appetite, tolerance and management policy. The Company improved the operational risk governance structure in a dynamic way;
- ③ The Company has established a system of pre-risk identification and assessment covering all business procedures of all units, subsidiaries and branches by using operational risk and self-assessment management tools with procedure rationalization as the focus, facilitating the formation of an operational risk manual;
- ④ The Company has continued to set up a system of key indicators of risks to further enhance risk monitoring based on risk-prone areas of different business features and operations by formulating risk management standards and conducting management by classification;
- ⑤ By using operational risk events and loss data collection management tools, the Company collected and summarized the internal and external operational risk events encountered by each of our businesses, analyzed reasons of the events and formulated alleviation plans, as well as strengthened the following-up of and improvements in the operational risk events;
- ⑥ The Company has promoted the systematic application of three major operational risk management tools on risk identification and assessment, risk monitoring and events collecting and reporting by establishing an operational risk system, so as to effectively improve the efficiency of the Company's operational risk management and its management standard;
- ⑦ The Company paid great attention to the training and promotion of culture relating to operational risk management. The Company emphasized the importance of conducting risk identification and control before introducing innovative products and innovative businesses. Through various kinds of trainings and promotions, operational risk management covers all the departments and branches of the Company.

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### 5. *Liquidity risks and corresponding measures*

#### (1) Overview

The Company's exposure to liquidity risk mainly arises from failure to obtain sufficient funds at reasonable costs and in a timely manner to repay due debts, perform other payment obligations and satisfy other capital needs for normal business operation. If there are material and adverse changes in operating condition in the future and the Company is not able to maintain its gearing ratio at a reasonable level, and its operation experiences unusual changes, it may not be able to repay the principal of, or interest on, relevant debts in full when due.

Possible liquidity risk events and factors of the Company include cash flow strains, persistent high financing costs, downgraded regulatory rating, blocked financing channels and difficulties in servicing concentrated mature debts.

#### (2) Duties of liquidity risk management

The management of the Company is responsible for receiving the significant event on liquidity risk management and making related decision, and a treasure operating mechanism for centralized management and control of liquidity risk has been established, and the Capital Management Department is responsible for daily risk management of liquidity of the Company. The Company conducts dynamic management of the funding scale for each business and formulates financing plans by taking into account of factors such as liabilities and business development of the Company as well as the market condition.

#### (3) Management measures for liquidity risk

In order to prevent liquidity risk, the Company has adopted the following measures:

- ① The Company has established high-quality current asset reserves and a minimum excess reserve quota system. It has formulated liquidity contingency plans to store minimum excess reserve in the capital plan and reserved treasury bonds, policy financial bonds and other highly liquid assets which can be liquidated at any time under extreme circumstances to cover unexpected expenses;
- ② The Company has actively developed management for financing gaps. By using management tools such as a cash flow gap, sensitivity analysis and stress testing, it can identify potential risks at an early stage and arrange financing and adjust the pace of fund usage for business purposes in advance so as to effectively manage the payment risk;
- ③ The Company has continuously expanded its financing channels and balanced the distribution of debt maturity so as to avoid the payment risk caused by a single financing channel or servicing mature debts;
- ④ The Company has established an internal risk reporting system to promptly monitor the liquidity risk in the operation of each business and at each branch. In addition, it has taken measures to promote the safety, soundness and sustainability of the aforementioned operations.

## Chapter 5: Major Events

### I. Shareholders' General Meetings

Meeting	Date of meeting	Enquiry index of designated website for the publication of resolutions	Date of announcement on resolutions
2020 first extraordinary general meeting	January 15, 2020	Hong Kong Stock Exchange website	January 15, 2020
2019 annual general meeting, 2020 first A Shareholders class meeting and 2020 first H Shareholders class meeting	May 19, 2020	Hong Kong Stock Exchange website	May 19, 2020

### II. Proposals on Profit Distribution or Conversion of Capital Reserve

#### (I) Profit distribution proposal and proposal for capital increase by way of conversion of capital reserve for the Reporting Period

Any distribution or capital increase	Yes
Number of bonus shares for every 10 shares (share)	0
Dividends for every 10 shares (RMB) (tax inclusive)	3.35
Number of scrip shares for every 10 shares (share)	0

Details of profit distribution proposal or proposal for capital increase by way of conversion of capital reserve

The Company's proposal on profit distribution for the first half of 2020 has been considered and approved at the 35th meeting of the sixth session of the Board of the Company, and the independent Directors of the Company have provided independent advice in respect of such proposal. Such proposal is still subject to consideration and approval at the shareholders' general meeting.

Upon approval, the Company will distribute cash dividends within two months from the conclusion of the shareholders' general meeting.

## Chapter 5: Major Events

### III. Performance of Undertakings

#### (I) Undertakings of obligors, including the de facto controller, shareholders, related parties and acquirer of the Company and the Company during or subsisting at the time of the Reporting Period

Background	Type	Party(ies)	Details	Effective time and validity period	Whether the undertakings have a performance deadline	Whether the undertakings have been strictly performed in a timely manner	Reason for not performed in a timely manner	Follow-up actions, in case of undertakings not performed in a timely manner
Undertaking related to the initial public offering	Prevention of competition	Jisheng Investment	Pursuant to the Non-competition Undertaking Letter in favor of the Company, Jisheng Investment has undertaken that it will not engage in any business which competes directly with the existing principal businesses of the Company and its subsidiaries (whether wholly-owned or not) in accordance with laws and administrative regulations.	Upon the public offering and listing of the A Shares of the Company, and as long as Jisheng Investment is a shareholder of the Company.	Yes	Yes	—	—
	Prevention of competition	China Merchants Group	Pursuant to the Non-competition Undertaking Letter in favor of the Company, China Merchants Group has undertaken that it and the legal entities beneficially controlled by it will not establish new securities companies or control other securities companies through acquisition in the PRC. For businesses of the same or similar nature to securities companies engaged by the non-securities companies controlled by China Merchants Group, it will make sufficient disclosure in accordance with laws upon the public offering and listing of the shares of the Company. China Merchants Group shall not harm the interests of the Company and other shareholders by virtue of its role of de facto controller of the Company.	Upon the public offering and listing of the A Shares of the Company, and as long as China Merchants Group is the de facto controller of the Company.	Yes	Yes	—	—



## Chapter 5: Major Events

Background	Type	Party(ies)	Details	Effective time and validity period	Whether the undertakings have a performance deadline	Whether the undertakings have been strictly performed in a timely manner	Reason for not performed in a timely manner	Follow-up actions, in case of undertakings not performed in a timely manner
Undertaking related to re-financing	Prevention of competition	CM Finance Investment	Pursuant to the Non-competition Undertaking Letter in favor of the Company, CM Finance Investment has undertaken that it and other entities controlled by it will not engage in any business which competes with the businesses of the Company.	As long as CM Finance Investment is a controlling shareholder of the Company.	Yes	Yes	—	—
	Others	CM Finance Investment, Jisheng Investment, Best Winner Investment Limited	They have undertaken to subscribe in full for the shares available under the rights issue plan in cash	The right issue period of the Company	Yes	Yes	—	—
	Others	China Merchants Group, CM Finance Investment	They have undertaken not to interfere in the operation and management activities of the Company beyond the authority; not encroach upon the interests of the Company; not deliver interests to other units or individuals free of charge or under unfair conditions, nor damage the interests of the Company in other means; if the CSRC makes other new regulatory provisions on remedial measures and other new undertakings before the completion of the right issue, and the aforesaid undertakings fail to meet such provisions of the CSRC, the additional undertakings will be given in accordance with the latest provisions of the CSRC; in case of any loss caused to the Company or other shareholders due to violation of the aforesaid undertakings or refusal to perform the aforesaid undertakings, they shall be liable for compensation to the Company or other shareholders according to the laws.	As long as China Merchants Group is the de facto controller of the Company; as long as CM Finance Investment is a controlling shareholder of the Company.	Yes	Yes	—	—
Other undertakings to minority shareholders	Others	China Merchants Group, China Ocean Shipping	When there is unusual price movement in the shares of the Company, they will not reduce their shareholdings in the Company and will increase their shareholdings in accordance with laws when appropriate.	When there is unusual price movement in the shares of the Company	Yes	Yes	—	—

## Chapter 5: Major Events

### IV. Appointment and Removal of Accounting Firms

Explanation for appointment and removal of accounting firms

On May 19, 2020, the Resolution Regarding the Appointment of Auditors of the Company for 2020 was considered and approved at the 2019 annual general meeting of the Company. Pursuant to which, it was decided to continue to appoint Deloitte (including Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu) as the auditors for the financial reporting and internal control of the Company for 2020.

### V. Material Litigations or Arbitrations

For litigations involved in an amount of RMB50 million or above during the Reporting Period, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on April 13, May 8 and May 14, 2020, respectively.

### VI. Punishment and Remedial Measures on the Listed Company, Its Directors, Supervisors, Senior Management, Controlling Shareholder, De Facto Controller and Acquirer

On April 8, 2020, the Changchun Central branch of the People's Bank of China issued the "Administrative Penalty Decision" (Chang Yin Fa Zi [2020] No. 1) to the securities office on Changchun Renmin Street of the Company, considering that such office failed to perform the obligation of customer identification in accordance with the regulations, and imposed a fine of RMB220,000 to such office. The Company promptly requested such office to strengthen customer identification and sort out customers with incorrect contact information. Such office has now contacted customers through telephone, text messages, registered letters, on-site visits, etc., so as to re-identify customer information, request customers to update information and impose corresponding business restrictions on accounts that have not updated information. Meanwhile, such office has carried out customer risk grading work in accordance with the regulations and strengthened the timeliness of customer risk grading work. Currently, all rectifications have been completed in accordance with the requirements of the People's Bank of China.

### VII. Integrity of the Company and Its Controlling Shareholder and De Facto Controller during the Reporting Period

During the Reporting Period, the Company and its controlling shareholder and de facto controller were not subject to any outstanding court order or large amount of overdue liabilities.

## Chapter 5: Major Events

## VIII. Information about the Company's Share Incentive Plan, Employee Stock Ownership Scheme or Other Employee Incentive Measures and Their Impacts

## Employee stock ownership scheme

Summary of event	Reference
<p>The "Plan for Repurchasing A Shares of the Company by Centralized Bidding Transactions" was considered and approved at the 17th meeting of the sixth session of the Board, 2019 first extraordinary general meeting, 2019 first A Shareholders class meeting and 2019 first H Shareholders class meeting of the Company. Pursuant to relevant provisions, the Company intended to use all the A Shares repurchased for the employee stock ownership scheme.</p> <p>The "Proposal for Employee Stock Ownership Scheme (Draft) of China Merchants Securities Co., Ltd. and its Summary" was considered and approved at the 25th meeting of the sixth session of the Board and the 2020 first extraordinary general meeting of the Company. The "Proposal on the Advanced Completion of A Share Repurchase of the Company" and "Proposal on the Clarification of Price and Plan Size for the Repurchase of Shares of the Company's Employee Stock Ownership Scheme" were considered and approved at the 28th meeting of the sixth session of the Board and the 2020 first extraordinary general meeting of the Company, and accordingly, revision was made to the "Proposal for Employee Stock Ownership Scheme (Draft) of China Merchants Securities Co., Ltd." and its summary.</p> <p>On January 21, 2020, the Company held the first meeting of holders of employee stock ownership scheme, and considered and approved the "Proposal on the Establishment of Employee Stock Ownership Scheme Management Committee of the Company" and "Proposal on the Election of Members of the Employee Stock Ownership Scheme Management Committee of the Company".</p> <p>The Company engaged CMS Asset Management as the management authority for the employee stock ownership scheme, and signed the "CMS Asset Management – Asset Management Contract for Separate Asset Management Scheme under the China Merchants Securities No. 1 Employee Stock Ownership Scheme" with CMS Asset Management on behalf of the employee stock ownership scheme. On March 6, 2020, the Company received the "Share Transfer Confirmation" issued by the CSDC. On March 3, 2020, the Company has completed the share transfer procedures for the employee stock ownership scheme. There are 40,020,780 A Shares under the employee stock ownership scheme of the Company, accounting for 0.5974% of the Company's total share capital, with a total of 995 participants.</p> <p>The source of funds for the Company's employees to participate in the scheme is the legal salary of the employees and self-raised funds obtained by other means permitted by laws and administrative regulations.</p> <p>According to the "China Merchants Securities Employee Stock Ownership Scheme (Revised Draft)", the relevant shares under the Company's employee stock ownership scheme shall be locked up from the date on which the Company announced the completion of such share transfer (March 6, 2020) for a period of 36 months.</p>	<p>The relevant announcements published by the Company on the Hong Kong Stock Exchange website on March 12, March 13, April 11, May 20, October 15, November 8 and December 26, 2019, and January 14, January 15, January 22 and March 5, 2020.</p>

Note: Upon the completion of the Company's A+H Shares rights issue in July and August 2020, there are 52,026,381 A Shares of the Company under the employee stock ownership scheme of the Company, accounting for 0.5982% of the Company's total share capital.

## Chapter 5: Major Events

## IX. Material Contracts and Their Performance

## Guarantees

Unit: RMB100 million

Guarantees provided by the Company (excluding guarantees for subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Guarantee	Amount of guarantee	Date of guarantee (date of agreement)	Effective date of guarantee	Expiry date of guarantee	Types of guarantee	Completion of guarantee	Guarantee overdue	Outstanding amount of guarantee overdue	Counter guarantee	Guarantee for related parties	Relationship
—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)													0
Balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)													0
Guarantees for subsidiaries by the Company													
Total guarantees for subsidiaries during the Reporting Period													-1.99
Balance of guarantees for subsidiaries as at the end of the Reporting Period (B)													43.33
Total guarantees (including guarantees for subsidiaries)													
Total guarantees (A+B)													43.33
Ratio of total guarantee to net assets of the Company (%)													4.85
Among which:													
Guarantees for shareholders, de facto controller and their related parties (C)													0
Debt guarantee provided directly or indirectly for companies with gearing ratio over 70% (D)													2.85
Amount of guarantees in excess of 50% of the net assets (E)													0
Total amount of the above three types of guarantees (C+D+E)													2.85
Outstanding guarantees subject to joint and several liabilities													—
Details of guarantees							<ol style="list-style-type: none"> <li>On January 20, 2014, the provision of net assets guarantee of up to RMB500 million for CMS Asset Management was approved at the 2014 first extraordinary meeting of the fourth session of the Board. On September 27, 2016, the increase of net assets guarantee in favor of CMS Asset Management by no more than RMB3 billion in stages and authorization for the management of the Company to perform in stages, or terminate, such net assets guarantee within the above limit based on the actual operating condition of CMS Asset Management were approved at the 42nd meeting of the fifth session of the Board. The balance of net assets guarantee provided by the Company for CMS Asset Management as at the end of the Reporting Period amounted to RMB3.5 billion;</li> <li>In May 2020, at the 2019 annual general meeting of the Company, it was considered and approved that the total amount of guarantees provided by CMS International for its wholly-owned subsidiaries within the authorization period shall not exceed HK\$31 billion equivalent, of which financing guarantees shall not exceed HK\$2.7 billion equivalent. As at the end of the Reporting Period, the total amount of guarantees provided by CMS International for its wholly-owned subsidiaries amounted to approximately RMB8.603 billion (including approximately RMB2.091 billion of financing guarantees), and the total balance of guarantees for loans and transactions as at the end of the Reporting Period amounted to approximately RMB833 million.</li> </ol>						

## X. Poverty Alleviation

### 1. Targeted poverty alleviation

Poverty alleviation is one of the three critical missions established by the 19th National Congress of the Communist Party, and is also a great cause which the securities industry should take the initiative to implement. The Company continued to implement the “Decision of the PRC State Council on Poverty Alleviation” (Zhong Fa [2015] No. 34) (《中共中央國務院關於打贏脫貧攻堅戰的決定》(中發[2015]34號)) and the objectives of the working conference of the central committee on poverty alleviation through development pursuant to the general working plan formulated by the CSRC. In active response to the appeal of the government and the CSRC, the Company has made full use of the characteristics of the securities industry and carried out targeted poverty alleviation.

Basic strategy: institutionalizing poverty alleviation to create growth momentum and strengths, rather than give external relieves, to impoverished counties.

General target: focusing on the two counties under our paired-up poverty alleviation program to help impoverished countries realize “self-revitalization”, so as to re-develop the county by themselves, rebuild their own strengths and lift them out of poverty.

Main tasks: adhering to the principle that “a man shall be taught how to fish instead of being given fish”, the Company fully utilizes its professional edges in financial services and social resources to help impoverished areas establish long-term poverty alleviation mechanism and model that are specific to the realities of each region, through major assistance measures in the development of industry, finance, consumption and education.

Supporting measures: the Company attaches great importance to poverty alleviation by coordinating and deploying human and material resources, actively meeting demand from poverty alleviation work, and promoting, monitoring and periodically inspecting the poverty alleviation work of the Company with the aim to guarantee the implementation of poverty alleviation.

### 2. Summary of targeted poverty alleviation during the Reporting Period

In the first half of 2020, the Company has carried and is carrying out the following poverty alleviation work:

#### (1) Poverty alleviation for education

- ① Donated RMB1 million to Shitai County for the purchase of electronic equipment in the county’s library renovation project.
- ② Purchased winter school uniforms for 135 students at Yucai Education Center in Dajie Township, Weining County, Guizhou Province, in a total amount of RMB32,000.



## Chapter 5: Major Events

### (2) *Poverty alleviation for finance*

- ① Assisted EIT to be successfully listed on the A Share market. On January 23, 2020, EIT Environmental Development Group Co., Ltd. (stock code: 300815, hereinafter referred to as "EIT") was successfully listed on the SZSE. EIT publicly offered 34.6 million shares at an offer price of RMB29.55 per share. The gross proceeds raised amounted to RMB1.02243 billion. The Company served as the sole sponsor and lead underwriter for such offering and listing.

EIT is located in Yuexi County, Anqing City, Anhui Province, and such county is included in the list of national impoverished counties of the Securities Industry Association. With its professional service capabilities and excellent service quality, the Company assisted EIT to successfully enter the capital market.

- ② Assisted Muyuan Foods, a company in an impoverished county under our paired-up poverty alleviation program, to complete the "Huaneng Guicheng – China Merchants – Muyuan Huirong Supply Chain Phase 1 Asset Support Special Scheme" supply chain accounts payable asset securitization project. On June 2, 2020, the issuance under the "Huaneng Guicheng – China Merchants – Muyuan Huirong Supply Chain Phase 1 Asset Support Special Scheme" project (hereinafter referred to as the "Special Scheme") was successfully completed. The gross proceeds raised amounted to RMB123 million. The Company served as the lead underwriter for such project.

The Special Scheme will help Muyuan Foods to broaden its financing channels, effectively reduce its financing costs, revitalize the stock assets of accounts payable and further improve its capital utilization efficiency.

- ③ China Merchants Futures, a wholly-owned subsidiary of the Company, participated in the "Insurance + Futures" project in Baoting County of the Shanghai Futures Exchange. The project guaranteed a total of 4,500 tons of rubber, benefiting 8,782 rural households, of which 2,877 were registered impoverished households. Such project fully covered the impoverished households engaging in rubber planting in such county and contributed RMB3.6 million of capital.

### (3) *Poverty alleviation for consumption*

In order to assist in the fight against the epidemic and actively fulfill corporate social responsibilities, the Company purchased highland vegetable packs from Weining County, Guizhou Province with a total value of RMB264,000 in April 2020 and donated them to Shenzhen Yuehai Sub-district Office and Shenzhen Futian Sub-district Office for the staff of such offices who were fighting against the epidemic.

### (4) *Poverty alleviation for health*

In April 2020, as the progress for the treatment of severe cases of COVID-19 in Hubei Province remained slow, in order to meet the demand for the transfer of critical patients, under its "China Red Cross – China Merchants Securities Fraternity Fund", the Company urgently purchased eight negative pressure monitoring ambulances and donated them to relevant medical institutions in Hubei Province, so as to meet local demand for epidemic prevention and control. Five of the ambulances (valued at RMB2.745 million) were donated to Longba Township Health Center in Zhuxi County, Jianchi Township Health Center in Yunxi County, Enshi Central Hospital, Enshi Tujia and Miao Autonomous Prefecture Special Care Hospital and Dawang Township Health Center in Yangxin County, respectively.

### (5) *Poverty alleviation for employment*

In May 2020, the Company arranged a special recruitment for fresh graduates in impoverished counties paired up with China Merchants Group and the Company and of Xinjiang's ethnic minority. In June 2020, the Company organized an on-site recruitment in Weining County, Guizhou Province, making every effort to assist the skilled labor force in such impoverished county to be rewarded, so as to achieve the goal of poverty alleviation.

## Chapter 5: Major Events

## 3. Effect of targeted poverty alleviation

Unit: RMB10,000

Indicators		Amounts and details
I. General		
Including:	1. Funds	489.6
	2. Conversion of money from materials	274.5
II. By category		
	1. Industrial development	
Including:	1.1 Project types	<input checked="" type="checkbox"/> Agriculture and forestry <input type="checkbox"/> Tourism <input type="checkbox"/> E-commerce <input checked="" type="checkbox"/> Asset income promotion <input type="checkbox"/> Technology <input checked="" type="checkbox"/> Others
	1.2 Number of projects (project)	3
	1.3 Investment	360
	2. Education	
Including:	2.1 Subsidies to students in need	3.2
	2.2 Number of poor students receiving subsidies (person)	135
	2.3 Investment for improving educational resources in impoverished areas	100
	3. Health	
Including:	3.1 Amount of medical and health resources contributed to impoverished areas	274.5
	4. Other projects	
Including:	4.1 Number of projects (project)	1
	4.2 Investment	26.4
	4.3 Number of people under poverty alleviation with documentary cards (person)	
	4.4 Description of other projects	Poverty alleviation for consumption
III. Awards (details and levels)		

China Merchants Futures, a wholly-owned subsidiary of the Company, was awarded the second prize of the 2019 Natural Rubber "Insurance + Futures" Targeted Poverty Alleviation Pilot Project of the Shanghai Futures Exchange.

## Chapter 5: Major Events

### 4. Phased progress in fulfilling the social responsibility of targeted poverty alleviation

2020 is the year for achieving the goal of building a moderately prosperous society in all respects, as well as the year for winning the fight against poverty in all respects. As a securities firm controlled by a central enterprise, the Company has always regarded poverty alleviation as its inescapable and important political responsibility, and actively contributed its efforts in the process of pairing assistance and implementing financial services in impoverished regions.

Since pairing up with Neixiang County in Henan Province and Shitai County in Anhui Province for assistance in poverty alleviation in 2016, the Company has actively fulfilled its social responsibilities, performed the responsibility of a central enterprise with practical actions, and carried out targeted poverty alleviation in the counties of pairing assistance through various methods of poverty alleviation such as finance, education and consumption. Among which, the most notable example is the continuous provision of financial services to assist Muyuan Foods, located in Neixiang County, to develop into a leading livestock breeding company in China.

In April and May 2020, Shitai County in Anhui Province and Neixiang County in Henan Province were successively removed from the list of national impoverished counties. So far, the two counties paired up with the Company have successfully achieved poverty alleviation.

### 5. Subsequent plans on targeted poverty alleviation

The Company will actively shoulder the social responsibilities of a central enterprise and state-owned enterprise, and integrate into the strategies of the nation and the Group. The Company will continue to reinforce the cooperative relationship with the paired up counties, namely Neixiang County in Henan Province and Shitai County in Anhui Province, provide financial services for high-quality enterprises in the counties, organize the establishment of Fuzhi School, and use its professional financial services to assist the social and economic development of the two counties to continuously step up to a new stage.

## XI. Information on Environmental Protection

### Reasons as for why companies other than key pollutant discharging units did not disclose environmental protection information

The Company will disclose environmental protection information in its annual social responsibility report.

## XII. Other Major Events

### Changes of accounting policies, accounting estimates and methods and their reasons and impact as compared to the last accounting period

Pursuant to the Notice of the Ministry of Finance on the Issuance of the “Regulations on Accounting Treatment of COVID-19-Related Rent Concessions” (Cai Hui [2020] No. 10), the Group has chosen to adopt the simplified method under such regulations on accounting treatment. The use of such simplified method has no significant impact on the current profit and loss.

For details of the above matters, please refer to “Changes in significant accounting policies and accounting estimates” under “Chapter 9: Financial Report” of this report.

## Chapter 5: Major Events

### XIII. Investor Relations Activities during the Reporting Period

During the Reporting Period, the Company overcame the adverse impact of the epidemic, held the 2019 online performance briefing and cash distribution briefing, actively participated in online investment strategy meetings and exchange sessions of domestic brokerages, and earnestly received domestic and foreign analysts and institutional investors on site. The Company communicated with 389 domestic and foreign analysts and institutional investors on 29 occasions, and 213 investors through SSE E-Interaction, telephone hotlines, email and Weixin. The Company has continuously improved the quality and efficiency of communication with investors and promoted positive interaction between the Company and its investors.

### XIV. Corporate Governance

#### (I) Compliance with code on securities transactions

The Company has adopted the Model Code as the code of conduct regarding the transactions of securities of the Company by all Directors and Supervisors. Having made specific inquiries, all Directors and Supervisors of the Company have confirmed that during the Reporting Period, they have strictly complied with the standards under the Model Code. According to the requirements of the CSRC, employees of the Company shall be regarded as securities practitioners and shall be prohibited from dealings in shares. The Company is not aware of any breach of the guidelines by the relevant employees. The Board will inspect the corporate governance of the Company and its operation from time to time, in order to comply with the applicable requirements under the Hong Kong Listing Rules and safeguard the interests of shareholders. Upon enquiry, all Directors, Supervisors and senior management of the Company have confirmed that they have strictly complied with the applicable requirements under the Model Code and the Management Rules on the Shares and Changes of Shareholdings of Directors, Supervisors and Senior Management in China Merchants Securities Co., Ltd. (《招商證券股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理制度》). For details regarding the shareholdings of the Directors, Supervisors and senior management in the Company, please see “Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations of the Directors, Supervisors and Chief Executives” under “Chapter 8: Directors, Supervisors and Senior Management” of this report.

#### (II) Relevant information on corporate governance

The Company, being a company listed in the PRC and Hong Kong, manages its operation in strict compliance with the laws, regulations and regulatory documents of the domestic and overseas places where its shares are listed, and strives to protect and enhance its market presence. The Company has continuously improved its corporate governance structure in compliance with the Company Law, the Securities Law and the regulations and requirements of the CSRC, SFC and the Hong Kong Stock Exchange. The corporate governance of the Company complies with the requirements of applicable laws and regulations. The Company has established a corporate governance structure consisting of the shareholders’ general meeting, the Board, the Supervisory Committee and the management with separate duties and effective checks and balances in order to maintain its regulated operation.

Since the listing of the H Shares, the Company strictly complied with the Corporate Governance Code under Appendix 14 of the Hong Kong Listing Rules and the Corporate Governance Report (hereinafter referred to as the “Code and Report”). The Company satisfied all provisions and substantially all of the recommended best practices under the Code and Report.

