

CMS 招商证券

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

2020 ANNUAL REPORT



2020

ANNUAL REPORT





HUO Da
Chairman of the Board

Live up to the times and targets the future

– Statement of Huo Da, the Chairman of the Board, for the 2020 annual report

2020 was the year where the timeframes of the two “centenary goals” converged amid the COVID-19 pandemic and profound changes unseen in a century. In this extraordinary year, China Merchants Securities firmly pursued the value of “serving the country with financial services” by fighting against the pandemic, promoting reforms, controlling risks, achieving outstanding results and making every effort to facilitate pandemic prevention and control, while endeavored to resume work and production and accomplish annual targets. Based on the established strategic direction, the Company developed with steady progress and innovative changes.

During the year, confronted with the challenges posed by the COVID-19 pandemic, the Company braved difficulties and achieved an increase in revenue and yield. The Company recorded operating income of RMB24.278 billion (according to the China Accounting Standards) and net profit attributable to shareholders of the Company of RMB9.492 billion, both being the second best results in the Company’s history, representing a year-on-year increase of 29.77% and 30.34%, respectively. Among the key business indicators of the Company, the ranking of net income from agency trading of brokerage business, a “fundamental” business indicator, jumped to second among the industry, and the ranking of custody business remained the first among the industry, while the ranking of institutional business and active AUM also steadily improved. Meanwhile, the Company adhered to compliant and stable operations with various risks well controlled, and has been granted the AA regulatory rating under the A category for 13 consecutive years.

During the year, we maintained our strategic willpower, seized market opportunities, solidly broadened our advantages, bolstered up our shortcomings, strengthened our weaknesses, and focused on building a sound foundation while aiming at substantial long-term development. In terms of strengthening and improving wealth management, the Company comprehensively integrated resources, strengthened the development of professional investment and research capabilities in wealth management, and forged differentiated competitive advantages. In terms of constructing a solid foundation for the development of investment banking, we propelled the “Gazelle Incubator Project” (羚躍計劃) covering over 100 companies, promoted the construction of modern investment banking and speeded up the “investment banking +” strategy. In terms of promoting digital development, the Company took the lead in the industry to commence the construction of a cloud-native architecture, successfully launched the new generation (phase one) unified counter system, speeded up the construction of the three middle platforms of operation, data and technology, and achieved double increase in both the quantity and value of innovative projects.

During the year, we focused on improving performance and enhancing vitality through reform. As a pilot enterprise for the “Double Hundred Action” of state-owned enterprise reform, the Company was the first in the industry to complete the A+H shares rights issue, with net assets surpassing RMB100 billion. Upon the release of the new regulations of the three ministries and commissions, the Company was also the first among the industry to implement an employee stock ownership scheme. Meanwhile, the Company revised its corporate culture consensus, established the corporate mission of “promoting the transformation and upgrade of China’s economy and helping maintain and increase the value of social wealth”, and strived to develop foresight ahead of the rise of great opportunities to pursue greater success. The Company incorporated the notion of “reform and innovations (招商血脈·蛇口基因)” into its core values, and strived to provoke dynamism amid severe market competition, so as to stimulate the passion and vitality for reform and innovations.

2021 is the first year of the “14th Five-Year Plan”, and is also the beginning of the new journey towards fully building a modern socialist society. During the period of the “14th Five-Year Plan”, China will enter a new stage of development. Shaping a new development landscape under new development concepts will put forward new and higher requirements for the development of financial services for the real economy. The securities industry will also enter a stage of high-quality development and a crucial window stage for major development and differentiation. We will vigorously promote the “spirit of reform and innovations”, forge ahead with courage, make great efforts to promote the reform of the investment banking, wealth management and other core businesses of the Company, cultivate a young and professional team full of talents, establish a “customer-oriented”, agile and innovative organization, promote the Company’s high-quality development in the new era, and build China Merchants Securities into the “best investment bank in China with distinctive features, leading innovation capabilities, the highest quality and outstanding contributions”.

China Merchants Securities will keep pace with the times and strive to be a responsible, ambitious and capable company that will live up to the hope of the times and the high expectations of shareholders, customers and all sectors of society. Thank you for keeping us company all the way, and let us stride hand-in-hand into the new era and create a new future together!