The corporate governance structure of the Company is sound and does not deviate from relevant requirements of the regulatory authorities from where the Company’s shares are listed.

## Chapter 5: Major Events

### XV. Events after the Reporting Period

#### 1. Completion of the A+H Shares Rights Issue

As approved under the CSRC Approval [2020] No. 723 and [2019] No. 1946 documents of the CSRC, the Company has successfully completed the A Share and H Share rights issue (hereinafter referred to as the "Rights Issue"), respectively, to issue 1,702,997,123 RMB ordinary shares to its existing A Shareholders and 294,120,354 H Shares to its existing H Shareholders. Upon the Rights Issue, the Company's total share capital increased from 6,699,409,329 to 8,696,526,806. Of which, the A Share capital increased from 5,719,008,149 to 7,422,005,272 and the H Share capital increased from 980,401,180 to 1,274,521,534. The Company's A Shares and H Shares under the Rights Issue have been listed and traded on the SSE and the Hong Kong Stock Exchange on July 31 and August 20, respectively.

The total proceeds from the Rights Issue amounted to RMB12.704 billion and HK\$2.407 billion (equivalent to approximately RMB2.194 billion), respectively. The fees for the A Share and H Share Rights Issue (including but not limited to underwriting commissions, printing, registration, legal and accounting fees, information disclosure fees, etc.) amounted to RMB20.96 million (value-added tax exclusive) and HK\$61.41 million (equivalent to approximately RMB55.97 million), respectively.

For details, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on July 19, July 27 and August 18, 2020.



## Chapter 5: Major Events

## 2. Changes to the interests and short positions of the substantial shareholders and other persons in the shares and underlying shares upon completion of the A+H Shares Rights Issue

As at the Latest Practicable Date, to the best knowledge of the Directors having made reasonable enquiries, the interests and short positions of the substantial shareholders of the Company and other persons in the shares and underlying shares were as follows:

No.	Name of controlling shareholder and substantial shareholders	Class of shares	Nature of interest	Number of shares held	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares/H Shares of the Company (%)	Long positions <sup>6</sup> / short positions <sup>7</sup> / shares available for lending
1	China Merchants Group	A Shares	Interest held by controlled corporations <sup>1</sup>	3,751,835,387	43.14	50.55	Long position
		H Shares	Interest held by controlled corporations <sup>2</sup>	89,042,607	1.02	6.99	Long position
2	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	A Shares	Beneficial owner and interest of corporation controlled by substantial shareholders <sup>3</sup>	3,751,835,387	43.14	50.55	Long position
3	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	A Shares	Beneficial owner	1,703,934,870	19.59	22.96	Long position
4	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司)	A Shares	Interest held by controlled corporations <sup>4</sup>	663,437,515	7.63	8.94	Long position
		H Shares	Interest held by controlled corporations <sup>5</sup>	207,797,720	2.39	16.30	Long position
5	China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	A Shares	Beneficial owner	544,632,418	6.26	7.34	Long position
6	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司)	H Shares	Beneficial owner	433,290,000	4.98	34.00	Long position
7	COSCO SHIPPING Investment Holding Co., Limited (formerly COSCO SHIPPING Financial Holdings Co., Limited)	H Shares	Beneficial owner	207,797,720	2.39	16.30	Long position
8	Best Winner Investment Limited	H Shares	Beneficial owner	89,042,607	1.02	6.99	Long position

## Chapter 5: Major Events

1. China Merchants Group holds 100% of the equity interest in CM Finance Investment and Jisheng Investment, and is deemed to be interested in the same number of A Shares which CM Finance Investment (23.55%) and Jisheng Investment (19.59%) are interested in under the SFO.
2. China Merchants Group holds 100% of the equity interest in Best Winner Investment Limited, and is deemed to be interested in the same number of H Shares which Best Winner Investment Limited (1.02%) is interested in under the SFO.
3. China Merchants Finance Investment Holdings Co., Ltd. directly holds 23.55% of the shares of the Company. China Merchants Finance Investment Holdings Co., Ltd. holds 100% of the equity interest in Shenzhen Jisheng Investment Development Co., Ltd., and is deemed to be interested in the same number of A Shares which Shenzhen Jisheng Investment Development Co., Ltd. (19.59%) is interested in under the SFO. Thus, China Merchants Finance Investment Holdings Co., Ltd. holds, directly and indirectly, an aggregate of 43.14% of the equity interest in the Company.
4. China COSCO Shipping Corporation Limited holds 100% of the equity interest in China Ocean Shipping Company Limited and China Shipping Group Co., Ltd. (中國海運集團有限公司), and is therefore deemed to be interested in the same number of A Shares which China Ocean Shipping Company Limited (6.26%), COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司) (1.26%), a wholly-owned subsidiary of China Shipping Group Co., Ltd., Guangzhou Sanding Oil Products Transport Co., Ltd. (廣州市三鼎油品運輸有限公司) (0.01%) and COSCO SHIPPING Investment Holdings Co., Limited (0.10%), a wholly-owned subsidiary of China Shipping Group Co., Ltd., are interested in under the SFO.
5. China COSCO Shipping Corporation Limited is deemed to be interested in the same number of H Shares which COSCO SHIPPING Investment Holdings Co., Limited (2.39%), a wholly-owned subsidiary of China Shipping Group Co., Ltd. (中國海運集團有限公司), is interested in under the SFO.
6. A shareholder has a “long position” if it has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to buy the underlying shares; (ii) it is under an obligation to buy the underlying shares; (iii) it has a right to receive money if the price of the underlying shares increases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares increases; and
7. A shareholder has a “short position” if it borrows shares under a securities borrowing and lending agreement, or if it holds, sells or issues financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to require another person to buy the underlying shares; (ii) it is under an obligation to deliver the underlying shares; (iii) it has a right to receive money if the price of the underlying shares decreases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares decreases.

Save as disclosed above, as at the Latest Practicable Date, the Company was not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Chapter 5: Major Events

### 3. Changes to the interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations of the Directors, Supervisors and chief executives upon completion of the A+H Shares Rights Issue

As at the Latest Practicable Date, to the best knowledge of the Directors having made reasonable enquiries, the changes to the interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations of the Directors, Supervisors and chief executives of the Company were as follows:

Director/Supervisor	Position	Class of shares	Nature of interest	Number of shares held	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares of the Company (%)	Long positions/ short positions/ shares available for lending
HUO Da (霍達)	Chairman of the Board, executive Director	A Shares	Beneficial owner	531,210	0.01	0.01	Long position
XIONG Jiantao (熊劍濤)	Executive Director, President, Chief Information Officer	A Shares	Beneficial owner	531,210	0.01	0.01	Long position
ZHOU Linda Lei (周語菡)	Chairman of the Supervisory Committee	A Shares	Beneficial owner	429,054	0.00	0.01	Long position
YIN Hongyan (尹虹艷)	Employee representative Supervisor	A Shares	Beneficial owner	204,311	0.00	0.00	Long position
HE Min (何敏)	Employee representative Supervisor	A Shares	Beneficial owner	102,156	0.00	0.00	Long position
XIONG Zhigang (熊志鋼)	Employee representative Supervisor	A Shares	Beneficial owner	204,311	0.00	0.00	Long position

### 4. The impact of changes in shares on financial indicators such as earnings per share and net assets per share after the Reporting Period until the Latest Practicable Date

Upon the completion of the Rights Issue, in consideration of the bonus shares involved in the Rights Issue, the weighted average number of ordinary shares outstanding for each period has been adjusted when calculating the earnings per share. The basic earnings per share for the most recent year and the most recent period prior to the changes in shares (i.e. 2019 and the first half of 2020) were RMB0.82 and RMB0.50, respectively.

### 5. For other events after the Reporting Period, please refer to "Events After the Balance Sheet Date" under "Chapter 9: Financial Report" of this report.

## Chapter 6: Changes in Ordinary Shares and Shareholders

### I. Changes in Share Capital

#### 1. Table of changes in shares

During the Reporting Period, the total number of shares and share capital structure of the Company remained unchanged.

### II. Shareholders

#### (I) Total number of shareholders:

Total number of holders of ordinary shares as of the end of the Reporting Period	94,719
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#### (II) Shareholdings of the top ten shareholders and the top ten shareholders of tradable shares (or holders of unrestricted shares) as of the end of the Reporting Period

Unit: share

Shareholdings of the top ten shareholders							
Name of shareholder (in full)	Changes during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of restricted shares held	Pledged or locked-up		Nature of shareholders
					Status	Number	
China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	—	1,575,308,090	23.51	—	Nil	—	State-owned legal person
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	—	1,310,719,131	19.56	—	Nil	—	State-owned legal person
HKSCC Nominees Limited	800	980,046,120	14.63	—	Nil	—	Overseas legal person
China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	—	418,948,014	6.25	—	Nil	—	State-owned legal person
Hebei Port Group Co., Ltd. (河北港口集團有限公司)	—	264,063,640	3.94	—	Nil	—	State-owned legal person
China Communications Construction Company Ltd. (中國交通建設股份有限公司)	—	209,399,508	3.13	—	Nil	—	State-owned legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	—	200,313,024	2.99	—	Nil	—	Unknown
Hong Kong Securities Clearing Company Limited	7,098,123	114,673,450	1.71	—	Nil	—	Overseas legal person
COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司)	—	83,999,922	1.25	—	Nil	—	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	—	77,251,600	1.15	—	Nil	—	State-owned legal person

## Chapter 6: Changes in Ordinary Shares and Shareholders

Shareholdings of the top ten holders of unrestricted shares			
Name of shareholder	Number of tradable unrestricted shares held	Class and number of shares	
		Class	Number
China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	1,575,308,090	RMB ordinary shares	1,575,308,090
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	1,310,719,131	RMB ordinary shares	1,310,719,131
HKSCC Nominees Limited	980,046,120	Overseas listed foreign shares	980,046,120
China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	418,948,014	RMB ordinary shares	418,948,014
Hebei Port Group Co., Ltd. (河北港口集團有限公司)	264,063,640	RMB ordinary shares	264,063,640
China Communications Construction Company Ltd. (中國交通建設股份有限公司)	209,399,508	RMB ordinary shares	209,399,508
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	200,313,024	RMB ordinary shares	200,313,024
Hong Kong Securities Clearing Company Limited	114,673,450	RMB ordinary shares	114,673,450
COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司)	83,999,922	RMB ordinary shares	83,999,922
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	77,251,600	RMB ordinary shares	77,251,600
Statement on the related relationships or concerted actions among the aforesaid shareholders	<p>Among the above top ten shareholders,</p> <ol style="list-style-type: none"> <li>1. CM Finance Investment and Jisheng Investment are all subsidiaries of China Merchants Group, the de facto controller of the Company;</li> <li>2. China Ocean Shipping and COSCO Shipping (Guangzhou) Co., Ltd. are all subsidiaries of China COSCO Shipping Corporation Limited.</li> </ol>		

Note 1: HKSCC Nominees Limited is the nominee holder for the shares held by the non-registered H Shareholders of the Company;

Note 2: Given the fact that the shares of the Company are margin financing and securities lending targeted securities, the number of shares held by the shareholders are calculated based on the aggregate number of shares and equities held in their ordinary securities accounts and credit securities accounts.



## Chapter 6: Changes in Ordinary Shares and Shareholders

### III. Changes in Controlling Shareholder or De Facto Controller

Upon the completion of the Rights Issue of the Company, the total number of shares of the Company held by China Merchants Group, the de facto controller, increased from 2,953,733,621 to 3,840,877,994, and its proportion to the total share capital of the Company increased from 44.09% to 44.17%. The total number of shares of the Company held by CM Finance Investment, the controlling shareholder, increased from 2,886,027,221 to 3,751,835,387, and its proportion to the total share capital of the Company increased from 43.08% to 43.14%.

For details, please refer to the relevant announcement published by the Company on the Hong Kong Stock Exchange website on July 27 and August 18, 2020.

### IV. Interests and Short Positions of the Substantial Shareholders and Other Persons in the Shares and Underlying Shares

As at the end of the Reporting Period, to the best knowledge of the Directors having made reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares or underlying shares which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

No.	Name of controlling shareholder and substantial shareholders	Class of shares	Nature of interest	Number of shares held	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares/H Shares of the Company (%)	Long positions <sup>6</sup> / short positions <sup>7</sup> / shares available for lending
1	China Merchants Group	A Shares	Interest held by controlled corporations <sup>1</sup>	2,886,027,221	43.08	50.46	Long position
		H Shares	Interest held by controlled corporations <sup>2</sup>	67,706,400	1.01	6.91	Long position
2	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	A Shares	Beneficial owner and interest of corporation controlled by substantial shareholders <sup>3</sup>	2,886,027,221	43.08	50.46	Long position
3	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	A Shares	Beneficial owner	1,310,719,131	19.56	22.92	Long position

## Chapter 6: Changes in Ordinary Shares and Shareholders

No.	Name of controlling shareholder and substantial shareholders	Class of shares	Nature of interest	Number of shares held	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares/H Shares of the Company (%)	Long positions <sup>6</sup> / short positions <sup>7</sup> / shares available for lending
4	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司)	A Shares	Interest held by controlled corporations <sup>4</sup>	509,426,550	7.60	8.91	Long position
		H Shares	Interest held by controlled corporations <sup>5</sup>	159,844,400	2.39	16.30	Long position
5	China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	A Shares	Beneficial owner	418,948,014	6.25	7.33	Long position
6	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司)	H Shares	Beneficial owner	333,300,000	4.98	34.00	Long position
7	COSCO SHIPPING Investment Holdings Co., Limited (formerly COSCO SHIPPING Financial Holdings Co., Limited)	H Shares	Beneficial owner	159,844,400	2.39	16.30	Long position
8	Best Winner Investment Limited	H Shares	Beneficial owner	67,706,400	1.01	6.91	Long position

1. China Merchants Group holds 100% of the equity interest in CM Finance Investment and Jisheng Investment, and is deemed to be interested in the same number of A Shares which CM Finance Investment (23.51%) and Jisheng Investment (19.56%) are interested in under the SFO.
2. China Merchants Group holds 100% of the equity interest in Best Winner Investment Limited, and is deemed to be interested in the same number of H Shares which Best Winner Investment Limited (1.01%) is interested in under the SFO.
3. China Merchants Finance Investment Holdings Co., Ltd. directly holds 23.51% of the shares of the Company. China Merchants Finance Investment Holdings Co., Ltd. holds 100% of the equity interest in Shenzhen Jisheng Investment Development Co., Ltd., and is deemed to be interested in the same number of A Shares which Shenzhen Jisheng Investment Development Co., Ltd. (19.56%) is interested in under the SFO. Thus, China Merchants Finance Investment Holdings Co., Ltd. holds, directly and indirectly, an aggregate of 43.08% of the equity interest in the Company.

## Chapter 6: Changes in Ordinary Shares and Shareholders

4. China COSCO Shipping Corporation Limited holds 100% of the equity interest in China Ocean Shipping Company Limited and China Shipping Group Co., Ltd. (中國海運集團有限公司), and is therefore deemed to be interested in the same number of A Shares which China Ocean Shipping Company Limited (6.25%), COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司) (1.25%), a wholly-owned subsidiary of China Shipping Group Co., Ltd., Guangzhou Sanding Oil Products Transport Co., Ltd. (廣州市三鼎油品運輸有限公司) (0.01%) and COSCO SHIPPING Investment Holdings Co., Limited (0.09%), a wholly-owned subsidiary of China Shipping Group Co., Ltd., are interested in under the SFO.
5. China COSCO Shipping Corporation Limited is deemed to be interested in the same number of H Shares which COSCO SHIPPING Investment Holdings Co., Limited (2.39%), a wholly-owned subsidiary of China Shipping Group Co., Ltd. (中國海運集團有限公司), is interested in under the SFO.
6. A shareholder has a “long position” if it has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to buy the underlying shares; (ii) it is under an obligation to buy the underlying shares; (iii) it has a right to receive money if the price of the underlying shares increases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares increases; and
7. A shareholder has a “short position” if it borrows shares under a securities borrowing and lending agreement, or if it holds, sells or issues financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to require another person to buy the underlying shares; (ii) it is under an obligation to deliver the underlying shares; (iii) it has a right to receive money if the price of the underlying shares decreases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares decreases.

Save as disclosed above, as at the end of the Reporting Period, the Company was not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### V. Purchase, Sale or Redemption of Securities of the Company

During the Reporting Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed the listed securities of the Company.

## Chapter 7: Directors, Supervisors and Senior Management

### I. Change in Shareholdings

#### (I) Change in shareholdings of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period

During the Reporting Period, the Directors, Supervisors and senior management of the Company participated in the employee stock ownership scheme of the Company. As of the Latest Practicable Date, HUO Da, XIONG Jiantao, ZHOU Linda Lei, YIN Hongyan, XIONG Zhigang, HE Min, DENG Xiaoli, LI Zongjun, WU Huifeng, ZHAO Bin, HU Yu, WU Guangyan and XIE Jijun among the above persons held a total of 4,862,613 shares through the employee stock ownership scheme, accounting for 9.35% of the total number of shares under the employee stock ownership scheme and 0.06% of the total share capital of the Company.

#### (II) Transactions of securities by Directors, Supervisors and relevant employees

The Company has adopted a set of codes of conduct regarding the transactions of securities by the Directors, Supervisors and relevant employees of the Company on terms no less exacting than the required standard set out in the Model Code. Having made enquiry by the Company, all Directors and Supervisors confirmed that they had complied with the requirements set out in the Model Code above during the period from January 1 to June 30, 2020. The Company is not aware of any breach of the guidelines by any relevant employee.

### II. Changes in Directors, Supervisors and Senior Management

Name	Position	Date of change	Change
GAO Hong (高宏)	Non-executive Director	March 9, 2020	Appointed

#### Details of changes in Directors, Supervisors and senior management

From the beginning of the year to the Latest Practicable Date, there was no change in Supervisors and senior management of the Company. For details of changes in Directors and postponement of election of the new session of the Board and the Supervisory Committee of the Company, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on March 9 and May 25, 2020.

## Chapter 7: Directors, Supervisors and Senior Management

### III. Major Changes in Respect of Directors and Supervisors

Mr. WANG Daxiong, a non-executive Director of the Company, has no longer served as the chairman of COSCO SHIPPING Captive Insurance Co., Ltd. since March 2020. Mr. HU Honggao, an independent non-executive Director of the Company, has no longer served as an independent director of Shanghai Tofflon Science and Technology Co., Ltd. (a company listed on the SZSE, stock code: 300171) since February 2020. Ms. ZHOU Linda Lei, the chairman of the Supervisory Committee of the Company, has served as a supervisor and the chairman of the supervisory committee of China Merchants Fund Management Co., Ltd. since April and May 2020, respectively.

Save as disclosed above, as of the Latest Practicable Date, there was no other material change in relation to the Directors and Supervisors of the Company that is required to be disclosed under Rule 13.51B of the Hong Kong Listing Rules.

### IV. Employees of the Parent Company and Major Subsidiaries

#### (I) Employees

Number of employees of the parent company	7,952
Number of employees of major subsidiaries	696
Total number of employees	8,648
Number of resigned and retired employees with expenses borne by the parent company and major subsidiaries	52

#### (II) Remuneration policy

The general remuneration policy of the Company is formulated by the Board mainly based on the remuneration of benchmark companies as well as the performance of major operational indicators of the Company. The management of the Company is responsible for allocating the total remuneration according to the market-oriented and performance-based principles, which shall consist of competitive fixed remuneration determined based on the market remuneration data provided by professional management consulting company and the ranking of the Company among its major competitors, and bonus determined at the discretion of the leading management personnel of the Company mainly according to the achievement of key performance indicators of each department, strategic tasks, and objectives in terms of innovation and synergy, the use of economic capital, as well as the market rate.



## Chapter 7: Directors, Supervisors and Senior Management

### (III) Training program

According to the Company's strategy and closely following the needs of business development and talent training, the Company has formulated the 2020 annual training program, and carried out training activities for all employees at different levels focusing on their job nature through a combination of online and offline methods.

In the first half of the year, the Company carried out a total of 237 training programs, involving a total of 170,000 hours, including 70,000 offline hours and 100,000 online hours. The total number of employees trained amounted to 30,000, and the average satisfaction rate of internal training programs reached 96%. The trainings involve general trainings such as continuing education of various qualifications for employees, laws and regulations, compliance risk control, document writing and new media design, as well as professional trainings such as investment experience sharing by industry leaders, latest technology, marketing skills and wealth management. Such trainings have promoted the improvement of capability of employees.

In the first half of the year, the Company launched a new mobile learning system, internally developed approximately 200 online courses and cooperated with external professional institutions to develop dozens of online courses, which better met the needs of employees for cross-regional, flexible and fragmented learning.

### V. Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations of the Directors, Supervisors and Chief Executives

As at the end of the Reporting Period, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or interests or short positions which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

## Chapter 7: Directors, Supervisors and Senior Management

Director/Supervisor	Position	Class of shares	Nature of interest	Number of shares held	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares of the Company (%)	Long positions/ short positions/ shares available for lending
HUO Da (霍達)	Chairman of the Board, executive Director	A Shares	Beneficial owner	408,624	0.01	0.01	Long position
XIONG Jiantao (熊劍濤)	Executive Director, President, Chief Information Officer	A Shares	Beneficial owner	408,624	0.01	0.01	Long position
ZHOU Linda Lei (周語蕊)	Chairman of the Supervisory Committee	A Shares	Beneficial owner	330,042	0.00	0.01	Long position
YIN Hongyan (尹虹艷)	Employee representative Supervisor	A Shares	Beneficial owner	157,163	0.00	0.00	Long position
HE Min (何敏)	Employee representative Supervisor	A Shares	Beneficial owner	78,581	0.00	0.00	Long position
XIONG Zhigang (熊志鋼)	Employee representative Supervisor	A Shares	Beneficial owner	157,163	0.00	0.00	Long position

As at the end of the Reporting Period, the Company's total number of issued A Shares was 5,719,008,149 and the total issued authorized capital was 6,699,409,329.

## Chapter 8: Relevant Information of Corporate Bonds

### I. General Information of Corporate Bonds

Outstanding corporate bonds as at the Latest Practicable Date of this interim report are as follows:

Unit: RMB100 million

Name	Abbreviation	Code	Issue completion date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Triggering and implementation of special terms	Eligibility of investors
The 2012 Corporate Bonds of China Merchants Securities Co., Ltd. (10-Year Maturity) (招商證券股份有限公司2012年公司債券(10年期))	12 China Merchants 03 (12招商03)	122234	March 5, 2013	March 5, 2023	55.00	5.15	Annual payment of interest	SSE	Nil	Offering to investors
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司公開發行2014年公司債券)	14 China Merchants Bonds (14招商廣)	122374	May 26, 2015	May 26, 2025	55.00	5.08	Annual payment of interest	SSE	Nil	Offering to investors
The 2017 Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2017年公司債券(第二期))	17 China Merchants G2 (17招商G2)	143342	October 23, 2017	October 23, 2020	10.60	4.78	Annual payment of interest	SSE	Nil	Offering to qualified investors
The 2017 Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2017年公司債券(第三期))	17 China Merchants G3 (17招商G3)	143369	October 31, 2017	October 31, 2020	10.00	4.85	Annual payment of interest	SSE	Nil	Offering to qualified investors
The 2018 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第一期))	18 China Merchants G1 (18招商G1)	143460	February 5, 2018	February 5, 2021	19.40	5.35	Annual payment of interest	SSE	Nil	Offering to qualified investors
The 2018 Type Two Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第二期)(品種二))	18 China Merchants G3 (18招商G3)	143627	June 12, 2018	June 12, 2021	10.00	4.78	Annual payment of interest	SSE	Nil	Offering to qualified investors
The 2018 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第三期)(品種二))	18 China Merchants G5 (18招商G5)	143712	July 18, 2018	July 18, 2021	25.00	4.38	Annual payment of interest	SSE	Nil	Offering to qualified investors

## Chapter 8: Relevant Information of Corporate Bonds

Name	Abbreviation	Code	Issue completion date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Triggering and implementation of special terms	Eligibility of investors
The 2018 Type One Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第四期)(品種一))	18 China Merchants G6 (18招商G6)	143392	August 8, 2018	August 8, 2021	30.00	3.94	Annual payment of interest	SSE	Nil	Offering to qualified investors
The 2018 Type One Corporate Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第五期)(品種一))	18 China Merchants G8 (18招商G8)	143762	September 7, 2018	September 7, 2021	18.00	4.23	Annual payment of interest	SSE	Nil	Offering to qualified investors
The 2018 Corporate Bonds (seventh tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2018年非公開發行公司債券(第七期))	18 China Merchants F10 (18招商F10)	150930	December 5, 2018	December 5, 2021	25.00	4.15	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors
The 2019 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2019年公司債券(第一期))	19 China Merchants G1 (19招商G1)	155208	March 8, 2019	March 8, 2022	15.00	3.59	Annual payment of interest	SSE	Nil	Offering to qualified investors
The 2019 Type One Corporate Bonds (second tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種一))	19 China Merchants F3 (19招商F3)	151412	April 10, 2019	April 10, 2021	17.00	3.85	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors
The 2019 Type Two Corporate Bonds (second tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種二))	19 China Merchants F4 (19招商F4)	151413	April 10, 2019	April 10, 2022	36.00	4.00	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors
The 2019 Type One Corporate Bonds (third tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種一))	19 China Merchants F5 (19招商F5)	151495	April 25, 2019	April 25, 2021	20.00	4.08	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors
The 2019 Type Two Corporate Bonds (third tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種二))	19 China Merchants F6 (19招商F6)	151496	April 25, 2019	April 25, 2022	40.00	4.28	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors
The 2019 Type Two Corporate Bonds (fourth tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第四期)(品種二))	19 China Merchants F8 (19招商F8)	151600	May 29, 2019	May 29, 2021	40.00	3.78	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors

## Chapter 8: Relevant Information of Corporate Bonds

Name	Abbreviation	Code	Issue completion date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Triggering and implementation of special terms	Eligibility of investors
Foreign Bonds of China Merchants Securities Co., Ltd. (Three-Year Maturity) (招商證券股份有限公司境外債券(三年期))	CMSEC N2301	40129	January 21, 2020	January 21, 2023	USD300 million	2.625	Semi-annual payment of interest	Hong Kong Stock Exchange	Nil	Offering to qualified investors
The 2020 Type One Corporate Bonds (first tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第一期)(品種一))	20 China Merchants F1 (20招商F1)	166206	March 11, 2020	March 26, 2021	30.00	2.65	One-off payment of principal and interest upon expiry	SSE	Nil	Offering to qualified institutional investors
The 2020 Type One Corporate Bonds (second tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第二期)(品種一))	20 China Merchants F3 (20招商F3)	166414	March 25, 2020	April 14, 2021	20.00	2.65	One-off payment of principal and interest upon expiry	SSE	Nil	Offering to qualified institutional investors
The 2020 Type Two Corporate Bonds (second tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第二期)(品種二))	20 China Merchants F4 (20招商F4)	166415	March 25, 2020	March 25, 2022	15.00	2.85	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors
The 2020 Corporate Bonds (third tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第三期))	20 China Merchants F5 (20招商F5)	166701	May 25, 2020	June 9, 2021	30.00	2.00	One-off payment of principal and interest upon expiry	SSE	Nil	Offering to qualified institutional investors
The 2020 Type One Corporate Bonds (fourth tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第四期)(品種一))	20 China Merchants F6 (20招商F6)	166996	June 11, 2020	July 8, 2021	20.00	2.63	One-off payment of principal and interest upon expiry	SSE	Nil	Offering to qualified institutional investors
The 2020 Type Two Corporate Bonds (fourth tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第四期)(品種二))	20 China Merchants F7 (20招商F7)	166997	June 11, 2020	June 11, 2022	40.00	3.15	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors
The 2020 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第一期))	20 China Merchants G1 (20招商G1)	163757	July 22, 2020	July 22, 2023	30.00	3.55	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2020 Type Two Short-term Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2020年面向專業投資者公開發行短期公司債券(第一期)(品種二))	20 China Merchants S2 (20招商S2)	163814	July 28, 2020	May 14, 2021	21.00	2.85	One-off payment of principal and interest upon expiry	SSE	Nil	Offering to professional investors



## Chapter 8: Relevant Information of Corporate Bonds

Name	Abbreviation	Code	Issue completion date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Triggering and implementation of special terms	Eligibility of investors
The 2020 Type One Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第二期)(品種一))	20 China Merchants G2 (20招證G2)	163924	August 13, 2020	August 26, 2021	18.00	2.93	One-off payment of principal and interest upon expiry	SSE	Nil	Offering to professional investors
The 2020 Type Two Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第二期)(品種二))	20 China Merchants G3 (20招證G3)	163925	August 13, 2020	August 13, 2023	30.00	3.50	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2017 perpetual subordinated bonds (first tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第一期))(Note)	17 China Merchants Y1 (17招商Y1)	145340	February 17, 2017	The interest rate for perpetual subordinated bonds are repriced every five years. Upon the maturity of every repricing cycle, the issuer has the option to extend the maturity of the bonds for another repricing cycle, or redeem the bonds entirely.	40.00	5.18	—	SSE	The issuer shall have the option of renewal, and the investors shall not have the option of resale; the issuer shall have the option of deferring payment of interest. The options have not been exercised.	Offering to qualified institutional investors
The 2017 perpetual subordinated bonds (second tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第二期))(Note)	17 China Merchants Y2 (17招商Y2)	145371	March 3, 2017		50.00	5.15	—	SSE		Offering to qualified institutional investors
The 2017 perpetual subordinated bonds (third tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第三期))(Note)	17 China Merchants Y3 (17招商Y3)	145545	May 22, 2017		37.00	5.65	—	SSE		Offering to qualified institutional investors
The 2017 perpetual subordinated bonds (fourth tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第四期))(Note)	17 China Merchants Y4 (17招商Y4)	145579	June 19, 2017		23.00	5.58	—	SSE		Offering to qualified institutional investors

Note: The coupon rate for the first five interest-bearing years (the first repricing cycle) of the perpetual subordinated bonds is determined through bookkeeping and filing, and shall remain unchanged during the first five interest-bearing years. Since the sixth interest-bearing year, the coupon rate shall be re-determined every 5 years. The coupon rate for the repricing cycle is the benchmark interest rate plus the initial spread plus 300 basis points. The initial spread is the difference between the coupon rate and the benchmark interest rate in the first repricing cycle.

## Chapter 8: Relevant Information of Corporate Bonds

## Payment of interest and principal of corporate bonds during the Reporting Period

Name	Abbreviation	Code	Issue completion date	Date of expiry	Amount (RMB100 million)	Payment of interest and principal and implementation of special clause
The 2012 Corporate Bonds of China Merchants Securities Co., Ltd. (10-Year Maturity) (招商證券股份有限公司2012年公司債券(10年期))	12 China Merchants 03 (12招商03)	122234	March 5, 2013	March 5, 2023	55.00	Payment of interest in full as scheduled
The 2014 corporate bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司公開發行2014年公司債券)	14 China Merchants Bonds (14招商債)	122374	May 26, 2015	May 26, 2025	55.00	Payment of interest in full as scheduled
The 2018 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第一期))	18 China Merchants G1 (18招商G1)	143460	February 5, 2018	February 5, 2021	19.40	Payment of interest in full as scheduled
The 2018 Type One Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第二期)(品種一))	18 China Merchants G2 (18招商G2)	143626	June 12, 2018	June 12, 2020	20.00	Payment of interest and principal in full as scheduled
The 2018 Type Two Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第二期)(品種二))	18 China Merchants G3 (18招商G3)	143627	June 12, 2018	June 12, 2021	10.00	Payment of interest in full as scheduled
The 2019 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2019年公司債券(第一期))	19 China Merchants G1 (19招商G1)	155208	March 8, 2019	March 8, 2022	15.00	Payment of interest in full as scheduled
The 2019 Type One Corporate Bonds (second tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種一))	19 China Merchants F3 (19招商F3)	151412	April 10, 2019	April 10, 2021	17.00	Payment of interest in full as scheduled
The 2019 Type Two Corporate Bonds (second tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種二))	19 China Merchants F4 (19招商F4)	151413	April 10, 2019	April 10, 2022	36.00	Payment of interest in full as scheduled

## Chapter 8: Relevant Information of Corporate Bonds

Name	Abbreviation	Code	Issue completion date	Date of expiry	Amount (RMB100 million)	Payment of interest and principal and implementation of special clause
The 2019 Type One Corporate Bonds (third tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種一))	19 China Merchants F5 (19招商F5)	151495	April 25, 2019	April 25, 2021	20.00	Payment of interest in full as scheduled
The 2019 Type Two Corporate Bonds (third tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種二))	19 China Merchants F6 (19招商F6)	151496	April 25, 2019	April 25, 2022	40.00	Payment of interest in full as scheduled
The 2019 Type Two Corporate Bonds (fourth tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第四期)(品種二))	19 China Merchants F8 (19招商F8)	151600	May 29, 2019	May 29, 2021	40.00	Payment of interest in full as scheduled
The 2018 subordinated bonds (first tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2018年次級債券(第一期))	18 China Merchants C1 (18招商C1)	150078	January 12, 2018	January 12, 2020	16.40	Payment of interest and principal in full as scheduled
The 2018 subordinated bonds (second tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2018年次級債券(第二期))	18 China Merchants C2 (18招商C2)	150097	January 22, 2018	January 22, 2020	51.50	Payment of interest and principal in full as scheduled
The 2017 perpetual subordinated bonds (first tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第一期))	17 China Merchants Y1 (17招商Y1)	145340	February 17, 2017	The interest rate for perpetual subordinated bonds are repriced every five years. Upon the maturity of every repricing cycle, the issuer has the option to extend the maturity of the bonds for another repricing cycle, or redeem the bonds entirely.	40.00	Payment of interest in full as scheduled
The 2017 perpetual subordinated bonds (second tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第二期))	17 China Merchants Y2 (17招商Y2)	145371	March 3, 2017		50.00	Payment of interest in full as scheduled
The 2017 perpetual subordinated bonds (third tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第三期))	17 China Merchants Y3 (17招商Y3)	145545	May 22, 2017		37.00	Payment of interest in full as scheduled
The 2017 perpetual subordinated bonds (fourth tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第四期))	17 China Merchants Y4 (17招商Y4)	145579	June 19, 2017		23.00	Payment of interest in full as scheduled

## Chapter 8: Relevant Information of Corporate Bonds

### Other details of corporate bonds

In March 2019, the Company received the No Objection Letter for the Offer for Sale of Corporate Bonds Privately Issued by China Merchants Securities Co., Ltd. (Shang Zheng Han [2019] No. 523) (《關於對招商證券股份有限公司非公開發行公司債券掛牌轉讓無異議的函》(上證函[2019]523號)) (the “No Objection Letter”) from the SSE, pursuant to which the SSE has no objection to the offer for sale of corporate bonds privately issued by the Company to qualified investors in the amount of no more than RMB45 billion. From 2020 to the date of approval for the publication of this report, the Company had issued a total of four tranches of privately issued corporate bonds pursuant to the No Objection Letter and raised RMB15.5 billion.

In July 2020, the Company received the Approval on the Registration of Publicly Issued Corporate Bonds by China Merchants Securities Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2020] No. 1322) (《關於同意招商證券股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2020]1322號)) (the “Approval”) from the CSRC, pursuant to which the CSRC approved the Company’s application for the registration of publicly issued corporate bonds to professional investors, of which the total face value of the publicly issued corporate bonds with a maturity of more than one year shall be no more than RMB25 billion, and the balance of the face value of the publicly issued short-term corporate bonds shall be no more than RMB10 billion. As at the date of approval for the publication of this report, the Company had issued two tranches of corporate bonds with a maturity of more than one year and raised RMB7.8 billion, and one tranche of short-term corporate bonds and raised RMB2.1 billion pursuant to the Approval.

## Chapter 8: Relevant Information of Corporate Bonds

### II. Contact Person and Contact Details of the Trustees in Corporate Bonds and Contact Details of the Credit Rating Agency

Trustee	Name	Huatai United Securities Co., Ltd.
	Office address	Room 401, Block B7, Qianhai Shenzhen-Hong Kong Fund Town, No. 128 Guiwan 5th Road, Nanshan Sub-district, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen
	Contact person	XU Chengcheng (徐晟程)
	Contact number	0755-82492010
	Entrusted bonds	12 China Merchants 03
Trustee	Name	Everbright Securities Co., Ltd.
	Office address	51/F & 53/F, Tower One, Hang Lung Plaza, No. 1266 West Nanjing Road, Jing'an District, Shanghai
	Contact person	XUE Jiang (薛江), HUANG Liang (黄亮), XING Yiwei (邢一唯)
	Contact number	021-52523222, 021-52523023
	Entrusted bonds	14 China Merchants Bonds, 17 China Merchants G2, 17 China Merchants G3, 18 China Merchants G1, 18 China Merchants G3, 18 China Merchants G5, 18 China Merchants G6, 18 China Merchants G8, 19 China Merchants G1, 20 China Merchants G1, 20 China Merchants S2, 20 China Merchants G2, 20 China Merchants G3
Trustee	Name	Essence Securities Co., Ltd.
	Office address	35/F & 28/F (A02), Anlian Building, No. 4018 Jintian Road, Futian District, Shenzhen
	Contact person	XU Yingjie (徐英杰)
	Contact number	0755-82558264
	Entrusted bonds	18 China Merchants F10, 19 China Merchants F3, 19 China Merchants F4, 19 China Merchants F5, 19 China Merchants F6, 19 China Merchants F8, 20 China Merchants F1, 20 China Merchants F3, 20 China Merchants F4, 20 China Merchants F5, 20 China Merchants F6, 20 China Merchants F7
Trustee	Name	China Galaxy Securities Co., Ltd.
	Office address	Level 2, Tower C, Corporate Square, No. 35 Finance Street, Xicheng District, Beijing
	Contact person	XU Jinjun (许进军)
	Contact number	010-66568061
	Entrusted bonds	17 China Merchants Y1, 17 China Merchants Y2, 17 China Merchants Y3, 17 China Merchants Y4



## Chapter 8: Relevant Information of Corporate Bonds

Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Office address	13/F, Huasheng Building, No. 398 Hankou Road, Shanghai
	Rated bonds	12 China Merchants 03, 14 China Merchants Bonds
Credit rating agency	Name	China Chengxin International Credit Rating Co., Ltd.
	Office address	60101, Building 1, No. 2 Nanzhugan Hutong, Dongcheng District, Beijing
	Rated bonds	17 China Merchants G2, 17 China Merchants G3, 18 China Merchants G1, 18 China Merchants G3, 18 China Merchants G5, 18 China Merchants G6, 18 China Merchants G8, 19 China Merchants G1, 20 China Merchants G1, 20 China Merchants G2, 20 China Merchants G3, 18 China Merchants F10, 19 China Merchants F3, 19 China Merchants F4, 19 China Merchants F5, 19 China Merchants F6, 19 China Merchants F8, 20 China Merchants F1, 20 China Merchants F3, 20 China Merchants F4, 20 China Merchants F5, 20 China Merchants F6, 20 China Merchants F7, 17 China Merchants Y1, 17 China Merchants Y2, 17 China Merchants Y3, 17 China Merchants Y4

**Other details:**

During the Reporting Period, none of the above corporate bonds incurred any change to their trustees.

The original rating agency of the Company's publicly issued corporate bonds "17 China Merchants G2", "17 China Merchants G3", "18 China Merchants G1", "18 China Merchants G3", "18 China Merchants G5", "18 China Merchants G6", "18 China Merchants G8" and "19 China Merchants G1", privately issued corporate bonds "18 China Merchants F10", "19 China Merchants F3", "19 China Merchants F4", "19 China Merchants F5", "19 China Merchants F6" and "19 China Merchants F8" and perpetual subordinated bonds "17 China Merchants Y1", "17 China Merchants Y2", "17 China Merchants Y3" and "17 China Merchants Y4" is CCXR. In February 2020, CCXR received the Approval for China Chengxin International Credit Rating Co., Ltd. to Engage in Credit Rating Business in the Securities Market (Zheng Jian Xu Ke [2020] No. 267) (《關於核准中誠信國際信用評級有限責任公司從事證券市場資信評級業務的批覆》(證監許可[2020]267號)) from the CSRC, pursuant to which CCXR ceased to engage in credit rating business in the securities market with effect from February 26, 2020. The credit rating business in the securities market undertaken by CCXR has been carried on by CCXI, its sole shareholder. The rating agency of the above bonds has been changed to CCXI. The change in the rating agency mentioned above has no significant impact on the Company's solvency and the payment of principal and interest on the relevant bonds.

## Chapter 8: Relevant Information of Corporate Bonds

### III. Use of Proceeds from the Issuance of Corporate Bonds

#### (I) Procedures for the supervision over and the use of proceeds from the issuance of corporate bonds

As required by relevant laws and regulations, the Company centralizes the management of proceeds from the issuance of corporate bonds, which practically ensures such proceeds to be used as prescribed in relevant prospectuses. The Company has established a sound capital management regime and an effective internal financial control system, and formulated the “Administrative Measures for the Use of Proceeds from Issuance of Corporate Bonds” (《債券募集資金使用管理辦法》) to govern the management and use of the proceeds. The trustees and proceeds supervision banks fulfill their regulatory duties in respect of the use of proceeds pursuant to regulatory provisions and contractual agreements.

Proceeds from the issuance of corporate bonds shall be used under the following approval procedures:

1. The Company files an application for using the proceeds according to the purposes of use prescribed in relevant prospectuses, and then after the application is approved by competent approver in line with the authorization system described in the Rules on Authorization of Proprietary Money Appropriation, the Company sends a proceeds transfer instruction to the proceeds supervision bank;
2. The supervision bank examines the proceeds transfer instruction from the Company, and effect the proceeds transfer if the use of proceeds is confirmed to be consistent with that prescribed in relevant prospectuses;
3. The supervision bank issues to the Company the automatic record and bank receipt regarding the transaction involving the supervised account, and notifies the trustee.

#### (II) Use of proceeds from the issuance of corporate bonds

Currently, all proceeds from the issuance of corporate bonds have been utilized. The actual uses of proceeds are consistent with that prescribed in relevant prospectuses, application plans and other agreements. The details are as follows:

As prescribed in the prospectuses for the corporate bonds publicly issued by the Company, namely, “12 China Merchants 01”, “12 China Merchants 02” and “12 China Merchants 03”, all proceeds from the issuance of said bonds, after deducting the issuance expenses, shall be used for replenishment of the Company’s working capital. As at December 31, 2013, all proceeds from the issuance of said bonds had been used by the Company for replenishment of the Company’s working capital in accordance with relevant provisions of the prospectuses.

## Chapter 8: Relevant Information of Corporate Bonds

As prescribed in the prospectus for the corporate bonds publicly issued by the Company, namely, "14 China Merchants Bonds", all proceeds from the issuance of said bonds, after deducting the issuance expenses, shall be used for replenishment of the Company's working capital. As at December 31, 2015, all proceeds from the issuance of 14 China Merchants Bonds had been used by the Company for replenishment of the Company's working capital in accordance with relevant provisions of the prospectus.

As prescribed in the prospectuses for the corporate bonds publicly issued to qualified investors by the Company, namely, "17 China Merchants G1", "17 China Merchants G2", "17 China Merchants G3" and "18 China Merchants G1", the proceeds from the issuance of the said bonds shall be used for "satisfaction of the capital demand by the Company's business operations, adjustment to the Company's debt structure and replenishment of the Company's working capital". As at the date of approval for the publication of this report, all proceeds from the issuance of said bonds had been utilized as prescribed in accordance with relevant provisions of the prospectuses. In breakdown, "17 China Merchants G1" raised RMB4.5 billion, with RMB3 billion used for debt restructuring and RMB1.5 billion used for replenishment of working capital; "17 China Merchants G2" raised RMB1.06 billion, all being used for replenishment of working capital; "17 China Merchants G3" raised RMB1 billion, with RMB609 million used for debt restructuring and RMB391 million used for replenishment of working capital; "18 China Merchants G1" raised RMB1.94 billion, with RMB1.391 billion used for debt restructuring and RMB549 million used for replenishment of working capital. The special account for the proceeds from the issuance of said bonds has been under normal operation.

As prescribed in the prospectuses for the corporate bonds publicly issued to qualified investors by the Company, namely, "18 China Merchants G2", "18 China Merchants G3", "18 China Merchants G5", "18 China Merchants G6", "18 China Merchants G8" and "19 China Merchants G1", all proceeds from the issuance of said bonds shall be used for "replenishment of the Company's working capital". As at that date of approval for the publication of this report, all proceeds from the issuance of said bonds, after deducting the issuance expenses (if any), had been used by the Company for replenishment of the Company's working capital in accordance with relevant provisions of the prospectuses. The special account for the proceeds from the issuance of said bonds has been under normal operation.

As prescribed in the prospectuses for the corporate bonds publicly issued to professional investors by the Company, namely, "20 China Merchants G1", "20 China Merchants G2" and "20 China Merchants G3", all proceeds from the issuance of said bonds shall be used for "replenishment of the Company's working capital". As at that date of approval for the publication of this report, all proceeds from the issuance of said bonds, after deducting the issuance expenses (if any), had been used by the Company for replenishment of the Company's working capital in accordance with relevant provisions of the prospectuses. The special account for the proceeds from the issuance of said bonds has been under normal operation.

As prescribed in the prospectus for the short-term corporate bonds publicly issued to professional investors by the Company, namely, "20 China Merchants S2", all proceeds from the issuance of said bonds shall be used for "repayment of due debts". As at that date of approval for the publication of this report, all proceeds from the issuance of said bonds, after deducting the issuance expenses (if any), had been used by the Company for repayment of due debts in accordance with relevant provisions of the prospectus. The special account for the proceeds from the issuance of said bonds has been under normal operation.

## Chapter 8: Relevant Information of Corporate Bonds

As prescribed in the prospectuses for the securities companies short-term corporate bonds privately issued by the Company, namely, "China Merchants 1401", "China Merchants 1501", "China Merchants 1502", "15 China Merchants D3" and "15 China Merchants D4", all proceeds from the issuance of said bonds shall be used for "replenishment of the Company's working capital". As at the date of approval for the publication of this report, all proceeds from the issuance of said bonds, after deducting the issuance expenses (if any), had been used for replenishment of the Company's working capital in accordance with the relevant provisions of the prospectuses.

As prescribed in the prospectuses for the subordinated bonds privately issued by the Company, namely, "15 China Merchants 01", "15 China Merchants 02", "15 China Merchants 03", "15 China Merchants 04", "15 China Merchants 05", "17 China Merchants C1", "18 China Merchants C1" and "18 China Merchants C2", the perpetual subordinated bonds privately issued by the Company, namely, "17 China Merchants Y1", "17 China Merchants Y2", "17 China Merchants Y3" and "17 China Merchants Y4", as well as the securities companies short-term corporate bonds, namely "China Merchants 1601", "China Merchants 1701", "China Merchants 1702", "China Merchants 1703", "China Merchants 1704", "China Merchants 1706", "China Merchants 1707", "China Merchants 1708", "China Merchants 1709", "17 China Merchants D9", "17 China Merchants D10", "17 China Merchants D11", "17 China Merchants D12" and "17 China Merchants D13", all proceeds from the issuance of said bonds shall be used for "replenishment of the Company's working capital". As at the date of approval for the publication of this report, all proceeds from the issuance of said bonds, after deducting the issuance expenses (if any), had been used for replenishment of the Company's working capital in accordance with the relevant provisions of the prospectuses. The special account for the proceeds from the issuance of said bonds has been under normal operation.

As prescribed in the prospectuses for the corporate bonds privately issued by the Company, namely, "18 China Merchants F1", "18 China Merchants F2", "18 China Merchants F3", "18 China Merchants F6", "18 China Merchants F7", "18 China Merchants F8", "18 China Merchants F9", "18 China Merchants F10", "19 China Merchants F1" and "19 China Merchants F2", all proceeds from the issuance of said bonds shall be used for "replenishment of the Company's working capital". As at the date of approval for the publication of this report, all proceeds from the issuance of said bonds, after deducting the issuance expenses (if any), had been used for replenishment of the Company's working capital in accordance with the relevant provisions of the prospectuses. The special account for the proceeds from the issuance of said bonds has been under normal operation.

As prescribed in the prospectuses for the corporate bonds privately issued by the Company, namely, "19 China Merchants F3", "19 China Merchants F4", "19 China Merchants F5", "19 China Merchants F6", "19 China Merchants F8", "20 China Merchants F1", "20 China Merchants F3", "20 China Merchants F4", "20 China Merchants F5", "20 China Merchants F6" and "20 China Merchants F7", all proceeds from the issuance of said bonds shall be used for "repayment of due corporate bonds and other debt financing instruments". As at the date of approval for the publication of this report, all proceeds from the issuance of said bonds, after deducting the issuance expenses (if any), had been used for repayment of due corporate bonds and other debt financing instruments in accordance with the relevant provisions of the prospectuses. The special account for the proceeds from the issuance of said bonds has been under normal operation.



## Chapter 8: Relevant Information of Corporate Bonds

### IV. Rating of Corporate Bonds

During the Reporting Period, the Company was granted AAA credit ratings both as an issuer of bonds and as an issuer of debt financing instruments in the PRC unanimously by credit rating agencies. None of credit rating agencies conducted any irregular follow-up rating in respect of the Company and its corporate bonds. The regular follow-up ratings of the Company are as follows:

On April 24, 2020, Shanghai Brilliance issued the Follow-Up Rating Report on China Merchants Securities Co., Ltd. and its Corporate Bonds 12 China Merchants 03 and 14 China Merchants Bonds, and the overall credit rating of the Company remained at AAA with stable outlook; the credit ratings of "12 China Merchants 03" and "14 China Merchants Bonds" remained at AAA.

On April 24, 2020, CCXI issued the Follow-Up Rating Report (2020) on the 2017, 2018 and 2019 Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Qualified Investors, and the overall credit rating of the Company remained at AAA with stable outlook; the credit ratings of "17 China Merchants G2", "17 China Merchants G3", "18 China Merchants G1", "18 China Merchants G2", "18 China Merchants G3", "18 China Merchants G5", "18 China Merchants G6", "18 China Merchants G8" and "19 China Merchants G1" remained at AAA.

On April 24, 2020, CCXI issued the Follow-Up Rating Report (2020) on the Perpetual Subordinated Bonds and Corporate Bonds Privately Issued by China Merchants Securities Co., Ltd., and the overall credit rating of the Company remained at AAA with stable outlook; the credit ratings of "17 China Merchants Y1", "17 China Merchants Y2", "17 China Merchants Y3" and "17 China Merchants Y4" remained at AA+; the credit ratings of "18 China Merchants F10", "19 China Merchants F3", "19 China Merchants F4", "19 China Merchants F5", "19 China Merchants F6", "19 China Merchants F8", "20 China Merchants F1", "20 China Merchants F3" and "20 China Merchants F4" remained at AAA.

Within the effective term of the corporate bonds, credit rating agencies will conduct regular and ad hoc follow-up ratings on corporate entities and bonds. Credit rating agencies will complete the regular follow-up rating for the year within two months after the bond issuer and bond guarantor (if any) release relevant annual reports, and disclose the bond credit follow-up rating reports of the previous year within six months after the end of each fiscal year pursuant to the Hong Kong Listing Rules. Corresponding regular and ad hoc follow-up rating reports will be published on the SSE website. Investors are advised to pay attention.



## Chapter 8: Relevant Information of Corporate Bonds

### V. Credit Enhancement Mechanism, Debt Repayment Plans and Other Relevant Information of the Corporate Bonds during the Reporting Period

As at the date of approval for the publication of this report, based on the credit enhancement mechanism, the existing bonds of the Company were issued without any guarantees. According to the repayment plans, bonds with original maturity of one and a half year or above shall pay interest annually during the duration of the bonds and the last installment of interest payment shall be paid together with the principal. According to the repayment plans, bonds with original maturity within one and a half year shall pay principal together with all interests upon maturity.

During the Reporting Period, there was no change in the credit enhancement mechanism, debt repayment plans and other repayment guarantee measures of the corporate bonds as compared with their prospectuses. The Company had strictly complied with the requirements regarding repayment plans as mentioned in the prospectuses and paid all interests and principal of the corporate bonds as scheduled and disclosed relevant information of the Company on a timely basis in order to protect the legitimate interests of the investors.

The Company set up special account of debt repayment deposit for each tranche of bonds issued by the Company in the Exchanges during the Reporting Period, which is independent from other accounts of the Company. The account only serves the purposes of interest payment, collection of payable amounts and reception of bond proceeds as well as deposit and transfer, to the exclusion of any other purposes. The Company deposits all amounts payable or maybe payable as principal and interests of bonds to the special account of debt repayment deposit pursuant to relevant prospectuses and regulatory requirement.

### VI. Duty Performance of the Trustees of Corporate Bonds

During the Reporting Period, trustees in the bonds have carried out their duties according to the requirements of relevant provisions of laws and regulations, as well as the provisions of the Bond Trusteeship Management Agreement.

In April 2020, Huatai Securities issued the 2019 Trust Report on the 2012 Corporate Bonds (10-Year Maturity) of China Merchants Securities Co., Ltd.

Everbright Securities issued the 2019 Trust Report on the 2014 Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. in April 2020, and issued the 2019 Trust Report on the 2017 Corporate Bonds (Second Tranche and Third Tranche) and the 2018 Corporate Bonds (First Tranche) Publicly Issued by China Merchants Securities Co., Ltd. to Qualified Investors and the 2019 Trust Report on the 2018 Corporate Bonds (Second Tranche, Third Tranche, Fourth Tranche and Fifth Tranche) and 2019 Corporate Bonds (First Tranche) Publicly Issued by China Merchants Securities Co., Ltd. to Qualified Investors in June 2020.

In June 2020, Essence Securities issued the 2019 Trust Report on the Corporate Bonds Privately Issued by China Merchants Securities Co., Ltd.

In June 2020, China Galaxy issued the 2019 Trust Report on the Perpetual Subordinated Bonds of China Merchants Securities Co., Ltd.

Furthermore, trustees in the bonds have issued the provisional trust reports according to the requirements of relevant provisions of regulations, as well as the provisions of the Bond Trusteeship Management Agreement. For details, please refer to the relevant announcements published by the Company on the SSE website.

## Chapter 8: Relevant Information of Corporate Bonds

### VII. Accounting Data and Financial Indicators as at the End of the Reporting Period and the End of Last Year (or during the Reporting Period and the Previous Period)

Key indicators	End of the Reporting Period	End of Last Year	Change (%)
Current ratio	1.56	1.63	-4.52
Quick ratio	1.56	1.63	-4.52
Gearing ratio (%)	74.09	73.40	0.93
Loan repayment ratio (%)	100.00	100.00	0.00

	The Reporting Period (January – June)	The Previous Period	Change (%)
EBITDA interest coverage ratio	2.85	2.62	8.51
Interest payment ratio (%)	100.00	100.00	0.00

### VIII. Principal and Interest Payments for Other Bonds and Debt Financing Instruments of the Company

During the Report Period, other debts financing instruments of the Company included short-term commercial papers, asset-backed special program and beneficiary certificates, of which all principals and interests were settled on schedule.

### IX. Bank Credits of the Company during the Reporting Period

As at June 30, 2020, the Company had available credit lines from financial institutions amounting to RMB272.4 billion, of which RMB65.0 billion were utilized.

## Chapter 8: Relevant Information of Corporate Bonds

### **X. Performance of Commitments or Undertakings by the Company in Respect of Corporate Bonds According to the Prospectuses during the Reporting Period**

During the Reporting Period, the Company was in strict compliance with its commitments or undertakings in respect of corporate bonds under the prospectuses and the proceeds were used in such manner as stated in the prospectuses. The Company strictly performed its obligations of information disclosure and made timely payments of bond interests in order to safeguard the legitimate interests of investors.

During the Reporting Period, the Company had no defaults on its principal and interest repayments for the issued bonds. The Company had a sound operation and favorable profitability, and hence had not identified any risks which might give rise to its inability to fulfill future payments on time.

### **XI. Major Events of the Company and Their Effects on the Operation and Payment Ability of the Company**

For the major events of the Company, please refer to “Chapter 5: Major Events” of this report.

The Company had stable business operations, good profitability, and had paid principals and interests concerning all of its debts as scheduled. The said matters will not exert any adverse impact on the operation and solvency of the Company. Save as described above, during the Reporting Period, the major events stated in clause 45 of the Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》) had not occurred, and the Company had favorable business operations, strong overall solvency and low financial risks.

## Chapter 9: Financial Report

### **REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF CHINA MERCHANTS SECURITIES CO., LTD.**

*(Incorporated in the People's Republic of China with limited liability)*

#### **Introduction**

We have reviewed the condensed consolidated financial statements of China Merchants Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 100 to 194, which comprise the condensed consolidated statement of financial position as of June 30, 2020 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong  
August 28, 2020

The report on review of condensed consolidated financial statements and the accompanying condensed consolidated financial statements and related notes have been issued in English. The Chinese version is used as a translated version for reference only. In the event of any discrepancy in the interpretation between the English version and Chinese version, the English version shall prevail.

## Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended June 30,	
		2020	2019
		(Unaudited)	(Unaudited)
Fee and commission income	4	5,441,628	4,355,041
Interest income	5	4,547,633	3,932,263
Investment gains or losses, net	6	3,098,145	3,000,239
Other income and gains or losses	7	2,018,443	477,300
<b>Total revenue, gains and other income</b>		<b>15,105,849</b>	<b>11,764,843</b>
Depreciation and amortization	8	(287,706)	(257,599)
Staff costs	9	(3,220,142)	(2,905,213)
Fee and commission expenses	10	(919,701)	(762,073)
Interest expenses	11	(3,146,048)	(2,917,925)
Tax and surcharges		(59,613)	(45,451)
Other operating expenses	12	(2,545,345)	(1,041,861)
Impairment losses under expected credit loss model, net of reversal	13	(80,121)	31,041
Other impairment losses, net		(895)	(803)
<b>Total expenses</b>		<b>(10,259,571)</b>	<b>(7,899,884)</b>
Share of profits of associates		466,086	461,964
<b>Profit before income tax</b>		<b>5,312,364</b>	<b>4,326,923</b>
Income tax expenses	14	(972,344)	(812,546)
<b>Profit for the period</b>		<b>4,340,020</b>	<b>3,514,377</b>
Attributable to:			
Shareholders of the Company and holders of other equity instruments		4,333,834	3,502,759
Non-controlling interests		6,186	11,618
		<b>4,340,020</b>	<b>3,514,377</b>
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)			
<b>– Basic (Restated for six months ended June 30, 2019)</b>	<b>15</b>	<b>0.50</b>	<b>0.39</b>

The notes on pages 108 to 194 form part of this interim financial report.



## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>4,340,020</b>	<b>3,514,377</b>
<b>Other comprehensive (expense) income:</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Equity instruments designated as at fair value through other comprehensive income:		
Net fair value changes during the period	(208,607)	465,428
Income tax impact	52,152	(116,357)
Sub-total	(156,455)	349,071
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Financial assets at fair value through other comprehensive income:		
Net fair value changes during the period	150,324	14,894
Reclassification adjustment to profit or loss	(401,568)	(174,611)
Impairment losses under expected credit loss model, net of reversal	15,365	255
Income tax impact	63,343	39,843
Sub-total	(172,536)	(119,619)
Share of other comprehensive income of associates, net of related income tax	5,525	5,116
Exchange differences arising from translation of foreign operations	97,917	16,506
<b>Other comprehensive (expense) income for the period (net of tax)</b>	<b>(225,549)</b>	<b>251,074</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>4,114,471</b>	<b>3,765,451</b>
Attributable to:		
Shareholders of the Company and holders of other equity instruments	4,108,285	3,753,833
Non-controlling interests	6,186	11,618
	<b>4,114,471</b>	<b>3,765,451</b>

# Condensed Consolidated Statement of Financial Position

As at June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at June 30, 2020	As at December 31, 2019
		(Unaudited)	(Audited)
<b>Non-current assets</b>			
Property and equipment	16	1,464,815	1,540,746
Right-of-use assets	17	1,625,612	1,610,549
Goodwill		9,671	9,671
Other intangible assets		15,178	15,855
Interests in associates	18	8,966,865	8,833,586
Equity instruments at fair value through other comprehensive income	19	6,849,202	7,057,809
Debt instruments at amortized cost	20	1,088,272	1,424,662
Financial assets held under resale agreements	21	1,338,260	2,170,301
Financial assets at fair value through profit or loss	27	3,795,168	2,708,857
Deferred tax assets	22	1,241,140	826,872
Other non-current assets	23	1,207,657	817,565
<b>Total non-current assets</b>		<b>27,601,840</b>	<b>27,016,473</b>
<b>Current assets</b>			
Advances to customers	24	60,872,738	55,224,619
Current tax assets		179,049	180,145
Accounts and other receivables	25	4,995,472	3,213,572
Debt instruments at fair value through other comprehensive income	26	42,956,143	45,734,307
Debt instruments at amortized cost	20	713,942	469,974
Financial assets held under resale agreements	21	39,503,117	33,509,524
Financial assets at fair value through profit or loss	27	145,158,912	135,437,211
Derivative financial assets	28	3,617,285	1,805,819
Deposits with exchanges and non-bank financial institutions	29	5,294,810	4,780,890
Clearing settlement funds	30	15,014,523	12,471,616
Cash and bank balances	31	77,079,436	61,927,739
<b>Total current assets</b>		<b>395,385,427</b>	<b>354,755,416</b>
<b>Total assets</b>		<b>422,987,267</b>	<b>381,771,889</b>

# Condensed Consolidated Statement of Financial Position (Continued)

As at June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at June 30, 2020	As at December 31, 2019
		(Unaudited)	(Audited)
<b>Current liabilities</b>			
Short-term borrowings	33	1,664,881	3,103,673
Short-term debt instruments	34	33,592,322	33,098,616
Placements from banks and other financial institutions	35	4,140,658	7,013,199
Accounts payable to brokerage clients	36	77,577,357	61,724,220
Accrued staff costs	37	6,423,677	5,042,877
Other payables and accrued charges	38	8,733,619	6,847,972
Current tax liabilities		82,939	57,064
Financial liabilities at fair value through profit or loss	39	15,542,854	7,918,509
Derivative financial liabilities	28	3,557,158	2,183,222
Financial assets sold under repurchase agreements	40	102,455,385	97,706,686
Lease liabilities	41	289,264	267,627
Long-term borrowings due within one year	46	1,167,048	1,144,880
Bonds payable due within one year	48	26,647,401	15,478,614
<b>Total current liabilities</b>		<b>281,874,563</b>	<b>241,587,159</b>
<b>Net current assets</b>		<b>113,510,864</b>	<b>113,168,257</b>
<b>Total assets less current liabilities</b>		<b>141,112,704</b>	<b>140,184,730</b>
<b>Equity</b>			
Share capital	42	6,699,409	6,699,409
Other equity instruments	43	15,000,000	15,000,000
Capital reserves		27,533,939	27,533,939
Less: Treasury stocks	42	—	663,954
Investment revaluation reserve of financial assets at fair value through other comprehensive income	44	219,163	542,629
Foreign currency translation reserves		376,703	278,786
General reserves	45	16,432,070	16,401,426
Retained profits		23,161,527	19,256,086
<b>Equity attributable to shareholders of the Company</b>		<b>89,422,811</b>	<b>85,048,321</b>
Non-controlling interests		85,716	79,530
<b>Total equity</b>		<b>89,508,527</b>	<b>85,127,851</b>

**Condensed Consolidated Statement of Financial Position (Continued)**

As at June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at June 30, 2020	As at December 31, 2019
		(Unaudited)	(Audited)
<b>Non-current liabilities</b>			
Accrued staff costs	37	417,540	525,040
Deferred tax liabilities	22	593,789	485,282
Financial liabilities at fair value through profit or loss	39	2,734,759	2,157,877
Deferred income		120,939	122,537
Lease liabilities	41	987,263	984,520
Long-term borrowings	47	273,832	268,735
Bonds payable	49	46,476,055	50,512,888
<b>Total non-current liabilities</b>		<b>51,604,177</b>	<b>55,056,879</b>
<b>Total equity and non-current liabilities</b>		<b>141,112,704</b>	<b>140,184,730</b>

Approved and authorized for issue by the board of directors on August 28, 2020 and are signed on its behalf by:

**HUO Da***Executive Director, Chairman***XIONG Jiantao***Executive Director, President*

# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Equity attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserves	Treasury stocks	Investment revaluation reserve of financial assets at fair value through other comprehensive income	Foreign currency translation reserves	General reserves	Retained profits	Sub-total		
		(note 43)		(note 42)	(note 44)		(note 45)				
At January 1, 2019 (Audited)	6,699,409	15,000,000	27,533,939	—	299,070	172,076	13,864,963	17,080,902	80,650,359	69,508	80,719,867
Profit for the period	—	—	—	—	—	—	—	3,502,759	3,502,759	11,618	3,514,377
Other comprehensive income for the period	—	—	—	—	234,568	16,506	—	—	251,074	—	251,074
<b>Total comprehensive income for the period</b>	—	—	—	—	234,568	16,506	—	3,502,759	3,753,833	11,618	3,765,451
Proceeds on disposal of interest in an associate	—	—	—	—	—	—	—	—	—	—	—
Appropriation to general reserves	—	—	—	—	—	—	32,143	(32,143)	—	—	—
Distribution to holders of other equity instruments (note 50)	—	—	—	—	—	—	—	(397,749)	(397,749)	—	(397,749)
Dividends recognized as distribution (note 50)	—	—	—	—	—	—	—	(1,768,644)	(1,768,644)	—	(1,768,644)
At June 30, 2019 (Unaudited)	6,699,409	15,000,000	27,533,939	—	533,638	188,582	13,897,106	18,385,125	82,237,799	81,126	82,318,925

	Equity attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserves	Treasury stocks	Investment revaluation reserve of financial assets at fair value through other comprehensive income	Foreign currency translation reserves	General reserves	Retained profits	Sub-total		
		(note 43)		(note 42)	(note 44)		(note 45)				
At January 1, 2020 (Unaudited)	6,699,409	15,000,000	27,533,939	(663,954)	542,629	278,786	16,401,426	19,256,086	85,048,321	79,530	85,127,851
Profit for the period	—	—	—	—	—	—	—	4,333,834	4,333,834	6,186	4,340,020
Other comprehensive (expense) income for the period	—	—	—	—	(323,466)	97,917	—	—	(225,549)	—	(225,549)
<b>Total comprehensive (expense) income for the period</b>	—	—	—	—	(323,466)	97,917	—	4,333,834	4,108,285	6,186	4,114,471
Appropriation to general reserves	—	—	—	—	—	—	30,644	(30,644)	—	—	—
Distribution to holders of other equity instruments (note 50)	—	—	—	—	—	—	—	(397,749)	(397,749)	—	(397,749)
Settlement of treasury stocks (note 42)	—	—	—	663,954	—	—	—	—	663,954	—	663,954
At June 30, 2020 (Unaudited)	6,699,409	15,000,000	27,533,939	—	219,163	376,703	16,432,070	23,161,527	89,422,811	85,716	89,508,527



## Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Profit before income tax	5,312,364	4,326,923
<b>Adjustments for:</b>		
Interest expenses	3,146,048	2,917,925
Share of profits of associates	(466,086)	(461,964)
Depreciation and amortization	287,706	257,599
Impairment losses, net	81,016	(30,238)
Gains on disposal of property and equipment, other intangible assets and other non-current assets, net	(86)	(857)
Foreign exchange losses (gains), net	3,283	(14,251)
Net realized gains from disposal of financial assets at fair value through other comprehensive income	(401,568)	(174,611)
Dividend income and interest income on financial assets at fair value through other comprehensive income and debt instrument at amortized cost	(858,855)	(791,004)
Unrealized fair value changes in financial instruments at fair value through profit or loss	(369,190)	(891,760)
<b>Operating cash flows before movements in working capital</b>	<b>6,734,632</b>	<b>5,137,762</b>
Increase in advances to customers	(5,733,123)	(6,021,335)
(Increase) decrease in other current assets	(1,311,731)	11,615
(Increase) decrease in financial assets held under resale agreements	(5,201,911)	7,461,628
Increase in financial assets/liabilities at fair value through profit or loss	(2,409,829)	(27,119,395)
Increase in deposits with exchanges and non-bank financial institutions	(513,920)	(545,410)
(Increase) decrease in pledged and restricted bank deposits	(1,555,311)	14,465
Increase in clearing settlement funds	(2,427,336)	(1,479,692)
Increase in cash held on behalf of customers	(12,419,729)	(13,134,721)
Increase in accounts payable to brokerage clients	15,595,003	15,321,216
Increase in accounts payable to underwriting clients	—	461,410
Increase in accrued staff costs	1,273,300	189,129
Increase in other current liabilities	1,753,236	408,609
Increase in financial assets sold under repurchase agreements	4,801,504	25,475,292
(Decrease) increase in placements from other financial institutions	(2,860,000)	3,000,000
<b>Cash (used in) from operations</b>	<b>(4,275,215)</b>	<b>9,180,573</b>
Income taxes paid	(1,135,756)	(1,075,368)
Interest paid	(1,332,359)	(973,185)
<b>Net cash (used in) from operating activities</b>	<b>(6,743,330)</b>	<b>7,132,020</b>

## Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
<b>Investing activities</b>		
Dividends and interest received from investments	934,261	862,866
Purchases of property and equipment, other intangible assets and other non-current assets	(47,308)	(82,414)
Proceeds from disposals of property and equipment, other intangible assets and other non-current assets	420	857
Proceeds on disposal of interest in an associate	14,400	—
Net purchase or proceeds from disposals of debt instruments at fair value through other comprehensive income	2,921,904	3,469,218
Net purchase or proceeds from disposals or purchases of debt instruments at amortized cost	91,993	(4,638)
<b>Net cash from investing activities</b>	<b>3,915,670</b>	<b>4,245,889</b>
<b>Financing activities</b>		
Dividends paid to shareholders and other equity instrument holders	(802,090)	(802,090)
Interest payment of bonds and short-term debt instruments	(2,611,670)	(2,795,798)
Interest payment of borrowings	(56,002)	(51,779)
Interest payment of lease liabilities	(16,470)	(14,882)
Repayment of bonds and short-term debt instruments	(67,616,850)	(48,796,780)
Proceeds from bonds and short-term debt instruments	76,013,790	46,521,590
Repayment of lease liabilities	(130,533)	(136,762)
Net repayment (proceeds) from short-term borrowings	(1,525,634)	333,680
Proceeds from settlement of treasury stocks	663,954	—
<b>Net cash from (used in) financing activities</b>	<b>3,918,495</b>	<b>(5,742,821)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,090,835</b>	<b>5,635,088</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>13,173,740</b>	<b>11,143,119</b>
Effect of foreign exchange rate changes	70,126	25,678
<b>Cash and cash equivalents at the end of the period</b>	<b>14,334,701</b>	<b>16,803,885</b>
<b>Net cash flows from operating activities include Interest received</b>	<b>3,712,561</b>	<b>2,992,350</b>

# Notes to the Condensed Consolidated Financial Information

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1. CORPORATE INFORMATION

China Merchants Securities Co., Ltd. (the “Company”) was formerly established as a securities department of China Merchants Bank. On August 1, 1993, with the approval of People’s Bank of China (Shenzhen branch) and Shenzhen Administration for Industry and Commerce, the Group was duly established as the Securities Department of China Merchants Bank (招商銀行証券業務部). On August 26, 1994, the Securities Department of China Merchants Bank was renamed as Shenzhen CMB Securities Company (深圳招銀證券公司). On September 28, 1994, Shenzhen CMB Securities Company (深圳招銀證券公司) further changed its name to CMB Securities Company (招銀證券公司). On November 6, 1998, with the approval of People’s Bank of China and China Securities Regulatory Commission, CMB Securities Company (招銀證券公司) increased its paid-in capital and changed its name to Guotong Securities Limited Liability Company (國通證券有限責任公司).

After completion of registration with Shenzhen Administration for Industry and Commerce, Guotong Securities Limited Liability Company (國通證券有限責任公司) restructured and changed its name to Guotong Securities Co., Ltd. (國通證券股份有限公司) on December 26, 2001, with The Approval to The Resolution about Managing The State-owned Shares of Guotong Securities Co., Ltd. (國通證券股份有限公司) (Cai Qi [2001] No. 723) issued by the Ministry of Finance of People’s Republic of China (“PRC”), The Approval for Changing the Name of Guotong Securities Co., Ltd. (國通證券股份有限公司) (Zheng Jian Ji Gou Zi [2001] No. 285) issued by the China Securities Regulatory Commission, and The Approval for Equity Restructuring of Guotong Securities Co., Ltd. (國通證券股份有限公司) (Shen Fu Gu [2001] No. 49) issued by the Municipal Government of Shenzhen. On June 28, 2002, Guotong Securities Co., Ltd. (國通證券股份有限公司) was renamed as China Merchants Securities Co., Ltd. (招商證券股份有限公司).

On November 2, 2009, with the approval by China Securities Regulatory Commission ([2009] No. 1132), the Company launched its initial public offering of 358,546,141 A shares. On November 17, 2009, the Company started to be listed on the Shanghai Stock Exchange.

The Company’s ultimate holding company is China Merchants Group Limited (“CMG”). CMG is a PRC enterprise regulated and directly managed by the State-Owned Assets Supervision and Administration Commission of the State Council and CMG is owned and controlled by the PRC Government.

On October 7, 2016, with the approval by China Securities Regulatory Commission ([2016] No. 1735), the Company issued RMB891,273,800 H Shares, which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

As at June 30, 2020, the Company’s registered capital was RMB6,699,409,329 and the Company has a total of 6,699,409,329 issued shares of RMB1 each.

The address of the registered office and principal place of business of the Company is No.111, 1st Fuhua Road, Futian District, Shenzhen, Guangdong, the PRC. The Company and its subsidiaries (collectively the “Group”) are principally engaged in securities brokerage, securities financial advisory, financial advisory relating to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary trading, asset management, margin financing and securities lending, securities investment fund distribution, intermediary services to futures companies, agency sales of financial products, insurance agency, securities investment management and stock options market-making business.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as functional currency of the Company. All condensed consolidated financial statements and notes to the condensed consolidated financial statements are presented in RMB and has been rounded to the nearest thousands, except when otherwise indicates.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board as well as with the applicable disclosure provision of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### Significant Events and Transactions in the Current Interim Period

Since the outbreak of COVID-19 in January 2020, strict precautions have been taken by the PRC government and caused business interruption in various sectors. The Group has taken certain measures, including work-from-home arrangements for its staff, to mitigate the negative impacts of the business interruption. The directors of the Company consider that the direct impact of COVID-19 is not significant to the Group’s financial position as at 30 June 2020 and the results for the period then ended. The directors of the Company will continuously monitor the development of COVID-19 and assess any significant impacts of COVID-19 on impairments or fair value changes of the Group’s financial assets.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2019.

#### Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39, and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 “COVID-19-Related Rent Concessions”. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs. The application of this amendment has had no material impact on the Group’s condensed consolidated financial statements.

Other than mentioned above, the application of the amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4. FEE AND COMMISSION INCOME

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	3,797,704	2,897,571
Underwriting and sponsorship business	729,534	542,907
Asset management and fund management business	529,847	509,691
Financial advisory business	79,214	140,933
Others <sup>(i)</sup>	305,329	263,939
	<b>5,441,628</b>	<b>4,355,041</b>

- (i) Others mainly comprise of custodian fee income and consultancy fee income received or receivable by the Group.

### 5. INTEREST INCOME

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Interest income from advances to customers and securities lending	1,956,308	1,661,322
Interest income from deposits with exchanges and financial institutions	832,070	722,005
Interest income from securities-backed lending and stock repurchase agreements	706,938	645,023
Interest income from other financial assets held under resale agreements	193,462	112,909
Interest income on debt instruments at amortized cost	49,772	49,866
Interest income from debt instruments at fair value through other comprehensive income	809,083	741,138
	<b>4,547,633</b>	<b>3,932,263</b>



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. INVESTMENT GAINS OR LOSSES, NET

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Dividend and interest from financial assets at fair value through profit or loss	2,038,207	1,735,719
Net gains from disposals of debt instruments measured at fair value through other comprehensive income	401,568	174,611
Net gains from financial assets at fair value through profit or loss	1,369,702	2,065,615
Net losses from financial liabilities at fair value through profit or loss	(373,679)	(136,496)
Net losses from derivative financial instruments	(337,653)	(839,210)
	<b>3,098,145</b>	<b>3,000,239</b>

### 7. OTHER INCOME AND GAINS OR LOSSES

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Income from commodity trading	1,960,033	435,264
Refund from tax withholding and remittance	17,435	535
Rental income	7,283	4,906
Government grants	7,187	9,274
Foreign exchange (losses) gains, net	(3,283)	14,251
Others	29,788	13,070
	<b>2,018,443</b>	<b>477,300</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 8. DEPRECIATION AND AMORTIZATION

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	88,719	84,746
Amortization of other non-current assets	53,484	43,916
Depreciation of right-of-use assets	145,503	128,937
	<b>287,706</b>	<b>257,599</b>

### 9. STAFF COSTS

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	2,871,115	2,540,211
Contributions to retirement benefits	146,832	163,750
Other social welfare	137,770	129,076
Others	64,425	72,176
	<b>3,220,142</b>	<b>2,905,213</b>

### 10. FEE AND COMMISSION EXPENSES

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	885,057	727,223
Underwriting and sponsorship business	26,923	29,613
Asset management and fund management business	4,346	2,920
Financial advisory business	3,374	2,238
Others	1	79
	<b>919,701</b>	<b>762,073</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 11. INTEREST EXPENSES

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Bonds payable	1,361,099	1,384,374
Structured notes	160,009	222,047
Short-term bond payables	—	196,722
Financial assets sold under repurchase agreements	898,441	725,903
Margin and securities refinancing	158,615	54,608
Placements from banks and other financial institutions	46,179	57,751
Accounts payable to brokerage clients	114,663	95,155
Borrowings	73,695	55,794
Short-term financing bills payable	277,713	80,899
Lease liabilities	19,387	16,901
Others	36,247	27,771
	<b>3,146,048</b>	<b>2,917,925</b>

### 12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Cost of commodity trading	1,983,434	436,320
Electronic equipment operation expenses	92,352	65,443
Advertising and promotion expenses	91,035	102,697
Postal and communications expenses	73,107	73,619
Stock exchange fees	70,553	56,337
Rental and property management expenses <sup>(i)</sup>	45,763	73,787
Securities and futures investor protection funds	41,744	33,375
Clearing fee	28,611	23,792
General and administrative expenses	25,416	29,075
Business travel expenses	23,971	55,967
Sundry expenses	69,359	91,449
	<b>2,545,345</b>	<b>1,041,861</b>

Note: In the current interim period, the expense relating to short-term leases is RMB17,485 thousand (for six months ended June 30, 2019: RMB47,674 thousand).

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Expected credit losses in respect of financial assets held under resale agreements (note 21)	63,106	22,073
Expected credit losses (reversal of impairment) in respect of advances to customers (note 24)	199	(49,334)
Expected credit losses in respect of accounts and other receivables (note 25)	1,072	127
Expected credit losses in respect of debt instruments at fair value through other comprehensive income (note 26)	15,365	255
Expected credit losses (reversal of impairment) in respect of debt instruments at amortized cost (note 20)	379	(4,162)
	<b>80,121</b>	<b>(31,041)</b>

### 14. INCOME TAX EXPENSES

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
<b>Current tax:</b>		
— PRC Enterprise Income Tax	1,165,841	693,843
— Hong Kong Profits Tax	5,631	17,939
	<b>1,171,472</b>	<b>711,782</b>
<b>(Over) under provision in respect of prior periods:</b>		
— PRC Enterprise Income Tax	(9,101)	(258)
— Hong Kong Profits Tax	240	—
	<b>(8,861)</b>	<b>(258)</b>
<b>Deferred taxation:</b>		
— Origination and reversal of temporary differences (note 22)	(190,267)	101,022
	<b>972,344</b>	<b>812,546</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 15. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share attributable to shareholders of the Company is as follows:

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
		(Restated)
Earnings for the purpose of basic earnings per share:		
Profit attributable to shareholders of the Company and holders of other equity instruments	4,333,834	3,502,759
Less: Profit attributable to holders of perpetual subordinated bonds	(397,749)	(397,749)
	<b>3,936,085</b>	<b>3,105,010</b>
Number of shares:		
Number of issued shares on January 1 (in thousand)	6,699,409	6,699,409
Effect of treasury stocks (note 42)	(20,010)	—
Effect of A share rights issue on July 20, 2020 (note 58)	1,167,889	1,167,889
Effect of H share rights issue on August 20, 2020 (note 58)	51,808	51,808
Weighted average number of ordinary shares	<b>7,899,096</b>	<b>7,919,106</b>
Earnings per share:		
Earnings per share (in RMB yuan)	0.50	0.39

Note: For the six months ended June 30, 2020 and 2019, there were no dilutive shares.

The weighted average numbers of ordinary shares for both periods have been adjusted for A share rights issue on July 20, 2020 and H share rights issue on August 20, 2020.



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 16. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
<b>Unaudited</b>						
<b>Cost</b>						
As at January 1, 2020	1,329,857	61,902	820,955	61,037	66,585	2,340,336
Additions	—	—	22,073	793	15,387	38,253
Disposals	—	(703)	(1,346)	(93)	—	(2,142)
Transfer to other non-current assets (note 23)	—	—	—	—	(26,480)	(26,480)
Exchange differences	—	24	1,790	706	466	2,986
As at June 30, 2020	1,329,857	61,223	843,472	62,443	55,958	2,352,953
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2020	244,940	47,164	476,551	30,935	—	799,590
Charge for the period	17,078	2,550	65,403	3,688	—	88,719
Disposals	—	(668)	(1,103)	(85)	—	(1,856)
Exchange differences	—	21	1,292	372	—	1,685
As at June 30, 2020	262,018	49,067	542,143	34,910	—	888,138
<b>Carrying values</b>						
<b>As at June 30, 2020</b>	<b>1,067,839</b>	<b>12,156</b>	<b>301,329</b>	<b>27,533</b>	<b>55,958</b>	<b>1,464,815</b>
<b>Audited</b>						
<b>Cost</b>						
As at January 1, 2019	1,329,857	65,116	752,581	59,137	82,099	2,288,790
Additions	—	3,914	82,815	3,275	48,819	138,823
Disposals	—	(7,162)	(26,794)	(3,128)	—	(37,084)
Transfer	—	—	10,505	984	(11,489)	—
Transfer to other non-current assets (note 23)	—	—	—	—	(53,456)	(53,456)
Exchange differences	—	34	1,848	769	612	3,263
As at December 31, 2019	1,329,857	61,902	820,955	61,037	66,585	2,340,336
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2019	210,063	47,085	376,712	26,138	—	659,998
Charge for the year	34,877	6,885	123,411	7,448	—	172,621
Disposals	—	(6,834)	(24,887)	(2,948)	—	(34,669)
Exchange differences	—	28	1,315	297	—	1,640
As at December 31, 2019	244,940	47,164	476,551	30,935	—	799,590
<b>Carrying values</b>						
<b>As at December 31, 2019</b>	<b>1,084,917</b>	<b>14,738</b>	<b>344,404</b>	<b>30,102</b>	<b>66,585</b>	<b>1,540,746</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 17. RIGHT-OF-USE ASSETS

	Land and buildings	Leasehold land	Total
<b>Unaudited</b>			
<b>Cost</b>			
As at January 1, 2020	1,867,741	432,600	2,300,341
Additions	161,457	—	161,457
Disposals	(1,428)	—	(1,428)
Exchange differences	3,426	—	3,426
<b>As at June 30, 2020</b>	<b>2,031,196</b>	<b>432,600</b>	<b>2,463,796</b>
<b>Accumulated depreciation and impairment</b>			
As at January 1, 2020	677,902	11,890	689,792
Additions	140,016	5,487	145,503
Other additions	2,707	—	2,707
Disposals	(920)	—	(920)
Exchange differences	1,102	—	1,102
<b>As at June 30, 2020</b>	<b>820,807</b>	<b>17,377</b>	<b>838,184</b>
<b>Carrying values</b>			
<b>As at June 30, 2020</b>	<b>1,210,389</b>	<b>415,223</b>	<b>1,625,612</b>
<b>Audited</b>			
<b>Cost</b>			
As at January 1, 2019	1,657,682	432,600	2,090,282
Additions	211,835	—	211,835
Disposals	(5,281)	—	(5,281)
Exchange differences	3,505	—	3,505
<b>As at December 31, 2019</b>	<b>1,867,741</b>	<b>432,600</b>	<b>2,300,341</b>
<b>Accumulated depreciation and impairment</b>			
As at January 1, 2019	423,028	915	423,943
Additions	256,072	10,975	267,047
Disposals	(2,718)	—	(2,718)
Exchange differences	1,520	—	1,520
<b>As at December 31, 2019</b>	<b>677,902</b>	<b>11,890</b>	<b>689,792</b>
<b>Carrying values</b>			
<b>As at December 31, 2019</b>	<b>1,189,839</b>	<b>420,710</b>	<b>1,610,549</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18. INTERESTS IN ASSOCIATES

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Cost of unlisted investments in associates	5,531,540	5,545,940
Share of post-acquisition profits and other comprehensive income, net of dividends received	4,104,475	3,956,796
	<b>9,636,015</b>	<b>9,502,736</b>
Less: Impairment loss in respect of interests in associates	(669,150)	(669,150)
	<b>8,966,865</b>	<b>8,833,586</b>

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available. All of the above associates are accounted for using the equity method in the condensed consolidated financial statements:

Name of associate	Place and date of incorporation/ establishment	Equity interest held by the Group		Principal Activities
		As at June 30, 2020	As at December 31, 2019	
Bosera Asset Management Co., Ltd.	PRC July 13, 1998	49%	49%	Fund management
China Merchants Fund Management Limited	PRC December 27, 2002	45%	45%	Fund management
Guangdong Equity Exchange Center Co., Ltd. <sup>(i)</sup>	PRC July 6, 2018	12%	12%	Transaction settlement services
China Merchants Xiangjiang Industrial Investment Management Co., Ltd.	PRC March 13, 2008	40%	40%	Investment management
Qingdao Asset Management Co., Ltd.	PRC September 21, 2015	30%	30%	Investment management
Twenty-first Century Technology Investment Co., Ltd. * <sup>(ii)</sup>	PRC June 19, 2000	23%	23%	Investment holding

\* English name translation is for identification purpose only.

- (i) Guangdong Equity Exchange Center Co., Ltd. was recognized as an associate as one of the ten directors of the company was appointed by the Group.
- (ii) This associate has been undergoing liquidation, and impairment losses have been fully recognized and written off.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Special account <sup>(i)</sup>	6,849,202	7,057,809

- (i) The balance is an investment in a special account managed by China Securities Finance Corporation Limited ("CSFCL"). The Company determines the fair value of the investment according to the valuation report provided by CSFCL. The Company elected to designate this investment as measured at financial assets at fair value through other comprehensive income.

### 20. DEBT INSTRUMENTS AT AMORTIZED COST

#### (1) Analyzed by nature

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Non-current</b>		
Bonds	1,089,147	1,425,818
Less: Expected credit losses	(875)	(1,156)
	<b>1,088,272</b>	<b>1,424,662</b>
<b>Current</b>		
Bonds	639,919	375,587
Unsecured loans receivable <sup>(i)</sup>	77,071	96,727
	<b>716,990</b>	<b>472,314</b>
Less: Expected credit losses	(3,048)	(2,340)
	<b>713,942</b>	<b>469,974</b>

- (i) As at June 30, 2020 and December 31, 2019, unsecured loans receivable were charged at London InterBank Offered Rate plus 1.25% per annum.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20. DEBT INSTRUMENTS AT AMORTIZED COST (Continued)

(2) Movements of expected credit losses are as follows:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
At beginning of the period/year	3,496	6,104
Expected credit losses recognized	673	25
Reversal of expected credit losses	(294)	(2,710)
Exchange differences	48	77
<b>At end of the period/year</b>	<b>3,923</b>	<b>3,496</b>

	As at June 30, 2020 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	1,806,137	—	—	1,806,137
Expected credit losses	3,923	—	—	3,923

	As at December 31, 2019 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	1,898,132	—	—	1,898,132
Expected credit losses	3,496	—	—	3,496



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analyzed by collateral type and market of financial assets held under resale agreements:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Non-current</b>		
<b>Analyzed by collateral type:</b>		
Stocks <sup>(i)</sup>	1,338,260	2,170,301
<b>Analyzed by market:</b>		
Stock exchanges	1,338,260	2,170,301
Less: Expected credit losses	—	—
	<b>1,338,260</b>	<b>2,170,301</b>
<b>Current</b>		
<b>Analyzed by collateral type:</b>		
Stocks <sup>(i)</sup>	19,308,593	18,939,491
Bonds	20,589,969	14,902,372
	<b>39,898,562</b>	<b>33,841,863</b>
<b>Analyzed by market:</b>		
Stock exchanges	28,442,966	28,417,983
Interbank bond market	10,939,588	5,423,880
Over-the-counter	516,008	—
	<b>39,898,562</b>	<b>33,841,863</b>
Less: Expected credit losses	(395,445)	(332,339)
	<b>39,503,117</b>	<b>33,509,524</b>

- (i) Financial assets (pledged by stocks) held under resale are resale agreements which qualified investors entered into with the Group with commitments to purchase the specified securities at future dates with agreed prices. As at June 30, 2020, the fair value of securities which have been received by the group as collateral was RMB104,317,907 thousand (December 31, 2019: RMB90,230,962 thousand).

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

#### (2) Movements of expected credit losses are as follows:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
At beginning of the period/year	332,339	199,734
Expected credit losses recognized	63,463	132,605
Reversal of expected credit losses	(357)	—
<b>At end of the period/year</b>	<b>395,445</b>	<b>332,339</b>

Details of expected credit losses and the fair value of the collateral of the repurchase agreements related to stocks are as below:

	As at June 30, 2020 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	19,787,129	—	859,724	20,646,853
Expected credit losses	5,756	—	389,689	395,445
Collateral	79,175,524	—	1,116,973	80,292,497

	As at December 31, 2019 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	20,195,191	—	914,601	21,109,792
Expected credit losses	5,298	—	327,041	332,339
Collateral	71,220,184	—	1,443,388	72,663,572

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 22. DEFERRED TAX ASSETS (LIABILITIES)

The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Deferred tax assets	1,241,140	826,872
Deferred tax liabilities	(593,789)	(485,282)
	<b>647,351</b>	<b>341,590</b>

The following are the major deferred tax assets (liabilities) recognized and movements thereon in the period/year:

	Financial instruments at fair value through profit and loss/ derivatives	Accrued staff cost	Deferred income	Allowance for impairment loss	Financial instruments at fair value through other comprehensive income	Property and equipment	Others	Total
<b>Audited</b>								
At January 1, 2019	110,274	564,158	31,433	88,751	(99,963)	-3,476	28,569	719,746
(Charge) credit to profit or loss	(381,733)	58,173	(799)	20,796	—	1,077	1,033	(301,453)
Charge to other comprehensive income	—	—	—	—	(76,623)	—	—	(76,623)
Exchange differences	—	—	—	—	—	(78)	(2)	(80)
At December 31, 2019	(271,459)	622,331	30,634	109,547	(176,586)	(2,477)	29,600	341,590
<b>Unaudited</b>								
At January 1, 2020	(271,459)	622,331	30,634	109,547	(176,586)	(2,477)	29,600	341,590
(Charge) credit to profit or loss	(201,259)	377,858	—	14,665	—	1,098	(2,022)	190,340
Credit to other comprehensive income	—	—	—	—	115,494	—	—	115,494
Exchange differences	—	—	—	—	—	(49)	(24)	(73)
At June 30, 2020	(472,718)	1,000,189	30,634	124,212	(61,092)	(1,428)	27,554	647,351

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23. OTHER NON-CURRENT ASSETS

#### (1) Analyzed by nature

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Leasehold improvements and deferred expenses	263,435	281,341
Prepayments for investment	944,222	536,224
	<b>1,207,657</b>	<b>817,565</b>

#### (2) Movements of leasehold improvements and deferred expenses are as follows

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
At the beginning of period/year	281,341	221,103
Additions	9,098	98,022
Transfer from construction in progress	26,480	53,456
Amortization	(53,484)	(91,240)
<b>At the end of period/year</b>	<b>263,435</b>	<b>281,341</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 24. ADVANCES TO CUSTOMERS

#### (1) Analyzed by nature

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Advances to customers	60,966,712	55,318,037
Less: Expected credit losses	(93,974)	(93,418)
	<b>60,872,738</b>	<b>55,224,619</b>

The credit facility limits to margin clients are determined by market value of the collateral securities with discounts determined by the Group.

The majority of the loans to margin clients, which are secured by the underlying pledged securities and cash collateral as disclosed in note 36, are interest bearing. The Group maintains a list of approved stocks for margin lending at specified loan-to-collateral ratios. Any breaches of loan-to-collateral ratios will trigger a margin call upon which the customers have to make up the difference.

#### (2) Analyzed by fair value of collateral of margin financing and securities lending business

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Collateral measured at fair value</b>		
Cash	8,830,144	7,086,437
Bonds	769,241	1,067,353
Equity securities	187,552,533	166,883,077
Funds	2,508,447	1,193,700
	<b>199,660,365</b>	<b>176,230,567</b>



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24. ADVANCES TO CUSTOMERS (Continued)

(3) Movements of expected credit losses are as follows:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
At beginning of the period/year	93,418	143,466
Expected credit losses recognized	1,284	1,386
Reversal of expected credit losses	(1,085)	(51,826)
Exchange differences	357	392
<b>At end of the period/year</b>	<b>93,974</b>	<b>93,418</b>

	As at June 30, 2020 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	60,750,128	110,648	105,936	60,966,712
Expected credit losses	36,798	183	56,993	93,974

	As at December 31, 2019 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	55,185,388	—	132,649	55,318,037
Expected credit losses	33,655	—	59,763	93,418

The directors of the Company are of the opinion that an ageing analysis does not give additional value in view of the nature of the securities margin financing business. As a result, no ageing analysis is disclosed.

The concentration of credit risk is limited due to a large portfolio of independent customers and each of them is insignificant in size.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 25. ACCOUNTS AND OTHER RECEIVABLES

#### (1) Analyzed by nature

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Accounts and other receivables from/related to:</b>		
Clearing houses, brokers and dealers	2,636,450	1,726,337
Commission and fee income	734,774	729,316
Other receivables	75,860	85,156
Deposits of equity return swaps	690,053	142,124
Dividends receivable	529,092	262,354
Prepayments	123,060	122,927
Others	220,304	158,280
	<b>5,009,593</b>	<b>3,226,494</b>
Less: Expected credit losses of accounts and other receivables	(14,121)	(12,922)
	<b>4,995,472</b>	<b>3,213,572</b>

#### (2) Analyzed by ageing

As at the end of the period/year, the ageing analysis of accounts receivables based on trade day, is as follows:

	As at June 30, 2020 (Unaudited)		As at December 31, 2019 (Audited)	
	Amount	Expected credit losses	Amount	Expected credit losses
Within 1 year	3,335,229	(1,149)	740,361	(1,467)
Between 1 and 2 years	13,518	(3,344)	21,468	(3,463)
Between 2 and 3 years	16,606	(4,660)	8,922	(4,441)
Over 3 years	5,557	(1,852)	2,757	(434)
	<b>3,370,910</b>	<b>(11,005)</b>	<b>773,508</b>	<b>(9,805)</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

#### (1) Analyzed by nature

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Current</b>		
Government bonds	11,401,949	12,026,576
Bonds issued by policy banks	12,396,949	12,767,751
Bonds issued by commercial banks and other financial institutions	72,622	278,496
Other debt securities <sup>(i)</sup>	19,084,623	20,661,484
	<b>42,956,143</b>	<b>45,734,307</b>

(i) Other debt securities mainly comprise of corporate bonds, enterprise bonds and medium term notes.

#### (2) Movements of expected credit losses are as follows:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
At beginning of the period/year	9,523	6,185
Expected credit losses recognized	15,568	3,338
At end of the period/year	25,091	9,523

	As at June 30, 2020 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	42,909,029	47,114	—	42,956,143
Expected credit losses	25,013	78	—	25,091

	As at December 31, 2019 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	45,696,723	47,107	—	45,743,830
Expected credit losses	9,422	101	—	9,523

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Current</b>		
Debt securities	103,449,976	99,782,134
Funds	18,461,008	16,125,036
Equity investments <sup>(i)</sup>	11,963,999	11,517,173
Others <sup>(ii)</sup>	11,283,929	8,012,868
	<b>145,158,912</b>	<b>135,437,211</b>
<b>Non-current</b>		
Equity investments <sup>(i)</sup>	3,795,168	2,708,857
	<b>148,954,080</b>	<b>138,146,068</b>

- (i) Equity investments also include unlisted equity investments and investments in limited partnerships. Fair value of the Group's financial assets at fair value through profit or loss is determined as described in note 56.
- As at June 30, 2020, the Group entered into securities lending arrangement with customers that resulted in the transfer of equity securities under held for trading with total fair values of RMB1,339,435 thousand (December 31, 2019: RMB1,054,100 thousand) to customers. These securities continued to be recognized as financial assets of the Group.
- (ii) Others mainly represent investments in collective asset management schemes, wealth management products and trusts.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	As at June 30, 2020			As at December 31, 2019		
	Non-hedging instruments			Non-hedging instruments		
	Notional Principal amounts	Fair Value		Notional Principal amounts	Fair Value	
		Assets	Liabilities		Assets	Liabilities
(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	
<b>Interest derivative instrument</b>						
Interest rate swaps <sup>(i)</sup>	177,915,000	1,049,183	1,044,576	120,674,999	226,180	232,652
Bond futures <sup>(i)</sup>	19,509,082	—	—	10,781,605	—	332
<b>Equity derivative instrument</b>						
Equity return swaps	250,763	250,763	4,332	260,660	182,909	—
Stock index futures <sup>(i)</sup>	5,329,828	139	101	5,617,793	—	—
Options <sup>(ii)</sup>	38,212,727	521,782	907,669	38,826,908	246,616	812,673
<b>Credit derivatives</b>						
Credit default swaps	353,000	4,112	4,621	123,000	534	5,413
<b>Currency derivatives</b>						
Foreign exchange contracts	19,395,512	20,036	—	1,082,416	477	1,164
<b>Other derivative instrument</b>						
Commodity futures <sup>(i)</sup>	30,634,643	1,740,412	1,337,173	39,138,422	1,120,349	1,105,762
Commodity swaps	4,207,927	23,730	255,556	3,818,084	16,373	2,972
Commodity	591,480	7,128	3,130	980,607	12,381	22,254
	<b>296,399,962</b>	<b>3,617,285</b>	<b>3,557,158</b>	<b>221,304,494</b>	<b>1,805,819</b>	<b>2,183,222</b>

- (i) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC interest rate swaps, stock index futures, treasury bond futures and commodity futures contracts were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net onshore position of these contracts was nil at the period/year-end date.
- (ii) Options include: over-the-counter options, exchanged-traded options and embedded derivatives of structure notes.



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
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### 29. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Deposits with stock exchanges and clearing house:</b>		
China Securities Depository and Clearing Corporation Limited	552,463	803,393
Shanghai Clearing House	275,274	279,848
Hong Kong Securities Clearing Company Limited	113,071	76,942
China Beijing Equity Exchange	1,197	1,803
Hong Kong Stock Exchange	617	1,948
<b>Deposits with futures and commodity exchanges and financial institutions:</b>		
China Financial Futures Exchange	1,660,926	1,278,981
Shanghai Futures Exchange	683,238	557,597
Dalian Commodity Exchange	253,950	227,916
Yongan Futures Co., Ltd.	242,125	107,114
Intercontinental Exchange	299,330	363,232
Pingan Futures Co., Ltd.	269,720	270,627
Huatai Futures Co., Ltd.	132,554	120,158
Shanghai International Energy Exchange	164,594	16,242
Jianxin Futures Co., Ltd.	163,602	115,422
Zhengzhou Commodity Exchange	163,076	144,770
The London Metal Exchange	152,966	222,572
CITIC Futures Co., Ltd.	87,709	109,641
Nanhua Futures Co., Ltd.	30,691	25,813
Hong Kong Futures Exchange	24,587	9,673
Shanghai Gold Exchange	13,769	43,598
China International Futures Co., Ltd.	4,316	—
Chicago Mercantile Exchange	3,540	3,488
The SEHK Options Clearing House Limited	1,381	—
Others	114	112
	<b>5,294,810</b>	<b>4,780,890</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30. CLEARING SETTLEMENT FUNDS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Clearing settlement funds held with clearing houses for:</b>		
House accounts (note 32)	4,461,935	4,346,364
Clients	10,552,588	8,125,252
	<b>15,014,523</b>	<b>12,471,616</b>

### 31. CASH AND BANK BALANCES

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
House accounts	9,872,766	8,827,376
Pledged and restricted bank deposits — Restricted bank deposit for pledge, purchase of bond, stock and as risk reserves (note 32)	1,615,351	60,040
<b>Bank balances — house accounts (note 32)</b>	<b>11,488,117</b>	<b>8,887,416</b>
Cash held on behalf of customers	65,591,319	53,040,323
	<b>77,079,436</b>	<b>61,927,739</b>

### 32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Bank balances — house accounts (note 31)	11,488,117	8,887,416
Clearing settlement funds — house accounts (note 30)	4,461,935	4,346,364
Less: Pledged and restricted bank deposits (note 31)	(1,615,351)	(60,040)
	<b>14,334,701</b>	<b>13,173,740</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
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### 33. SHORT-TERM BORROWINGS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Secured bank borrowings <sup>(i)</sup>	68,042	22,339
Unsecured bank borrowings <sup>(ii)</sup>	1,596,204	3,078,825
Interest accrued	635	2,509
	<b>1,664,881</b>	<b>3,103,673</b>

- (i) As at June 30, 2020, the Group pledged securities with market value amounting to RMB69 million (December 31, 2019: RMB23 million) for these loans. The Group's short-term secured bank loans bore floating interest rates ranging from 2.72% to 2.75% (December 31, 2019: 2.90%) per annum.
- (ii) As at June 30, 2020, the Group's short-term unsecured bank loans bore floating interest rates ranging from 1.35% to 2.59% (December 31, 2019: 1.65% to 5.81%) per annum.

### 34. SHORT-TERM DEBT INSTRUMENTS

	As at January 1, 2020	Issuance	Redemption	As at June 30, 2020
				(Unaudited)
Short-term financing bills payable <sup>(i)</sup>	20,000,000	50,000,000	45,000,000	25,000,000
Principal of structured notes <sup>(ii)</sup>	12,915,760	8,425,370	12,826,850	8,514,280
Interest accrued	182,856	428,755	533,569	78,042
	<b>33,098,616</b>	<b>58,854,125</b>	<b>58,360,419</b>	<b>33,592,322</b>

	As at January 1, 2019	Issuance/ Other Transfer	Redemption	As at December 31, 2019
				(Audited)
Short-term bond payables	9,000,000	5,000,000	14,000,000	—
Short-term financing bills payable <sup>(i)</sup>	5,000,000	61,000,000	46,000,000	20,000,000
Principal of structured notes <sup>(ii)</sup>	20,051,050	14,484,840	21,620,130	12,915,760
Interest accrued	799,426	946,104	1,562,674	182,856
	<b>34,850,476</b>	<b>81,430,944</b>	<b>83,182,804</b>	<b>33,098,616</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34. SHORT-TERM DEBT INSTRUMENTS (Continued)

- (i) Short-term financing bills payable

As at June 30, 2020, the short-term financing bills were payable debt securities issued in the PRC Inter-Bank market by the Group and bore interest rates ranging from 1.55% to 2.25% (December 31, 2019: 2.90% to 3.15%) per annum.

- (ii) Principal of structured notes

As at June 30, 2020, the amount represents principal received from investors for subscription of structured notes issued by the Group. The structured notes bore fixed rate interest rates ranging from 2.49% to 3.55% (December 31, 2019: 2.80% to 3.55%) per annum and variable rates linked to certain stock index. The principal and interest are repayable upon maturity within one year. The structured notes with variable rates contain non-closely related derivative as their returns are linked to the fluctuation of stock index. For those embedded derivatives, they are accounted for as derivatives in note 28 after being bifurcated from their respective host contracts.

### 35. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Placements from banks <sup>(i)</sup>	2,140,000	2,500,000
Placements from other financial institutions <sup>(ii)</sup>	2,000,000	4,500,000
Interest accrued	658	13,199
	<b>4,140,658</b>	<b>7,013,199</b>

- (i) As at June 30, 2020, the effective interest rates on placement from banks range from 1.99% to 3.00% (December 31, 2019: 2.73% to 3.25%) per annum. The amount is repayable within seven days from the end of the reporting period.
- (ii) As at June 30, 2020, the effective interest rates on due to other financial institutions were ranging from 2.50% to 2.90% (December 31, 2019: 3.25% to 3.50%) per annum.

## Notes to the Condensed Consolidated Financial Information (Continued)

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### 36. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Clients' deposits for margin financing and securities lending	8,830,144	7,086,437
Clients' deposits for other brokerage business	68,747,213	54,637,783
	<b>77,577,357</b>	<b>61,724,220</b>

Accounts payable to brokerage clients represent money received from and are repayable to brokerage clients, which are mainly held at banks and clearing houses by the Group. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent money received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excessive amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

The directors of the Company are of the opinion that an ageing analysis does not give additional value in view of the nature of these businesses. As a result, no ageing analysis is disclosed.

### 37. ACCRUED STAFF COSTS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Non-current</b>		
Salaries, bonus and allowances	417,540	525,040
<b>Current</b>		
Salaries, bonus and allowances	6,320,177	4,939,112
Short-term social welfare	52,054	52,054
Defined contribution plans	1,240	1,416
Others	50,206	50,295
	<b>6,423,677</b>	<b>5,042,877</b>



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 38. OTHER PAYABLES AND ACCRUED CHARGES

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Settlement payables to brokers and clearing houses	3,012,772	3,149,435
Dividends payables to holders of other equity instruments	187,854	592,196
Deposits of equity return swaps <sup>(i)</sup>	2,329,450	1,566,393
Other tax payable	363,181	411,785
Commission and handling fee payable	113,765	98,083
Futures risk reserve	85,474	81,315
Notes payable	2,151,400	615,000
Others <sup>(ii)</sup>	489,723	333,765
	<b>8,733,619</b>	<b>6,847,972</b>

- (i) As at June 30, 2020 and December 31, 2019, the balance represents deposits received from investors for equity return swaps which is refundable with the contract terms upon the expiry date. The deposit will be mature within one year from the end of the reporting period. These instruments contain non-closely related embedded derivatives as their returns are linked to the fluctuation of certain stock index or specific stock price. For those embedded derivatives with significant fair values, they are accounted for in these consolidated financial statements under note 28 after being bifurcated from their respective host contracts.
- (ii) Others mainly represent payables of annual membership fees, investor protection fund and other payables arising from normal course of business.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 39. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Non-current</b>		
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities	2,734,759	2,157,877
<b>Current</b>		
<b>Financial liabilities held for trading</b>		
— Equity securities	509,878	147,189
— Debt securities	14,453,926	6,922,046
— Gold	198,880	166,992
— Others	291,752	143,194
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities	88,418	539,088
	<b>15,542,854</b>	<b>7,918,509</b>

In the condensed consolidated financial statements, the financial liabilities arising from consolidation of structured entities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors upon maturity dates of the structured entities based on net book value and related terms.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Current</b>		
<b>Analyzed by collateral type:</b>		
Bonds	90,167,581	93,513,611
Gold	12,287,804	4,193,075
	<b>102,455,385</b>	<b>97,706,686</b>
<b>Analyzed by market:</b>		
Stock exchanges	44,449,276	43,775,212
Interbank bond market	57,685,502	53,797,755
Over-the-counter	320,607	133,719
	<b>102,455,385</b>	<b>97,706,686</b>

### 41. LEASE LIABILITIES

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Within 1 year	289,264	267,627
Within a period of more than 1 year but not more than 2 years	227,137	216,646
Within a period of more than 2 years but not more than 5 years	418,917	405,271
Within a period of more than 5 years	341,209	362,603
	<b>1,276,527</b>	<b>1,252,147</b>
Less: Amount due for settlement within 12 months shown under current liabilities	(289,264)	(267,627)
Amount due for settlement after 12 months shown under non-current liabilities	987,263	984,520

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
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### 42. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Registered, issued and fully paid ordinary shares of RMB1 each:		
Domestic shares	5,719,009	5,719,009
Foreign invested shares	980,400	980,400
	<b>6,699,409</b>	<b>6,699,409</b>

During the period, the Company settled its treasury stocks and the number of shares and the consideration received are as follows:

Month of settlement	No. of treasury stocks	Aggregate consideration received
January 2020	40,020,780	663,954

On March 12, 2019, the 17th Meeting of the Sixth Session of the Board of the Company was held to consider and approve the A Share Repurchase Plan. On April 11, 2019, the Company issued an announcement that it intended to use all the A Shares repurchased by means of centralized bidding transactions for use of Employee Stock Ownership Scheme. On December 26, 2019, the Company issued an announcement of Implementation Results and Share Changes of China Merchants Securities Co., Ltd. At the 28th meeting of the sixth session of the Board held on December 26, 2019, the Company approved, the Proposal on Early Completion of Repurchase A Shares of the Company. Pursuant to the subscription intention of the Company's Employee Stock Ownership Scheme and the authorization of the Company's General Meeting and Separate Class Meeting of Shareholders, the repurchase of the A shares of the Company will be completed in advance. The aggregate number of A Shares repurchased by the Company through the centralized bidding was 40,020,780, accounting for 0.5974% of the Company's total existing share capital and the aggregate amount paid by the Company was RMB663,895,568.36 (excluding transaction fees) recognized as treasury stocks in the consolidated statement of financial position. According to the Company's A Share Repurchase Plan, all the repurchased shares will be used as the source of the Company's subsequent implementation of the Employee Stock Ownership Scheme.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42. SHARE CAPITAL (Continued)

On January 15, 2020, the first extraordinary general meeting was held by the Company to consider and approve the resolution in relation to the Company's Employee Stock Ownership Scheme. The Company engaged China Merchants Securities Asset Management Co., Ltd. ("China Merchants Asset Management") as the management organization for this Employee Stock Ownership Scheme, and signed the Contract of China Merchants Asset Management-China Merchants Securities No.1 Employee Stock Ownership Scheme Single Asset Management Plan. On February 7, the Company received the amount of RMB663,994,473.34 used for the stock repurchase from the Single Asset Management Plan. On March 3, 2020, the process of the registration and transfer of the target stock has been completed.

### 43. OTHER EQUITY INSTRUMENTS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Perpetual subordinated bonds	15,000,000	15,000,000

The Company issued four batches of perpetual subordinated bonds with a total principal amount of RMB4,000,000,000, RMB5,000,000,000, RMB3,700,000,000 and RMB2,300,000,000 in February, March, May and June 2017, with the initial interest rates of 5.18%, 5.15%, 5.65% and 5.58% per annum, respectively. The interest rates for perpetual subordinated bonds are repriced every five years.

The perpetual subordinated bonds are unsecured, upon the maturity of every repricing cycle, the Company has the option to extend the maturity of the bonds for another repricing cycle, or redeem the bonds entirely.

The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the Company may choose to defer the interest payment to the next payment date for the current year as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary shareholders of the Company from the issuer and reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified and presented as equity instruments in the consolidated statement of financial position.



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 44. INVESTMENT REVALUATION RESERVE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>At the beginning of the period/year</b>	542,629	299,070
Debt instruments at fair value through other comprehensive income		
Net changes in fair value during the period/year	150,324	153,373
Reclassification to profit or loss	(401,568)	(183,740)
Income tax impact	63,084	7,464
Expected credit losses of debt instruments at fair value through other comprehensive income		
Net changes in fair value during the period/year	15,365	3,338
Income tax impact	259	(286)
Equity instruments at fair value through other comprehensive income		
Net changes in fair value during the period/year	(208,607)	335,203
Income tax impact	52,152	(83,801)
Share of fair value gain on financial assets at fair value through other comprehensive income of associates	5,525	12,008
<b>At the end of the period/year</b>	<b>219,163</b>	<b>542,629</b>

### 45. GENERAL RESERVES

General reserves include statutory reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC and the Company's articles of association, 10% of the net profit of the Company, as determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC, is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business and capitalization. If the statutory reserve is capitalized into share capital, the remaining reserve is required to be no less than 25% of the Company's registered capital before capitalization.

In accordance with the "Financial Rules for Financial Enterprises", the Company is required to appropriate 10% of net profit derived in accordance with PRC GAAP before distribution to shareholders as general risk reserve from retained profits. Moreover, in accordance with the "Applicable to the Large-size Collection Asset Management Business of Securities Companies <the Guidance on Regulating the Asset Management Business of Financial Institutions> Operating Guidelines", a subsidiary, China Merchants Asset Management has to appropriate 10% of management fees from large-size collective assets management business as general risk reserve since November 2018.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45. GENERAL RESERVES (Continued)

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of net profit derived in accordance with PRC GAAP before distribution to shareholders as transaction risk reserve from retained profits and it cannot be used for other purposes.

The movements of the general reserves are exhibited at condensed consolidated statement of changes in equity for the six months ended June 30, 2020.

### 46. LONG-TERM BORROWINGS DUE WITHIN ONE YEAR

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Unsecured bank borrowings	1,163,957	1,140,394
Interest accrued	3,091	4,486
	<b>1,167,048</b>	<b>1,144,880</b>

As at June 30, 2020, the Group's unsecured long-term bank borrowings due within one year bore interest rates ranging from 2.406% to 3.076% (December 31, 2019: 4.014% to 4.066%) per annum.

### 47. LONG-TERM BORROWINGS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Unsecured bank borrowings	273,832	268,735

As at June 30, 2020, the Group's unsecured long-term bank borrowings bore floating interest rates ranging from 1.667% to 1.750% (December 31, 2019: 3.711% to 3.893%) per annum. The above loan will be repaid upon maturity within two years.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 48. BONDS PAYABLE DUE WITHIN ONE YEAR

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Non-convertible bonds <sup>(i)</sup>	25,700,000	7,060,000
Subordinated bonds <sup>(ii)</sup>	—	6,790,000
Interest accrued	947,401	1,628,614
	<b>26,647,401</b>	<b>15,478,614</b>

<sup>(i)</sup> The details of non-convertible bonds are as follows:

#### As at June 30, 2020 (Unaudited):

Name	Issue amount	Value date	Maturity date	Coupon rate
17CMG2	1,060,000	23/10/2017	23/10/2020	4.78%
17CMG3	1,000,000	31/10/2017	31/10/2020	4.85%
18CMG1	1,940,000	05/02/2018	05/02/2021	5.35%
18CMG3	1,000,000	12/06/2018	12/06/2021	4.78%
GF Assets Management — China Merchants Securities Capital Lending Phase II Asset-backed Special Plan	3,000,000	18/03/2019	18/03/2021	3.70%
19CMF3	1,700,000	10/04/2019	10/04/2021	3.85%
19CMF5	2,000,000	25/04/2019	25/04/2021	4.08%
19CMF8	4,000,000	29/05/2019	29/05/2021	3.78%
GF Assets Management — China Merchants Securities Capital Lending Phase IV Asset-backed Special Plan	2,000,000	29/11/2019	29/11/2020	3.32%
20CMF1	3,000,000	11/03/2020	26/03/2021	2.65%
20CMF3	2,000,000	25/03/2020	14/04/2021	2.65%
20CMF5	3,000,000	25/05/2020	09/06/2021	2.00%

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48. BONDS PAYABLE DUE WITHIN ONE YEAR (Continued)

(i) The details of non-convertible bonds are as follows: (Continued)

**As at December 31, 2019 (audited):**

Name	Issue amount	Value date	Maturity date	Coupon rate
17CMG2	1,060,000	23/10/2017	23/10/2020	4.78%
17CMG3	1,000,000	31/10/2017	31/10/2020	4.85%
18CMG2	2,000,000	12/06/2018	12/06/2020	4.78%
GF Assets Management — China Merchants Securities Capital Lending Phase I Asset-backed Special Plan	1,000,000	14/11/2018	14/05/2020	3.95%
GF Assets Management — China Merchants Securities Capital Lending Phase IV Asset-backed Special Plan	2,000,000	29/11/2019	29/11/2020	3.32%

(ii) The details of subordinated bonds are as follows:

**As at June 30, 2020 (Unaudited):**

The balance of subordinated bonds within one year is zero.

**As at December 31, 2019 (audited):**

Name	Issue amount	Value date	Maturity date	Coupon rate
18CMC1	1,640,000	12/01/2018	12/01/2020	5.56%
18CMC2	5,150,000	22/01/2018	22/01/2020	5.70%

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
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### 49. BONDS PAYABLE

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Non-convertible bonds <sup>(i)</sup>	46,476,055	50,512,888
	<b>46,476,055</b>	<b>50,512,888</b>

<sup>(i)</sup> The details of non-convertible corporate bonds are as follows:

#### As at June 30, 2020 (Unaudited):

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
12CM03	RMB	5,500,000	05/03/2013	05/03/2023	5.15%
14CM bond	RMB	5,500,000	26/05/2015	26/05/2025	5.08%
18CMG5	RMB	2,500,000	18/07/2018	18/07/2021	4.38%
18CMG6	RMB	3,000,000	08/08/2018	08/08/2021	3.94%
18CMG8	RMB	1,800,000	07/09/2018	07/09/2021	4.23%
18CMF10	RMB	2,500,000	05/12/2018	05/12/2021	4.15%
19CMG1	RMB	1,500,000	08/03/2019	08/03/2022	3.59%
19CMF4	RMB	3,600,000	10/04/2019	10/04/2022	4.00%
19CMF6	RMB	4,000,000	25/04/2019	25/04/2022	4.28%
GF Assets Management — China Merchants Securities Capital Lending Phase III Asset-backed Special Plan	RMB	2,000,000	25/04/2019	25/04/2022	4.20%
19CM01BC	RMB	5,000,000	11/10/2019	11/10/2022	3.45%
2020 USD Note	USD	300,000	21/01/2020	21/01/2023	2.63%
20CMF4	RMB	1,500,000	25/03/2020	25/03/2022	2.85%
20CMF6	RMB	2,000,000	11/06/2020	08/07/2021	2.63%
20CMF7	RMB	4,000,000	11/06/2020	11/06/2022	3.15%



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49. BONDS PAYABLE (Continued)

(i) The details of non-convertible corporate bonds are as follows: (Continued)

**As at December 31, 2019 (Audited):**

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
12CM03	RMB	5,500,000	05/03/2013	05/03/2023	5.15%
14CM bond	RMB	5,500,000	26/05/2015	26/05/2025	5.08%
18CMG1	RMB	1,940,000	05/02/2018	05/02/2021	5.35%
18CMG3	RMB	1,000,000	12/06/2018	12/06/2021	4.78%
18CMG5	RMB	2,500,000	18/07/2018	18/07/2021	4.38%
18CMG6	RMB	3,000,000	08/08/2018	08/08/2021	3.94%
18CMG8	RMB	1,800,000	07/09/2018	07/09/2021	4.23%
18CMF10	RMB	2,500,000	05/12/2018	05/12/2021	4.15%
19CMG1	RMB	1,700,000	08/03/2019	08/03/2022	3.59%
GF Assets Management — China Merchants Securities Capital Lending Phase II Asset-backed Special Plan	RMB	3,000,000	18/03/2019	18/03/2021	3.70%
19CMF3	RMB	1,700,000	10/04/2019	10/04/2021	3.85%
19CMF4	RMB	3,600,000	10/04/2019	10/04/2022	4.00%
19CMF5	RMB	2,000,000	25/04/2019	25/04/2021	4.08%
19CMF6	RMB	4,000,000	25/04/2019	25/04/2022	4.28%
GF Assets Management – China Merchants Securities Capital Lending Phase III Asset-backed Special Plan	RMB	2,000,000	25/04/2019	25/04/2022	4.20%
19CMF8	RMB	4,000,000	29/05/2019	29/05/2021	3.78%
19CM01BC	RMB	5,000,000	11/10/2019	11/10/2022	3.45%

## Notes to the Condensed Consolidated Financial Information (Continued)

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### 50. DIVIDENDS TO THE SHAREHOLDERS OF THE COMPANY AND DISTRIBUTION TO THE HOLDERS OF OTHER EQUITY INSTRUMENTS

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Dividend recognized as distribution	—	1,768,644
Distribution to holders of other equity instruments	397,749	802,090

Pursuant to the resolution of the shareholders meeting held on May 19, 2020, the Company would not propose profit distribution or transfer capital reserve to capital for the year ended December 31, 2019.

Pursuant to the resolution of the shareholders meeting held on June 28, 2019, the Company declared cash dividends of RMB2.64 for every 10 shares (tax included) based on 6,699,409,329 shares held amounting to RMB1,768,644 thousand in total for the year ended December 31, 2018.

During the current period, dividend of the Group on perpetual subordinated bonds amounted to RMB397,749 thousand.

### 51. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group are asset management schemes, limited partnership and investment funds where the Group involves as a manager or as an investor. The Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of asset management products to a level of such significance that it indicates that the Group is a principal.

As at June 30, 2020, the Group consolidated 12 structured entities (December 31, 2019: 12 structured entities). The total assets of the consolidated structured entities were RMB7,097,327 thousand (December 31, 2019: RMB6,988,792 thousand) among which RMB6,808,951 thousand (December 31, 2019: RMB6,801,963 thousand) of these investments were accounted for financial assets at fair value through profit or loss.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 52. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. The interests held by the Group in the unconsolidated structured entities are set out below:

#### (1) Structured entities sponsored by the Group

Unconsolidated structured entities sponsored by the Group mainly include asset management schemes and limited partnership. The nature and aim of the structured entities is to manage investors' assets and collect management fees. Financing is sustained through investment products issued to investors. The interests held by the Group in the unconsolidated structured entities mainly involve management and performance fees collected from the structured entities managed by the Group.

As at June 30, 2020, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB722,663,742 thousand (December 31, 2019: RMB705,517,238 thousand).

The amount of fee income derived from these unconsolidated structured entities managed by the Group are detailed in note 4.

#### (2) Structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate returns from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the condensed consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at June 30, 2020 and December 31, 2019, which are set out below:

	As at June 30, 2020 (Unaudited)		
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	—	18,461,008	18,461,008
Trust schemes	—	1,160,737	1,160,737
Wealth management products	—	3,586,773	3,586,773
Others	6,849,202	14,316,436	21,165,638
	<b>6,849,202</b>	<b>37,524,954</b>	<b>44,374,156</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
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### 52. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

#### (2) Structured entities sponsored by third party institutions (Continued)

	As at December 31, 2019 (Audited)		
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	—	16,127,666	16,127,666
Trust schemes	—	1,239,484	1,239,484
Wealth management products	—	432,920	432,920
Others	7,057,809	11,432,144	18,489,953
	<b>7,057,809</b>	<b>29,232,214</b>	<b>36,290,023</b>

### 53. SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (1) Relationship of related parties

##### (a) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership.

Shareholding percentage in the Company

	As at June 30, 2020	As at December 31, 2019
China Merchants Finance Investment Holdings Co., Ltd.	23.51%	23.51%
Shenzhen Jisheng Investment Development Co., Ltd.	19.56%	19.56%
China Ocean Shipping (Group) Company	6.25%	6.25%

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (1) Relationship of related parties (Continued)

##### (b) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

The table below lists the Group's other significant related parties:

Significant related legal entities	The relationship with the Group
Bosera Asset Management Co., Ltd.	Associate
China Merchants Fund Management Limited	Associate
Qingdao Asset Management Co., Ltd.*	Associate
China Merchants Bank Co., Ltd.	Significant influence by the ultimate controller
Shenzhen Expway Co.,Ltd.*	Significant influence by the ultimate controller
China Merchants (Shanghai) Investment Co., Ltd.*	Fellow subsidiary of the ultimate controller
China Merchants Property Management Co., Ltd.	Fellow subsidiary of the ultimate controller
Sinotrans Ltd.	Fellow subsidiary of the ultimate controller
Shenzhen Merchants Daojiahui Technology Co., Ltd.*	Fellow subsidiary of the ultimate controller
China Merchants Shekou (Tianjin) Co., Ltd.*	Fellow subsidiary of the ultimate controller
China Merchants Real Estate (Beijing) Co., Ltd.*	Fellow subsidiary of the ultimate controller
Wuxi Ruishang Real Estate Development Co., Ltd.*	Fellow subsidiary of the ultimate controller
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Fellow subsidiary of the ultimate controller
China Merchants Energy Transportation Co., Ltd.	Fellow subsidiary of the ultimate controller
Shenzhen Merchants Property Management Co., Ltd.*	Fellow subsidiary of the ultimate controller

\* English name translation is for identification purpose only.



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (2) Related parties transaction and balances

(a) *During the period/year, the Group's major transactions and balances with its associates are as below:*

Transactions between the Group and the associates:

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
<b>Fee and commission income</b>		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	83,319	63,573

Balance between the Group and the associates:

	As at	As at
	June 30,	December 31,
	2020	2019
	(Unaudited)	(Audited)
<b>Accounts and other receivables</b>		
— Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	491,699	224,052
— Qingdao Asset Management Co., Ltd.	66,354	66,354

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (2) Related parties transaction and balances (Continued)

(b) *The Group's major transactions and balances with its other related parties are as below:*

Transactions between the Group and other related parties:

Name of related party	Description of transactions	Six months ended June 30,	
		2020	2019
		(Unaudited)	(Unaudited)
<b>Other income, gains from related party</b>			
— China Merchants Bank Co., Ltd.	Interest income	244,986	182,343
— China Merchants Bank Co., Ltd.	Underwriting income	5,656	11,236
— China Merchants Bank Co., Ltd.	Assets management income	27,102	29,272
— Sinotrans Ltd.	Financial advisory income	3,000	21,752
— China Merchants Bank Co., Ltd.	Custodian fee income	3,555	3,537
— China Merchants Energy Transportation Co., Ltd.	Sponsor service income	3,000	—
— China Merchants Energy Transportation Co., Ltd.	Underwriting income	2,530	—
— Shenzhen Expway Co., Ltd.*	Rental income	2,543	—
<b>Expenses paid or payable to related party</b>			
— China Merchants Bank Co., Ltd.	Third-party funds depository business	(21,867)	(17,580)
— China Merchants Bank Co., Ltd.	Custodian fee income	(103,975)	(120,225)
— China Merchants Bank Co., Ltd.	Interest expenses	(9,725)	(7,127)
— China Merchants Property Co., Ltd.	Other operating expenses	—	(136,898)
— China Merchants Bank Co., Ltd.	Rent and property management fees	(33,870)	(31,062)
— China Merchants (Shanghai) Investment Co., Ltd.*	Rent and property management fees	(4,630)	(5,849)
— Shenzhen Merchants Daojiahui Technology Co., Ltd.*	Sundry expenses	(1,652)	—
— Shenzhen Merchants Property Management Co., Ltd.*	Sundry expenses	(3,551)	(5,325)
— China Merchants Bank Co., Ltd.	Underwriting expenses	(4,700)	(858)

\* English name translation is for identification purpose only.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (2) Related parties transaction and balances (Continued)

(b) *The Group's major transactions and balances with its other related parties are as below: (Continued)*

The Group also has the following balances with its other related parties.

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Accounts and other receivables</b>		
— China Merchants Shekou (Tianjin) Co., Ltd.*	100,000	100,000
— China Merchants Real Estate (Beijing) Co., Ltd.*	445,534	436,224
— Wuxi Ruishang Real Estate Development Co., Ltd.*	288,687	—
— China Merchants Shekou Industrial Zone Holdings Co., Ltd.	—	62,000
<b>Bank balances</b>		
— China Merchants Bank Co., Ltd.	29,932,332	23,249,531
<b>Borrowings</b>		
— China Merchants Bank Co., Ltd.	457,306	449,082
<b>Placements from banks</b>		
— China Merchants Bank Co., Ltd.	1,000,372	700,272
<b>Lease liabilities</b>		
— China Merchants Bank Co., Ltd.	615,615	625,807

\* English name translation is for identification purpose only.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (3) Key management personnel

The remuneration of the key management personnel of the Group is as below:

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Short-term benefits:		
— Salaries, bonus and allowances	16,245	6,963
Post-employment benefits:		
— Contribution to retirement schemes	747	870
	<b>16,992</b>	<b>7,833</b>

#### (4) Other related party transactions

In December 2015, China Merchants Shekou Industrial Zone Holdings Co., Ltd. issued A Shares for the purpose to acquire China Merchants Property Development Co., Ltd. and issued A Shares to certain specific targets for the fund raising purpose. As at June 30, 2020 and December 31, 2019, the Company held 52,708 thousand and 55,377 thousand of the non-public offering of China Merchants Shekou Industrial Zone Holdings Co., Ltd. through the structured entity controlled by China Merchants Zhiyuan Capital Investment Co., Ltd., a subsidiary of the Group. The fair values of the above shares were amounting to RMB866,516 thousand and RMB1,093,444 thousand, respectively.

As at June 30, 2020, China Merchants Investment Co., Ltd., a subsidiary of the Group, has signed cooperation framework agreement with China Merchants Real Estate (Beijing) Co., Ltd., China Merchants Shekou (Tianjin) Co., Ltd. and Wuxi Ruishang Real Estate Development Co., Ltd about the Beijing Yizhuang residential project, the Tianjin Xiqing high-speed rail station project and the Wuxi Huishan Real Estate Project. China Merchants Investment Co., Ltd will invest no more than RMB500 million yuan, RMB200 million yuan and RMB300 million yuan respectively. As at June 30, 2020, China Merchants Investment Co., Ltd. has made prepayment of RMB446 million, RMB100 million and RMB289 million, respectively.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. SEGMENT INFORMATION

#### (1) Business segment

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other operating segments. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors, being the chief operating decision maker, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements. The Group's operating segments are as follows:

- a. Wealth management and institutional business segment engages in the trading of stocks and futures contracts on behalf of clients. Moreover, the activities of providing margin financing, securities lending and selling financial products and other wealth management products are included in this segment.
- b. Investment banking segment provides investment banking services to the Group's institutional clients, including financial advisory, equity underwriting, debt underwriting and sponsorship.
- c. Investment management segment primarily engages in assets management, investing advisory and deal execution services. Moreover, the investment income from private equity investment management and alternative investment are included in this segment.
- d. Investment and trading segment engages in trading equity securities, fixed-income securities, derivatives, other financial products and market maker service; and
- e. Others segment primarily includes head office operations, investment holding as well as interest income and interest expenses incurred for generating working capital for general operation.

No operating segments above have been aggregated in presentation. Management monitors the operating results of the Group's business units separately for the purpose of resource allocation and other operating decisions. Segment performance is measured consistently with operating profit or loss in the consolidated financial statements except that income taxes are not allocated to operating segments.



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. SEGMENT INFORMATION (Continued)

#### (1) Business segment (Continued)

The operating and reportable segment information provided to the chief operating decision makers (hereinafter refer as “CODM”) for the six months ended June 30, 2020 and 2019 is as follows:

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>Unaudited</b>							
<b>For the six months ended June 30, 2020</b>							
Segment revenue and results							
Segment revenue	7,410,902	804,210	735,723	3,978,765	182,361	(24,555)	13,087,406
Segment other income and gains or losses	6,574	32	1,815	1	2,010,021	—	2,018,443
Segment revenue and other income	7,417,476	804,242	737,538	3,978,766	2,192,382	(24,555)	15,105,849
Segment expenses	(4,798,155)	(379,432)	(172,611)	(2,526,329)	(2,407,599)	24,555	(10,259,571)
Segment result	2,619,321	424,810	564,927	1,452,437	(215,217)	—	4,846,278
Share of results of associates (i)	—	—	259	19,763	446,064	—	466,086
Profit before income tax	2,619,321	424,810	565,186	1,472,200	230,847	—	5,312,364
<b>Unaudited</b>							
<b>As at June 30, 2020</b>							
Segment assets and liabilities							
Segment assets	167,451,345	1,188,890	12,622,027	225,945,678	20,574,840	(4,795,513)	422,987,267
Segment liabilities	(114,329,582)	(2,261,444)	(5,553,556)	(198,447,356)	(17,682,315)	4,795,513	(333,478,740)
Other segment information							
Amounts included in the segment profit or loss or segment assets:							
Interest income	3,307,869	—	95,294	986,664	182,361	(24,555)	4,547,633
Interest expenses	(1,461,051)	(22,739)	(37,808)	(1,642,391)	(6,614)	24,555	(3,146,048)
Capital expenditure	(33,613)	(2,315)	(20)	(2,268)	(9,150)	—	(47,366)
Depreciation and amortization	(162,841)	(23,947)	(4,550)	(13,081)	(83,287)	—	(287,706)
Impairment losses recognized	(63,425)	—	—	(17,591)	—	—	(81,016)

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. SEGMENT INFORMATION (Continued)

#### (1) Business segment (Continued)

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>Unaudited</b>							
<b>For the six months ended June 30, 2019</b>							
Segment revenue and results							
Segment revenue	6,032,685	683,702	1,002,055	3,436,778	162,848	(30,525)	11,287,543
Segment other income and gains or losses	5,982	—	142	—	471,176	—	477,300
Segment revenue and other income	6,038,667	683,702	1,002,197	3,436,778	634,024	(30,525)	11,764,843
Segment expenses	(4,236,085)	(370,004)	(135,142)	(2,188,378)	(1,000,800)	30,525	(7,899,884)
Segment result	1,802,582	313,698	867,055	1,248,400	(366,776)	—	3,864,959
Share of results of associates (i)	—	—	1,021	19,287	441,656	—	461,964
Profit before income tax	1,802,582	313,698	868,076	1,267,687	74,880	—	4,326,923
<b>Audited</b>							
<b>As at December 31, 2019</b>							
Segment assets and liabilities							
Segment assets	145,680,785	1,391,831	11,694,285	210,824,946	18,308,810	(6,128,768)	381,771,889
Segment liabilities	(97,973,186)	(1,943,465)	(5,239,388)	(180,830,833)	(16,785,934)	6,128,768	(296,644,038)
<b>Unaudited</b>							
<b>For the six months ended June 30, 2019</b>							
Other segment information							
Amounts included in the segment profit or loss or segment assets:							
Interest income	2,871,175	—	38,683	890,378	162,552	(30,525)	3,932,263
Interest expenses	(1,426,364)	(23,798)	(38,621)	(1,453,460)	(6,207)	30,525	(2,917,925)
Capital expenditure	(45,188)	(2,678)	(3)	(2,842)	(31,239)	—	(81,950)
Depreciation and amortization	(141,421)	(23,930)	(3,483)	(12,517)	(76,248)	—	(257,599)
Impairment losses recognized	30,455	—	(217)	—	—	—	30,238

- (i) The interests in associates of Investment management segment, Investment and trading segment and others segment were RMB10,108 thousand (December 31, 2019: RMB33,150 thousand), RMB1,041,957 thousand (December 31, 2019: RMB1,022,194 thousand) and RMB7,914,800 thousand (December 31, 2019: RMB7,778,242 thousand) respectively as at June 30, 2020.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. SEGMENT INFORMATION (Continued)

#### (2) Geographical segments

The Group has two major geographical operations in the PRC, namely the Mainland China and Hong Kong, which are also the Group's revenue from external customers and the Group's assets locate. The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property and equipment, right-of-use assets, goodwill, other intangible assets, interests in associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment, right-of-use assets and other non-current assets, they are based on the location of operation to which they are allocated; in the case of goodwill and other intangible assets, they are based on the location of operations.

	Mainland China	Outside Mainland China	Total
<b>For the six months ended June 30, 2020 (Unaudited)</b>			
<b>Segment Revenue</b>			
Revenue from external customers	12,807,773	279,633	13,087,406
Other income and gains or losses	2,002,568	15,875	2,018,443
	<b>14,810,341</b>	<b>295,508</b>	<b>15,105,849</b>
<b>For the six months ended June 30, 2019 (Unaudited)</b>			
<b>Segment Revenue</b>			
Revenue from external customers	10,898,058	389,485	11,287,543
Other income and gains or losses	464,705	12,595	477,300
	<b>11,362,763</b>	<b>402,080</b>	<b>11,764,843</b>

#### Specific non-current assets

	Mainland China	Outside Mainland China	Total
<b>As at June 30, 2020 (Unaudited)</b>			
Specified non-current assets	13,070,858	218,940	13,289,798
<b>As at December 31, 2019 (Audited)</b>			
Specified non-current assets	12,603,357	224,615	12,827,972

#### (3) Information about major customers

There were no customers for each of the six months period ended June 30, 2020 and 2019 contributed over 10% of the total revenue of the Group.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT

### (1) Risk management structure

Since its establishment, the Group has been developing an all-around, innovative and forward-looking risk management system, which is aligned with its operation strategy and focuses on its business departments. The structure of the risk management of the Company consists of five levels, including: (1) the strategical arrangement by the Board of Directors, (2) supervision and scrutiny by the Supervisory Committee, (3) decision-making by the senior management and the Risk Management Committee, (4) check-and-balance and internal controls maintained of relevant risk management departments and (5) direct management of other departments, branches and the wholly-owned subsidiaries.

The Group adopts a three-level risk management organization structure system: the first level refers to implementation of effective controls on risk management by all departments and branches themselves; the second level refers to risk management and internal control measures implemented by relevant risk management departments; the third level refers to post-event supervision and evaluation by the Audit and Supervision Department.

The overall risk management duties of departments or posts under the risk management organization structure are as follows: (i) The Board of Directors and Risk Management Committee are responsible for considering and approving the Group's risk appetite, risk tolerance and various risk indicators. They are also responsible for convening quarterly meetings, reviewing quarterly risk reports and reviewing the Group's overall risk management; (ii) The Supervisory Committee of the Group is responsible for supervising and examining the operations of the comprehensive risk management system of the Group; (iii) The senior management comprising the president and vice presidents of the Group is responsible for the risk management of business operations, determining risk control measures and formulating risk indicators on a regular basis by reference to the risk evaluation reports. The Risk Management Committee set up by the senior management is the ultimate risk decision-making body at operation level. The Chief Risk Officer of the Group is responsible for establishing comprehensive risk management system, monitoring, evaluating and reporting the overall risk level of the Group and providing risk management suggestion on business decisions. The Risk Management Committee consists of the Securities Investment Decision Committee, the Credit Risk Committee, the Valuation Committee and the Capital Commitment Committee. Within the scope of their authorization, experts shall review and collectively make decisions on the risks of securities investment, credit risk, securities valuation and capital commitment. The Group integrates the risk management of the subsidiary into the overall risk management system and carries out vertical management. The person in charge of the risk management of the subsidiary shall be nominated, appointed, removed and assessed by the chief risk officer of the Group; (iv) The Risk Management Department is the leading department in respect of management of market, credit and operational risks of the Group. It is also responsible for managing market risk and credit risk, assisting and guiding all units in performing risk management. The Capital Management Department is responsible for managing liquidity risk, and facilitating the establishment of the systems, rules and policies of liquidity risk management. Legal and Compliance Department is responsible for leading the Group's legal and compliance risk management, money laundering risk management and assisting in the compliance director on reviewing, supervising and scrutinizing compliance issues of the Group, promoting the implementation of anti-money laundering work. The Administration Department together with the Risk Management Department and other relevant departments promote the management of reputation risk of the company. Internal Audit Department is responsible for monitoring the effectiveness and implementation of the Group's risk management process by audits, and responsible for initiating evaluation of entire internal control system at least once a year; (v) All departments, branches and wholly-owned subsidiaries of the Company are responsible for directly managing and supervising risks of their own businesses and management scopes.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (2) Credit risk

The Group's exposure to credit risk represents the potential economic loss that may arise from the failure of a debtor or counterparty to meet its obligation according to their contractual commitment. The Group is primarily exposed to four types of credit risk: (a) risk arising from default of customers to repay debts in businesses of margin financing and securities lending, securities-backed lending or stock repurchases; (b) risk of losses of principal and interest for investments in debt securities, trust products and other credit products due to default of the issuers or borrowers; (c) risk arising from default of a counterparty to meet its payment obligation in trading of over the counter ("OTC") derivatives such as spot transactions, equity swaps, interest rate swaps and OTC futures; (d) risk arising from the default of customers in brokerage business in respect of trading of securities, futures and other financial products, when there is shortfall of funds after liquidation of a client's account on settlement date.

In respect of margin financing and securities lending, securities-backed lending, stock repurchase business and other financing businesses, the Group has established a multi-level authorization system for business management and a comprehensive risk management system covering the whole process through due diligence of customers, approval of credit grant, post-loan evaluation, dynamic adjustment to collateral, mark to market system, mandatory liquidation and disposal on default.

For debt securities investment business, the Group has developed an internal credit rating mechanism to control risks of default and down-grading of debt securities as well as default of counterparties. The Group sets minimum rating requirements for various types of investments and counterparties by business authorization system and minimizing the loss arising from different types of investments and default of counterparties through diversification strategy.

For OTC derivatives trading business, the Group has formulated a set of management measures and rules to determine eligibility of investors, due diligence of customers, grant of credit to counterparties, discount rate of securities, effective monitoring of gearing ratio, management of collateral and follow-up measures on default of customers, in order to strengthen the management before, during and after the transactions.

For brokerage business, the securities trading of domestic customers of whom the Group is an agent are settled in full by security deposit. With regard to the trading of securities and other financial products for overseas customers, the Group has effectively controlled the relevant credit risk by strengthen the monitoring on the grant of credit and margin ratio.



# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

#### *Expected credit loss (ECL) measurement*

The Group applies ECL model for financial assets at amortized cost, mainly including advances to customers, financial assets held under resale agreements, debt instruments at amortized cost and debt instruments at fair value through other comprehensive income.

The Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition at the reporting date and recognizes the expected credit losses and its movements.

If the credit risk of the financial instrument has not increased significantly since its initial recognition, it is classified as “Stage 1” and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The increase or reversal of the impairment loss allowance thus formed shall be included in the profit and loss as impairment losses under expected credit loss model, net of reversal.

If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument over its lifetime. The increase or reversal of the impairment loss allowance thus formed shall be included in the profit and loss as impairment losses under expected credit loss model, net of reversal.

If the financial instrument is credit-impaired, the financial instrument is moved to “Stage 3”. And its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument over its lifetime. The increase or reversal of the impairment loss allowance thus formed shall be included in the profit and loss as impairment losses under expected credit loss model, net of reversal.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (2) Credit risk (Continued)

##### *Expected credit loss (ECL) measurement (Continued)*

The criteria for the three-stage division of ECL of the main financial assets are as follows:

Advances to customers: exposures with collateral coverage ratios less than 100% for more than 30 days are considered to be credit impaired and recognized as Stage 3; exposures with collateral coverage ratios less than 100% for less than 30 days are considered to be with significant increase in risk and recognized as Stage 2; for exposures that do not have the above situations are considered to be credit risk not increased significantly and recognized as Stage 1.

Financial assets under resale agreements: based on the obligors' credit quality, contract maturity date, the related collateral securities information, which including the sector situation, liquidity discount factor, concentration, volatility and related information, the Group sets different collateral coverage ratios (generally not less than 160%) as triggering margin calls and forced liquidation thresholds (collateral coverage ratios generally not less than 140%) against different exposures related to these transactions. Exposures with collateral coverage ratios fall below the pre-determined forced liquidation thresholds for more than 30 days or those past due for more than 30 days are considered to be credit impaired and recognized as Stage 3; exposures with collateral coverage ratios fall below the pre-determined forced liquidation thresholds for less than 30 days or those past due for less than 30 days are considered to be with significant increase in credit risks and recognized as Stage 2; for exposures that do not have the above situations are considered to be credit risk not increased significantly and recognized as Stage 1.

For debt investment exposures, financial instruments with lower credit risk at the end of the reporting period, or financial instruments with no significant increase in credit risk after initial recognition (Stage 1); financial instruments with significantly increased credit risk since initial recognition, however, no credit loss has occurred, that is, there is no objective evidence of a credit loss event for a financial instrument, and its expected credit loss should be measured at an amount equivalent to the expected credit loss of the financial instrument throughout its lifetime (Stage 2); purchased or originated credit-impaired financial instruments, or non-purchased or originated financial instruments that have suffered credit impairment (Stage 3).

For financial assets classified as Stage 1, the expected credit loss is measured using the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), or loss ratio method. For financial assets recognized as Stage 2 and Stage 3, the expected credit losses are measured by estimating the future cash flows associated with the financial assets.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (2) Credit risk (Continued)

##### *Measuring ECL — inputs, assumptions and estimation techniques*

The Group uses expected credit loss model to measure the expected credit losses for applicable financial assets. Factors considered in the assessment using the expected credit loss model mainly includes asset categories, PD, LGD, whether there are SICR and judgment on low risk assets, and the impairment loss allowance in respect of fixed-income financial assets is determined on the basis of the projected future cash inflows.

For credit business, based on the obligors' credit quality, contract maturity date, the related collateral securities information, which includes the sector situation, liquidity discount factor, concentration, volatility, the amount of a single debt and the operation of issuers, the Group uses loss rate method to estimate loss rate through the collateral coverage ratios, adopting the method of individual identification to identify each transaction in order to measure the impairment loss allowance of high risk credit business.

On the basis of credit rating of counterparties, credit assessment on borrowers and the quantitative management of collateral, the Group fully considers the customer portfolio of each credit related transaction, the amount of a single debt, the term of borrowing, the collateral coverage ratios and the degree of collateral concentration, etc., and makes sure the above factors are reflected in parameters such as PD, LGD and maturity of borrowers. The potential default losses of credit business are measured on a transaction-to-transaction basis, then the Group's overall credit risk exposures are aggregated, with stress tests and sensitivity analysis as supplement for the measurement of credit risks.

PD will be adjusted in the light of macroeconomic environment and the specific situation of bonds, and determined after considering forward looking adjustment factors and adjustment factors of specific bonds. The forward looking adjustment factors are evaluated mainly based on analyzing the relationship between the default rate and the long-term average default rate under different economic environments (or macroeconomic factors) in China and other countries, and determined through forecasting economic environment; the adjustment factors in respect of bonds depend on different industries, specific bonds and risk mitigation measures, which will be adjusted based on different situations or changes.

LGD is estimated based on historical data and subject to a forward looking adjustment.

Corresponding loss rates for the Group's credit business under the 3 stages were as follows:

Stage 1: According to the collateral coverage ratios, concentration and conditions of restriction on trading, the loss rates on advances to customers range from 0.00% to 1.25%, the loss rates on financial assets under resale agreements range from 0.00% to 3.78%.

Stage 2 and Stage 3: Loss rate is determined based on the estimated future cash flows associated with the financial assets.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (2) Credit risk (Continued)

##### *SICR*

The Group uses the following criteria to determine significant increase in credit risks of debt securities investments.

The credit rating of foreign bonds is lowered to a level below BBB- (not included), the credit rating of domestic bonds is lowered to a level below AA (not included), or the original debt rating is below AA but has not yet been identified as there is a significant increase in credit risks, but there is an external rating downgrade.

Other events being identified as significant increase in credit risks, for example:

- The significant adverse changes in the industry or policies, geographical environment of issuers, or deterioration of the issuers' own business operations;
- The consolidated financial statements of issuers exhibit significant adverse changes in main operations or financial indicators;
- The significant adverse changes (if any) in the effectiveness of credit enhancement measures;
- The issuers and the entities that provide credit enhancement are discredited by environmental protection or safety production bureau, or other important situations, or occurrence of any event that may affect debt repayment ability; the entities provide credit enhancement are delinquent or refused to bear the liability arising from credit enhancement in other debts;
- Other significant important events identified by the Group.

In addition, in view of the financial assets under resale agreements, the Group considers that if collateral coverage ratio is lower than the forced liquidation thresholds or with overdue interest, it indicates that its credit risk has significantly increased. While the Group would fully consider the financing entity's credit status, contract period, the industry of the collateral, liquidity, restriction on sales, concentration, volatility, performance protection and issuer's operation performance factors, and then set up different warning lines and forced liquidation thresholds for different financing entities.

According to the Guidance on Impairment of Financial Instruments of Securities Companies issued by China Securities Regulatory Commission ("CSRC"), criteria of low credit risks are as follows:

- International external rating of foreign bond investment is rated at BBB- or above;
- Domestic external rating of domestic bond investment is rated at AA or above.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (2) Credit risk (Continued)

##### *Forward looking information*

For credit-related business, based on the analysis of characteristics of industries, the Group identifies specific indicators related to the loss rate of credit business, that is, the concentration of client positions in margin financing and margin trading business, the collateral coverage ratios of financial assets under resale agreements, and the type of collateral. By constructing the relationship between these specific indicators and the loss rate, forward-looking adjustments are made to the expected credit loss of credit business.

For debt securities investments, the forward looking adjustment factors are firstly, evaluated mainly based on analyzing the relationship between the default rate and the long-term average default rate under different economic environments (or macroeconomic factors) in China and other countries, and determined through forecasting economic environment.

The table below sets forth the Group's maximum credit risk exposure as at the end of the reporting period, which is the carrying amount of financial assets recognized without taking into account of the effect of collateral or other credit enhancements:

#### (a) Maximum credit risk exposure

	As at June 30, 2020	As at December 31,2019
	(Unaudited)	(Audited)
Financial assets at fair value through profit or loss (i)	105,950,149	101,877,615
Derivative financial assets	3,617,285	1,805,819
Advances to customers	60,872,738	55,224,619
Financial assets held under resale agreements	40,841,377	35,679,825
Accounts and other receivables	5,824,900	3,667,692
Deposits with exchanges and non-bank financial institutions	5,294,810	4,780,890
Clearing settlement funds	15,014,523	12,471,616
Cash and bank balances	77,079,436	61,927,739
Debt instruments at amortized cost (ii)	1,802,214	1,894,639
Debt instruments at fair value through other comprehensive income	42,956,143	45,734,307
	<b>359,253,575</b>	<b>325,064,761</b>

(i) Financial assets at fair value through profit or loss subject to credit risk represent investments in debt securities, trust products, equity securities lent to customers and asset backed securities.

(ii) Debt instruments at amortized cost subject to credit risk represent investments in debt securities and customer loans receivable.



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (2) Credit risk (Continued)

##### (b) Risk concentration

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements are categorized by geographical area as follows:

##### As at June 30, 2020 (Unaudited)

	Mainland China	Outside Mainland China	Total (Unaudited)
Financial assets at fair value through profit or loss	103,502,054	2,448,095	105,950,149
Derivative financial assets	1,844,811	1,772,474	3,617,285
Advances to customers	57,753,115	3,119,623	60,872,738
Financial assets held under resale agreements	40,841,377	—	40,841,377
Accounts and other receivables	2,943,170	2,881,730	5,824,900
Deposits with exchanges and non-bank financial institutions	4,697,604	597,206	5,294,810
Clearing settlement funds	14,361,728	652,795	15,014,523
Cash and bank balances	68,545,074	8,534,362	77,079,436
Debt instruments investment at amortized cost	1,685,204	117,010	1,802,214
Debt instruments at fair value through other comprehensive income	42,281,296	674,847	42,956,143
	<b>338,455,433</b>	<b>20,798,142</b>	<b>359,253,575</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (2) Credit risk (Continued)

#### (b) Risk concentration (Continued)

As at December 31, 2019 (Audited)

	Mainland China	Outside Mainland China	Total (Audited)
Financial assets at fair value through profit or loss	96,542,607	5,335,008	101,877,615
Derivative financial assets	649,150	1,156,669	1,805,819
Advances to customers	51,302,490	3,922,129	55,224,619
Financial assets held under resale agreements	35,679,825	—	35,679,825
Accounts and other receivables	1,759,101	1,908,591	3,667,692
Deposits with exchanges and non-bank financial institutions	4,101,323	679,567	4,780,890
Clearing settlement funds	11,900,495	571,121	12,471,616
Cash and bank balances	53,499,838	8,427,901	61,927,739
Debt instruments investment at amortized cost	1,800,034	94,605	1,894,639
Debt instruments at fair value through other comprehensive income	45,441,799	292,508	45,734,307
	<b>302,676,662</b>	<b>22,388,099</b>	<b>325,064,761</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (2) Credit risk (Continued)

##### (c) Credit rating analysis of financial assets

The carrying amounts of debt securities categorized by rating distribution are as follows:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Rating</b>		
Issuers in Mainland China (note)		
PRC sovereign bonds	72,855,941	54,875,682
AAA	60,813,506	75,223,521
AA+	7,833,636	8,174,320
AA	2,484,583	2,528,962
AA- below	47,045	8,995
A-1	403,811	307,220
Non-rated	529,861	570,260
Sub-total	144,968,383	141,688,960
Issuers in Hong Kong and other regions (note)		
PRC sovereign bonds	2,385	2,670
A	409,258	951,750
B	2,701,139	4,598,707
Non-rated	50,402	74,388
Sub-total	3,163,184	5,627,515
	<b>148,131,567</b>	<b>147,316,475</b>

Note: PRC sovereign bonds represent the rating of bonds issued by the PRC government. AAA to AA- and below AA- rating represents rating on bonds (If there is no rating on bonds, then the rating on issuers is operable), among which AAA rating represents the highest rating. A-1 rating represents rating on short-term commercial papers. Non-rated means that bonds or corporates are not rated by any independent rating agency.

Credit rating of overseas bonds were derived from the lowest of Moody's, Standard and Poor's ("S&P") and Fitch, if any. The bonds, which are not rated by the above agencies, are classified as non-rated. Included in A rating are the bonds comprising Aaa to A3 rating of Moody's, AAA to A- rating of S&P and AAA to A- rating of Fitch; B rating are the bonds comprising Baa1 to B3 rating of Moody's, BBB+ to B- rating of S&P and BBB+ to B- rating of Fitch; C rating are the bonds comprising Caa1 to C rating of Moody's, CCC+ to C rating of S&P and CCC to C rating of Fitch; D rating are the bonds comprising D rating of S&P and D rating of Fitch.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Liquidity risk

##### (a) *Source and management of market risk*

The Group's exposure to liquidity risk mainly arises from failure to obtain sufficient funds at reasonable costs and in a timely manner to repay due debts, perform other payment obligations and satisfy funding needs for normal business operation. If there is material and adverse changes in the operating condition of the Group in the future and the Group is not able to maintain their gearing ratio at a reasonable level, and the operations of the Group experiences unusual changes, the Group may not be able to repay the principal or interests of relevant debts in full when due.

In order to prevent liquidity risk, the Group has established high-quality current asset reserves and minimum excess reserve quota system. The Group has formulated liquidity emergency management plans to store minimum excess reserve in the funding plan. The Group has reserved treasury bond, PBOC bills and other highly liquid assets which can be liquidated at any time under extreme circumstances for unexpected expenses. In addition, the Group has actively developed management for funding gaps. By using management tools of cash flow gap, sensitivity analysis and stress testing, the Group can identify potential risks as early as possible to arrange financing and adjust the pace of fund usage for business purposes in advance to effectively manage the settlement risk. The Group has also continuously expanded their financing channels and has a balanced distribution of debt maturities, so as to avoid the payment risk caused by single financing channel or servicing debts when due. Besides, the Group has established internal risk reporting system to promptly monitor the liquidity risk in the operation of each business and at each branch. Moreover, the Group takes measures to promote the safe, sound and sustainable operation of each business and each branch.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### (b) Undiscounted cash flows by contractual maturities

##### At June 30, 2020 (Unaudited)

	Carrying amount	On demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Non-derivative financial liabilities</b>								
Borrowings	3,105,761	—	1,598,309	8,010	1,246,351	275,743	—	3,128,413
Short-term debt instruments	33,592,322	—	8,030,810	21,571,170	4,117,825	—	—	33,719,805
Placements from banks and other financial institutions	4,140,658	—	3,143,120	—	1,012,639	—	—	4,155,759
Bonds payable	73,123,456	—	137,676	247,498	27,769,924	49,646,133	—	77,801,231
Financial assets sold under repurchase agreements	102,455,385	—	90,113,848	27,996	12,754,721	—	—	102,896,565
Financial liabilities at fair value through profit or loss	18,277,613	677,161	14,753,424	97,252	15,017	2,734,759	—	18,277,613
Accounts payable to brokerage clients	77,577,357	77,577,357	—	—	—	—	—	77,577,357
Other payables and accrued charges	5,587,355	5,545,589	41,766	—	—	—	—	5,587,355
Notes payable	2,151,400	—	—	—	2,151,400	—	—	2,151,400
Lease liabilities	1,276,527	—	25,113	52,665	214,469	696,790	439,743	1,428,780
<b>Total</b>	<b>321,287,834</b>	<b>83,800,107</b>	<b>117,844,066</b>	<b>22,004,591</b>	<b>49,282,346</b>	<b>53,353,425</b>	<b>439,743</b>	<b>326,724,278</b>
<b>Derivative financial liabilities — net settlement</b>	<b>3,557,158</b>	<b>2,640,535</b>	<b>8,438</b>	<b>285,816</b>	<b>549,949</b>	<b>72,420</b>	<b>—</b>	<b>3,557,158</b>



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### (b) Undiscounted cash flows by contractual maturities (Continued)

At December 31, 2019 (Audited)

	Carrying amount	On demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Non-derivative financial liabilities</b>								
Borrowings	4,512,018	—	3,086,527	11,742	1,202,719	277,116	—	4,578,104
Short-term debt instruments	32,915,760	—	7,097,642	19,227,621	6,975,269	—	—	33,300,532
Placements from banks and other financial institutions	7,000,000	—	2,501,976	508,847	4,065,722	—	—	7,076,545
Bonds payable	64,348,043	—	7,174,734	496,390	9,001,158	49,129,380	5,779,400	71,581,062
Financial assets sold under repurchase agreements	97,572,967	—	93,380,656	1,310,520	3,107,525	—	—	97,798,701
Financial liabilities at fair value through profit or loss	10,076,386	564,455	6,945,434	—	408,620	2,157,877	—	10,076,386
Accounts payable to brokerage clients	61,724,220	61,724,220	—	—	—	—	—	61,724,220
Other payables and accrued charges	4,937,347	4,900,870	36,477	—	—	—	—	4,937,347
Notes payable	615,000	—	—	—	615,000	—	—	615,000
Lease liabilities	1,252,147	—	22,107	44,938	212,262	694,416	489,300	1,463,023
<b>Total</b>	<b>284,953,888</b>	<b>67,189,545</b>	<b>120,245,553</b>	<b>21,600,058</b>	<b>25,588,275</b>	<b>52,258,789</b>	<b>6,268,700</b>	<b>293,150,920</b>
<b>Derivative financial liabilities — net settlement</b>	<b>2,183,222</b>	<b>1,367,051</b>	<b>480,062</b>	<b>173,073</b>	<b>163,036</b>	<b>—</b>	<b>—</b>	<b>2,183,222</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk

##### (a) *Source and management of market risk*

Market risks of the Group refer to the risks of loss resulting from adverse changes in the market. Securities held by the Group are derived from the proprietary investments, market-making business and other investment activities. Movements in securities holding primarily arise from the relevant strategies of proprietary investments and needs of market-making. The securities of the Group are measured at fair values which fluctuates daily according to the market factors and change in the portfolios of the securities. Market risks of the Group primarily include: (i) equity price risk, which represents the exposures arise from fluctuation in the spot price, future price and volatility of indices such as stocks, equity portfolio, commodities and stock index futures; (ii) interest rate risk, which primarily represents the exposures arise from movements in the yield curve of fixed income investment, fluctuation in interest rates and credit spreads; and (iii) commodity risk, which represents exposures arise from changes in the spot price, future price and the relevant volatility; and (iv) exchange rate risk, which represents the exposures arise from changes in the spot rate, future rate and volatility of foreign currency exchange rates.

The Group collectively allocates economic capital in accordance with the risk preference and risk limits set by the directors of the Group. By considering the risk associated with each type of investments and their interrelationship, the Group allocates the overall risk limits to different business departments/business lines. The front-office business departments are responsible for market risk management at the frontiers. The person in charge and investment manager shall utilize their extensive experience and in-depth knowledge of the markets and products to conduct risk management in trading transactions within their authorities and dynamically manages risk exposures to the securities held in open position by taking initiative measures to mitigate or hedging these risks. Risk Management Department is independent from other business departments and reports to Chief Risk Officer. By applying professional risk management tools and methods, Risk Management Department aims to independently monitor, measure and manage market risk at different levels, including investment strategies, business units/lines and the entire Group. Reports of evaluation and risk analysis are generated and delivered to the responsible officers of the business departments/business lines and management of the Group on a daily, monthly or quarterly basis to facilitate decision making. When risk level is approaching or exceeds the threshold values, Risk Management Department will warn against relevant management officers promptly, and the respective business departments/business lines will implement measures according to the resolutions of the relevant committees.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk (Continued)

##### (b) Price risk

#### Value at Risk ("VaR")

The Group adopts Value at Risk ("VaR") as the risk evaluation tool for measuring the market risk of the entire securities investment portfolio which comprises various financial instruments. VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, stock prices or currency rates over a specified time period and at a given level of confidence.

The analysis of the Group's VaR (confidence level of 95% and a holding period of one trading day) by types of risks is as follows:

#### Final

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Market risk of equity price	189,365	175,609
Market risk of interest rate	78,818	36,248
Market risk of commodity price	7,339	4,475
Market risk of foreign exchange	631	61
Diversification effect	(51,695)	(37,910)
	<b>224,458</b>	<b>178,483</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk (Continued)

##### (c) Interest rate risk

The tables below summarize the Group's interest-bearing financial assets and liabilities as at period/year by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

	At June 30, 2020 (Unaudited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial assets</b>							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	6,849,202	6,849,202
Debt instruments at fair value through other comprehensive income	1,114,010	2,003,746	6,320,808	28,345,640	5,171,939	—	42,956,143
Financial assets at fair value through profit or loss	4,631,721	8,033,186	31,129,819	27,263,346	32,390,371	45,505,637	148,954,080
Derivative financial assets	—	—	—	—	—	3,617,285	3,617,285
Advances to customers	4,947,196	12,218,901	43,706,641	—	—	—	60,872,738
Financial assets held under resale agreements	21,550,980	3,646,253	14,305,884	1,338,260	—	—	40,841,377
Debt instruments at amortized cost	394,810	209,931	632,646	564,827	—	—	1,802,214
Accounts and other receivables	—	—	—	—	—	3,359,907	3,359,907
Deposits with exchanges and non-bank financial institutions	5,294,810	—	—	—	—	—	5,294,810
Clearing settlement funds	15,014,523	—	—	—	—	—	15,014,523
Cash and bank balances	75,708,036	—	1,371,400	—	—	—	77,079,436
<b>Sub-total</b>	<b>128,656,086</b>	<b>26,112,017</b>	<b>97,467,198</b>	<b>57,512,073</b>	<b>37,562,310</b>	<b>59,332,031</b>	<b>406,641,715</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk (Continued)

##### (c) Interest rate risk (Continued)

	At June 30, 2020 (Unaudited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial liabilities</b>							
Borrowings	1,597,723	2,207	1,231,999	273,832	—	—	3,105,761
Short-term debt instruments	8,024,903	21,490,246	4,077,173	—	—	—	33,592,322
Placements from banks and other financial institutions	3,140,588	—	1,000,070	—	—	—	4,140,658
Bonds payable	128,992	198,184	26,320,225	46,476,055	—	—	73,123,456
Financial assets sold under repurchase agreements	90,095,187	27,933	12,332,265	—	—	—	102,455,385
Derivative financial liabilities	—	—	—	—	—	3,557,158	3,557,158
Financial liabilities at fair value through profit or loss	14,558,924	—	—	—	—	3,718,689	18,277,613
Accounts payable to brokerage clients	77,577,357	—	—	—	—	—	77,577,357
Other payables and accrued charges	—	—	—	—	—	5,587,069	5,587,069
Lease liabilities	25,204	52,626	211,434	646,054	341,209	—	1,276,527
<b>Sub-total</b>	<b>195,148,878</b>	<b>21,771,196</b>	<b>45,173,166</b>	<b>47,395,941</b>	<b>341,209</b>	<b>12,862,916</b>	<b>322,693,306</b>
<b>Net position</b>	<b>(66,492,792)</b>	<b>4,340,821</b>	<b>52,294,032</b>	<b>10,116,132</b>	<b>37,221,101</b>	<b>46,469,115</b>	<b>83,948,409</b>



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk (Continued)

##### (c) Interest rate risk (Continued)

	At December 31, 2019 (Audited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial assets</b>							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	7,057,809	7,057,809
Debt instruments at fair value through other comprehensive income	484,154	457,366	10,287,960	28,122,253	6,382,574	—	45,734,307
Financial assets at fair value through profit or loss	2,188,318	6,166,520	46,118,538	33,153,688	12,021,687	38,497,317	138,146,068
Derivative financial assets	—	—	—	—	—	1,805,819	1,805,819
Advances to customers	6,560,080	9,733,689	38,930,850	—	—	—	55,224,619
Financial assets held under resale agreements	16,507,344	1,396,056	15,606,124	2,170,301	—	—	35,679,825
Debt instruments at amortized cost	52,782	2,937	1,048,825	783,855	—	6,237	1,894,636
Accounts and other receivables	—	—	—	—	—	763,703	763,703
Deposits with exchanges and non-bank financial institutions	4,780,890	—	—	—	—	—	4,780,890
Clearing settlement funds	12,471,616	—	—	—	—	—	12,471,616
Cash and bank balances	61,327,739	200,000	400,000	—	—	—	61,927,739
<b>Sub-total</b>	<b>104,372,923</b>	<b>17,956,568</b>	<b>112,392,297</b>	<b>64,230,097</b>	<b>18,404,261</b>	<b>48,130,885</b>	<b>365,487,031</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk (Continued)

##### (c) Interest rate risk (Continued)

	At December 31, 2019 (Audited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial liabilities</b>							
Borrowings	3,082,735	2,654	1,163,289	268,610	—	—	4,517,288
Short-term debt instruments	7,091,848	19,106,627	6,900,141	—	—	—	33,098,616
Placements from banks and other financial institutions	2,501,976	505,444	4,005,779	—	—	—	7,013,199
Bonds payable	7,155,098	402,360	7,934,637	45,014,924	5,484,483	—	65,991,502
Financial assets sold under repurchase agreements	93,353,772	1,300,596	3,052,318	—	—	—	97,706,686
Derivative financial liabilities	—	—	—	—	—	2,183,222	2,183,222
Financial liabilities at fair value through profit or loss	6,945,434	—	—	—	—	3,130,952	10,076,386
Accounts payable to brokerage clients	61,724,220	—	—	—	—	—	61,724,220
Other payables and accrued charges	—	—	—	—	—	4,937,060	4,937,060
Lease liabilities	21,502	43,524	202,601	621,917	362,603	—	1,252,147
<b>Sub-total</b>	<b>181,876,585</b>	<b>21,361,205</b>	<b>23,258,765</b>	<b>45,905,451</b>	<b>5,847,086</b>	<b>10,251,234</b>	<b>288,500,326</b>
<b>Net position</b>	<b>(77,503,662)</b>	<b>(3,404,637)</b>	<b>89,133,532</b>	<b>18,324,646</b>	<b>12,557,175</b>	<b>37,879,651</b>	<b>76,986,705</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk (Continued)

##### (c) Interest rate risk (Continued)

#### Sensitivity analysis of interest rate

The Group conducts sensitivity analysis on interest rates to measure the impact of a reasonably possible change in interest rates on the Group's profit and equity, assuming all other variables were held constant. Assuming a parallel change in market interest rate and without taking into account of any possible risk management activities that may be taken by the management to reduce interest rate risks, the Group's interest rate sensitivity analysis is as follows:

#### Sensitivity to profit before tax

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
<b>Change in basis points</b>		
Increase by 100bps	(2,330,404)	(2,505,898)
Decrease by 100bps	2,424,587	2,644,092

#### Sensitivity to equity

	As at	As at
	June 30,	December 31,
	2020	2019
	(Unaudited)	(Audited)
<b>Change in basis points</b>		
Increase by 100bps	(3,378,139)	(2,963,149)
Decrease by 100bps	3,516,671	3,054,464

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk (Continued)

##### (d) Foreign currency rate risk

Foreign exchange rate risk represents the adverse changes in the financial position and cash flows of the Group due to changes in foreign exchange rates. The Group conducts sensitivity analysis on foreign exchange rates to measure its foreign exchange rate risks. The table below indicates the sensitivity analysis on exchange rate changes in currencies that the Group has significant exposure, which calculates the impacts of a reasonably possible change in the exchange rate of a foreign currency against Renminbi on the equity, assuming all other variables were held constant. A negative amount reflects a potential decrease in equity, and a positive amount reflects a potential increase in equity.

#### Sensitivity analysis of exchange rate

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
<b>Change in exchange rate</b>		
Depreciation of USD by 3%	(151,146)	(142,773)
Depreciation of HKD by 3%	(19,410)	(24,335)

The table above indicates the impacts on the equity of a depreciation of 3% in USD and HKD against Renminbi. There will be an opposite impact with the same amount as shown in the above table if the above exchange rates appreciate by the same percentage.

#### (5) Operational risk

The Group's operational risks arise from the imperfection or defectiveness of internal processes, personnel and systems or external events. The operational risk events of the Group are summarized into seven categories, including: (1) internal fraud, (2) external fraud, (3) employee policies and workplace safety, (4) clients, products and business activities, (5) physical property damage, (6) business interruption and IT system failures, and (7) execution, settlement and process management.

The Group emphasize balance of business scale, profitability and risk tolerance level, adhering to carrying out various operations with prudence, and will not sacrifice operational risk management and controls. During the current period, the Group continued to strengthen operational risk management, and has improved a sound operational risk management system gradually, which was commensurate with the business nature, scale and complexity of the Group. Three management tools, namely, (1) operational risk control and self-assessment, (2) operational risk key risk indicators and (3) operational risk event and loss data collection, have been used to effectively enhance the depth and breadth of operational risk management through various special sorting and investigations for industry hotspot events and frequent risk-prone areas.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (6) Capital management

The Group's objectives of capital management are:

- To ensure the Group maintains sufficient capital strength and market competitiveness, oriented by the corporate strategy;
- To adequately manage its capital resource allocation to maximize the profit and capital return;
- To actively explore the Group's source of funding, optimize the Group's assets and liabilities structure to enhance the use of balance sheet financing; and
- To comply with the relevant capital requirements under the PRC, Hong Kong and overseas regulations.

The Company is required to meet the following standards for risk indicators on a continual basis:

1. The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio of core net capital divided by on-balance-sheet assets and off-balance-sheet assets shall be no less than 8% ("Ratio 2");
3. The ratio of high-quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 3");
4. The ratio of available amount of stable funds divided by required stable funds shall be no less than 100% ("Ratio 4");
5. The ratio of net capital divided by net asset shall be no less than 20% ("Ratio 5");
6. The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
7. The ratio of net asset divided by liabilities shall be no less than 10% ("Ratio 7");
8. The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and
9. The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

During the reporting period, both of the Company's net capital and other risk control indicators, complied with "Securities Company Management Guidelines" and "Securities Company Risk Control Indicators Management Guideline" issued by CSRC.



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

#### (6) Capital management (Continued)

As at June 30, 2020 and December 31, 2019, the Company maintained the above ratios as follows:

	As at June 30, 2020	As at December 31, 2019
	(Unaudited)	(Audited)
Net Capital	46,947,218	48,651,441
Net Asset Value	81,797,651	78,190,125
Sum of Risk Based Capital Provisions	19,898,314	20,227,307
On-Balance-Sheet and Off-Balance-Sheet Total Assets	234,697,181	309,933,814
Ratio 1	235.94%	240.52%
Ratio 2	18.30%	13.44%
Ratio 3	237.35%	222.67%
Ratio 4	156.48%	157.77%
Ratio 5	57.39%	62.22%
Ratio 6	19.64%	22.26%
Ratio 7	34.21%	35.78%
Ratio 8	31.35%	32.50%
Ratio 9	365.96%	329.96%

The above ratios are calculated based on the underlying consolidated financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC, Hong Kong and overseas regulations, imposed by the CSRC, the Hong Kong Securities and Futures Commission and the UK Financial Conduct Authority, respectively.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

#### (1) Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis (including financial liabilities included in the condensed consolidated statement of financial position of the Group at amortized cost) approximate their fair values as at June 30, 2020 and December 31, 2019.

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is with reference to another instrument that is substantially the same.

Since the level 2 and level 3 of financial assets and liabilities are not quoted in an active market, valuation technique is used to estimate the fair value. When estimating fair value using valuation technique, observable inputs and data from the practical market (e.g. yield curve of interest rate products, foreign currency exchange rate, implied volatility, etc.) are adopted. If the observable inputs in the market are not available, the observable input data that are calibrated as closely as possible to the market observable data are used for estimating the fair value. Meanwhile, the credit risk, volatility, correlation, etc. of the Group and the counterparty are estimated by the management. The changing of these factors will affect the estimated fair value of the financial instruments, therefore there were uncertainty of accounting estimation on the level 2 and level 3 of financial assets and liabilities.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets/financial liabilities	Fair value as at June 30, 2020	Fair value as at December 31, 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(1) Financial assets at fair value through profit or loss</b>						
<b>Bonds</b>						
– Traded on stock exchanges	1,417,903	5,987,935	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchanges	24,512,374	29,980,155	Level 2	Discounted cash flows with future cash flows that are estimated based on yield curves of different securities.	N/A	N/A
– Traded on stock exchanges (inactive)	350,000	399,999	Level 3	Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	Expected future cash flows. Discount rates that correspond to the expected risk level.	The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
– Traded on interbank market	74,472,817	62,624,219	Level 2	Discounted cash flows with future cash flows that are estimated based on yield curves of different securities.	N/A	N/A
– Traded on interbank market (inactive)	181,394	171,793	Level 3	Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	Expected future cash flows. Discount rates that correspond to the expected risk level.	The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
– Unlisted	71,806	70,095	Level 3	Discounted cash flows with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	Expected future cash flows. Discount rates that correspond to the expected risk level.	The higher the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
– Unlisted	2,443,682	547,938	Level 2	Measured at fair value based on broker quoted price.	N/A	N/A

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2020	Fair value as at December 31, 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>Equity investments</b>						
– Traded on stock exchanges	10,178,484	9,875,989	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchanges (inactive)	1,367	3,523	Level 2	Adjusted quoted closing prices for stocks suspended for trading.	N/A	N/A
– Traded on stock exchanges (inactive)	16,216	—	Level 3	Valuation of debt-repaid assets by third parties.	Third party valuation.	The higher the third party valuation, the higher the fair value.
– Traded on stock exchanges (restricted)	—	1,031,376	Level 2	Adjusted market prices.	N/A	N/A
– Traded on stock exchanges (restricted)	516,488	—	Level 3	Adjusted market prices.	Liquidity discount.	The higher the discount, the lower the fair value.
– Traded National Securities Exchange and Quotation System	181,502	319,221	Level 2	Measured at fair value based on broker quoted price.	N/A	N/A
– Traded National Securities Exchange and Quotation System	47,638	55,646	Level 2	Bid prices or negotiated prices.	N/A	N/A
– Unlisted Equity	801,019	558,639	Level 2	Last observable transaction prices.	N/A	N/A
– Unlisted Equity	122,675	121,344	Level 3	The net asset value based on the fair value of the underlying investments.	The fair value of underlying assets.	The higher the underlying assets valuation, the higher the fair value.
– Unlisted Equity	111,896	110,345	Level 3	Comparable companies analysis valuation.	Liquidity discount.	The higher the discount, the lower the fair value.
– Unlisted Equity (subject to redemption option)	832,678	799,968	Level 3	Discounted amount based on simple repurchase interest rate.	Repurchase interest rate.	The higher the interest rate, the higher the fair value.
– Unlisted Equity	214,316	208,506	Level 3	Backsolve method	Liquidity discount.	The higher the discount, the lower the fair value.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2020	Fair value as at December 31, 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>Funds</b>						
– Listed	1,401,319	2,155,879	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Unlisted	17,059,689	13,969,157	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
<b>Other investment</b>						
– Wealth management and trust products and others	424,361	587,248	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Wealth management and trust products and others	9,187,273	5,044,434	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
– Wealth management and trust products and others	1,554,157	1,859,786	Level 2	Discounted cash flows with future cash flows that are estimated based on yield curves of different products.	N/A	N/A
– Wealth management and trust products and others	118,137	4,540	Level 3	Based on the net asset values of the underlying investment portfolio and adjustments of related expenses.	Third party valuation.	The higher the third party valuation, the higher the fair value.
– Wealth management and trust products and others	2,734,889	1,658,333	Level 3	Comparable companies analysis valuation.	Liquidity discount.	The higher the discount, the lower the fair value.



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2020	Fair value as at December 31, 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(2) Debt instruments at fair value through other comprehensive income</b>						
<b>Bonds</b>						
– Traded on stock exchanges	—	178,305	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchanges	17,537,734	21,330,163	Level 2	Discounted cash flows with future cash flows that are estimated based on yield curves of different securities.	N/A	N/A
– Traded on interbank market	24,743,562	24,111,636	Level 2	Discounted cash flows with future cash flows that are estimated based on yield curves of different securities.	N/A	N/A
– Unlisted	674,847	114,203	Level 2	Measured at fair value based on broker quoted price.	N/A	N/A
<b>(3) Equity instruments at fair value through other comprehensive income</b>						
– Special account	6,849,202	7,057,809	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
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### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2020	Fair value as at December 31, 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(4) Derivative financial instruments</b>						
– Interest rate swaps – assets (note)	1,049,183	226,180	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
– Interest rate swaps – liabilities (note)	1,044,576	232,652	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
– Equity return swaps – assets	250,763	182,909	Level 2	Calculated based on the difference between market value of stocks and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2020	Fair value as at December 31, 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(4) Derivative financial instruments (Continued)</b>						
– Equity return swaps – liabilities	4,332	—	Level 2	Calculated based on the difference between market value of stocks and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A
– Stock index futures – assets (note)	139	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Stock index futures – liabilities (note)	101	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Treasury bond futures – liabilities (note)	—	332	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Commodity swaps – assets	23,730	16,373	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by the counterparty.	N/A	N/A
– Commodity swaps – liabilities	255,556	2,972	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by the counterparty.	N/A	N/A
– Commodity futures – assets (note)	1,740,412	1,120,349	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Commodity futures – liabilities (note)	1,337,173	1,105,762	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Option – assets	206,640	113,394	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Option – liabilities	333,476	370,568	Level 1	Quoted closing prices in an active market.	N/A	N/A

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2020	Fair value as at December 31, 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(4) Derivative financial instruments (Continued)</b>						
– Over-the-counter option – assets	315,142	133,222	Level 3	Option pricing model.	Historical volatility of the share prices of the securities.	The higher the historical volatility, the higher the fair value.
– Over-the-counter option – liabilities	574,193	442,105	Level 3	Option pricing model.	Historical volatility of the share prices of the securities.	The higher the historical volatility, the higher the fair value.
– Foreign exchange swaps – assets	10,907	—	Level 2	Calculated based on the valuation result provided by broker.	N/A	N/A
– Foreign exchange contracts – assets	9,129	477	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
– Foreign exchange contracts – liabilities	—	1,164	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
– Commodity – assets	7,128	12,381	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by the counterparty.	N/A	N/A
– Commodity – liabilities	3,130	22,254	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by the counterparty.	N/A	N/A

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2020	Fair value as at December 31, 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(4) Derivative financial instruments (Continued)</b>						
– Credit default swaps – asset	4,112	534	Level 3	Discounted cash flows with future cash flows that are calculated based on the difference between discounted cash flows with future cash flows that are estimated based on unsecured rates and secured rates.	Discounted cash flow with future cash flows that are estimated based on contract terms.	The higher the discount, the lower the fair value.
– Credit default swaps – liabilities	4,621	5,413	Level 3	Discounted cash flows with future cash flows that are calculated based on the difference between discounted cash flows with future cash flows that are estimated based on unsecured rates and secured rates.	Discounted cash flow with future cash flows that are estimated based on contract terms.	The higher the discount, the lower the fair value.
<b>(5) Financial liabilities at fair value through profit or loss</b>						
– Designated at fair value through profit or loss	2,823,177	2,583,705	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
– Financial liabilities held for trading	730,058	570,635	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Financial liabilities held for trading	14,453,926	6,922,046	Level 2	Discounted cash flows with future cash flows that are estimated based on yield curves of different securities.	N/A	N/A
– Financial liabilities held for trading	270,452	—	Level 2	Calculated based on the difference between the equity return of underlying equity securities based on stock index and quoted prices from stock exchanges in the PRC and the fixed income agreed in the swap agreements between the Company and the counterparty.	N/A	N/A



## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Note: Under the daily mark-to-market and settlement arrangement, any gains or losses of the interest rate swaps of centralized settlement, stock index futures, treasury bond futures and commodity futures in PRC were settled daily and the corresponding receipts and payments were included in “clearing settlement funds” as at June 30, 2020 and December 31, 2019. Accordingly, the net position of these contracts was nil at the end of each reporting period.

Analysis of financial instruments, measured at fair value at the end of the period/year, by level in the fair value hierarchy into which the fair value measurement is categorized as follows:

	As at June 30, 2020 (Unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	13,422,067	130,261,518	5,270,495	148,954,080
— Debt securities	1,417,903	101,428,873	603,200	103,449,976
— Equity investments	10,178,484	1,031,526	1,814,269	13,024,279
— Funds	1,401,319	17,059,689	—	18,461,008
— Others	424,361	10,741,430	2,853,026	14,018,817
Derivative financial assets	1,947,191	1,350,840	319,254	3,617,285
Debt instruments at fair value through other comprehensive income	—	42,956,143	—	42,956,143
Equity instruments at fair value through other comprehensive income	—	6,849,202	—	6,849,202
	<b>15,369,258</b>	<b>181,417,703</b>	<b>5,589,749</b>	<b>202,376,710</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	730,058	17,547,555	—	18,277,613
Derivative financial liabilities	1,670,750	1,307,594	578,814	3,557,158
	<b>2,400,808</b>	<b>18,855,149</b>	<b>578,814</b>	<b>21,834,771</b>

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

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### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	As at December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	18,607,051	115,994,094	3,544,923	138,146,068
— Debt securities	5,987,935	93,152,312	641,887	99,782,134
— Equity investments	9,875,989	1,968,405	1,240,163	13,084,557
— Funds	2,155,879	13,969,157	—	16,125,036
— Others	587,248	6,904,220	1,662,873	9,154,341
Derivative financial assets	1,233,743	438,320	133,756	1,805,819
Debt instruments at fair value through other comprehensive income	178,305	45,556,002	—	45,734,307
Equity instruments at fair value through other comprehensive income	—	7,057,809	—	7,057,809
	<b>20,019,099</b>	<b>169,046,225</b>	<b>3,678,679</b>	<b>192,744,003</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	570,635	9,505,751	—	10,076,386
Derivative financial liabilities	1,476,662	259,042	447,518	2,183,222
	<b>2,047,297</b>	<b>9,764,793</b>	<b>447,518</b>	<b>12,259,608</b>

There was no significant transfer of financial instruments measured at fair value between the first and second levels of the Group during the period/year.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

- (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

#### Reconciliation of Level 3 fair value measurements

	Financial assets	Financial liabilities
	(Unaudited)	(Unaudited)
As at January 1, 2020	3,678,679	447,518
Gains or losses for the period	1,004,919	285,800
Other comprehensive income impact for the period	7,360	—
Additions	1,052,274	293,014
Sales and settlements	(347,826)	(447,518)
Transfers into level 3	194,343	—
As at June 30, 2020	5,589,749	578,814
<b>Total gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting period</b>	<b>933,171</b>	<b>73,598</b>

	Financial assets	Financial liabilities
	(Audited)	(Audited)
As at January 1, 2019	3,461,633	—
Gains or losses for the year	176,668	(210,825)
Additions	828,835	236,693
Sales and settlements	(250,340)	—
Transfers out of level 3	(538,117)	—
As at December 31, 2019	3,678,679	447,518
<b>Total gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting year</b>	<b>212,251</b>	<b>(210,825)</b>

### 57. CONTINGENCIES

As at June 30, 2020, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, which would materially adversely affect its financial position or results of operations.

## Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

### 58. EVENTS AFTER THE REPORTING PERIOD

#### 1. Bond issue

On July 22, 2020, the Company issued the first tranche of public corporate bonds named as “20CMG1”. The total principal amount of 20CMG1 is RMB3 billion with duration of 3 years and the interest rate is 3.55% per annum.

On July 28, 2020, the Company issued the first tranche of public short-term corporate bonds type II named as “20CMS2”. The total principal amount of 20CMS2 is RMB2.1 billion with duration of 290 days and the interest rate is 2.85% per annum. The type I had not been released yet.

On August 13, 2020, the Company issued the second tranche of public corporate bonds, with the type I named as “20CMG2” and type II named as “20CMG3”. The total principal amount of 20CMG2 is RMB1.8 billion with duration of 378 days and the interest rate is 2.93% per annum. The total principal amount of 20CMG3 is RMB3 billion with duration of 3 years and the interest rate is 3.50% per annum.

#### 2. A share rights issue and H share rights issue

On April 3, 2020, the Company’s A-share rights issue application was reviewed and approved at the 46th meeting of the CSRC’s 18th Issuance Review Committee in 2020, and obtained the written approval document from the CSRC (the “Approval in respect of the Rights Issue of China Merchants Securities Co., Ltd from the CSRC” (Zheng Jian Xu Ke [2020] No. 723))\* (《關於核准招商證券股份有限公司配股的批覆》(證監許可[2020]723號)) in May, 2020, which approved the new A Share rights share to be allotted on the basis of three A Share rights shares for every ten existing A Shares (“A Share Rights Issue”). On July 20, 2020, the Company completed the A Share Rights Issue, and 1,702,997,123 new A Share rights shares were allotted and issued at a price of RMB7.46 per share, raising funds of RMB12.704 billion. The new A Shares were listed on the Shanghai Stock Exchange on July 31, 2020.

Pursuant to the written approval from the CSRC (Zheng Jian Xu Ke [2019] No. 1946)\* (證監許可[2019]1946號), in accordance with the “H Share Rights Issue Prospectus” dated July 28, 2020, the H Share rights shares were allotted to the Qualified H Shareholders on the basis of three H Share rights shares for every ten existing H Shares (“H Share Rights Issue”). As of the Last Payment Day dated August 11, 2020, 294,120,354 new H Share rights shares had been allotted and issued at a price of HKD8.185 per share, raising funds of HKD2.407 billion (RMB 2.194 billion). The new H Shares were listed on the Hong Kong Stock Exchange on August 20, 2020.

The aggregate gross proceeds raised under the A Share Rights Issue and the H Share Rights Issue were approximately RMB14.898 billion. After the completion of the A Share Rights Issue and the H Share Rights Issue, the total registered capital of the Company increased to RMB8,696,526,806.

#### 3. Profit distribution

In accordance with the 2019 profit distribution plan approved in the 35th meeting by the 6th board of directors on August 28, 2020, the Company proposed cash dividends of RMB3.35 per 10 shares (inclusive of tax) to shareholders based on 8,696,526,806 shares of total capital. The proposed profit distribution plan is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

### 59. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the presentation of current period.

## Chapter 10: Documents Available for Inspection

Documents available for inspection	(I) Financial statements with signatures and seals of the legal representative, person-in-charge of accounting and the head of accounting department of the Company.
	(II) Original copies of all documents and announcements published by the Company during the Reporting Period on the designated websites of the place where the Company's securities are listed.
	(III) Other relevant information.

Chairman of the Board: HUO Da

Submission date approved by the Board: August 28, 2020



## Chapter 11: Information Disclosure of a Securities Company

### I. Relevant Information on the Major Administrative Approvals of the Company

No.	Issuing authority	Title	Document No.	Date of announcement
1	CSRC	Reply in Relation to the Approval for Rights Issue by China Merchants Securities Co., Ltd. (關於核准招商證券股份有限公司配股的批覆)	Zheng Jian Xu Ke [2020] No. 723 (證監許可[2020]723號)	April 17, 2020

### II. Classification of the Company by the Regulatory Department

2020	AA (Class A)
2019	AA (Class A)
2018	AA (Class A)

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