XIONG Jiantao
Executive Director, President

Fully enhance our overall competitiveness and propel the Company's development to a new stage

– Statement of Xiong Jiantao, the President, for the 2020 annual report

At the beginning of 2020, the sudden outbreak of the COVID-19 pandemic posed a tremendous impact on the normal business development of the Company. Nevertheless, China's economy rebounded and recovered steadily from quarter to quarter. During the year, the reform and innovation of the capital market also continued to deepen, furnishing better opportunities for the development of the Company. Under the solid leadership of the Board and the joint efforts of all employees, the Company coordinated the work for pandemic prevention and control as well as business development, and achieved the second record high annual operating results, preceded only by the results in 2015. Operating income and net profit attributable to shareholders of the parent company amounted to RMB24.278 billion (according to the China Accounting Standards) and RMB9.492 billion, representing a year-on-year increase of 29.77% and 30.34%, respectively. ROE was 10.85%, representing a year-on-year increase of 1.34 percentage points. Meanwhile, the Company continued to maintain compliant and stable operations, and has been granted the AA regulatory rating under the A category for securities firms for 13 consecutive years.

In 2020, the Company's highlights of operations were mainly as follows: **(i) We strengthened, transformed and upgraded the three major categories of customer service business, and continuously increased competitiveness.** The benefits of business integration between private and institutional clients were further demonstrated with upsurging growth, and the ranking of net income from agency trading business jumped five places to be the second among the industry, hitting a record high. For our private client business, we speeded up the pace of transformation to wealth management, proactively constructed a customer-oriented wealth management ecosystem, and continued to increase the market share of net income from agency sale of financial products. For our institutional client business, we achieved an increase in market share of key indicators such as trading seats leasing income, mutual funds, insurance and asset management and trading assets of private fund clients. For our custody and outsourcing business, we ranked first among the industry for seven consecutive years, hitting a record high in terms of scale and income, and the advantages of our leading position in the industry further expanded. For our corporate client business, we speeded up the pace of transformation to a modern investment bank with steady growth in income, and the effect of value traction gradually emerged; **(ii) For our capital intermediary business, we actively balanced the relationship between risks and returns, and achieved steady growth in scale and income.** Interest income increased by 21% year-on-year, and the balance of margin financing and securities lending increased by 62% as compared to the end of 2019. The ranking of interest income from stock pledge repo increased by one place to sixth. The operation remained stable, and there were no material risk loss events throughout the year; **(iii) For our investment business, the total scale and income both increased, and the investment performance remained stable.** The Company's investment business as a whole showed a good trend of large and stable development, and the revenue of investment and trading business increased by 14% year on year. The income from low-risk derivative investment grew rapidly, and the number of new market-making qualifications ranked first among the industry; **(iv) We adhered to leading by technology and achieved new progress in financial technology.** The construction of the new generation core business system achieved progressive results. The "new generation (phase one) unified counter system" was officially launched and operated smoothly, which greatly enhanced business processing efficiency and customer experience. The development of the "Zhiyuan Yi Hu Tong" (智遠一戶通) APP made huge progress, and customer satisfaction was significantly improved. The two major projects of process reengineering and data governance also progressed smoothly; **(v) We coordinated the work for pandemic prevention and control as well as business development, and continued to maintain compliant and stable operations.** We implemented various pandemic prevention and control measures and emergency responses in a timely manner, and proactively carried out the normalized work for pandemic prevention and control. We continued to improve the level of risk control and compliance, and maintained various risk losses at a low level.

2021 is the first year of China's "14th Five-Year Plan", and is also a crucial year for the Company to implement the new five-year reform strategy. The Company will actively strengthen service transformation, enhance asset allocation and reinforce business synergy to implement the core business development strategies. The Company will also continuously promote management enhancement, foster mechanism reform, advance technology leadership and bolster cultural construction to further stimulate the vitality for development. We believe that, with the strong support of shareholders and all sectors of society, under the solid leadership of the Board and the joint efforts of all employees, China Merchants Securities will continue to maintain a favorable development momentum and achieve further improvement in overall competitiveness, so as to better promote the transformation and upgrade of China's economy, help maintain and increase the value of social wealth, and take a new and solid step on the journey of building China's best investment bank!

Important Notice

I. The Board, the Supervisory Committee, Director(s), Supervisor(s) and senior management of the Company undertake that the information in this annual 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. All Directors of the Company attended the Board meeting.

III. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have issued standard unqualified auditor's reports for 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 report are true, accurate and complete.

V. Proposal on profit distribution or capitalization of common reserve for the Reporting Period reviewed and considered by the Board

The proposal on profit distribution for 2020 is as follow: The Company will not allocate profit to the statutory reserve for the year. Based on the total share capital registered on the equity registration date of the implementation of the equity distribution, a cash dividend of RMB4.37 (tax inclusive) for every 10 shares will be distributed to all shareholders, no bonus shares will be distributed, and no capital reserve will be converted to share capital.

Based on the total number of shares of the Company of 8,696,526,806 shares as of December 31, 2020, the total distributed profit is RMB3,800,382,214.22. If the Company's total share capital changes on the date of equity distribution, the Company will keep the total distribution unchanged and adjust the distribution per share accordingly.

Such cash dividend will be denominated and declared in RMB and paid to A Shareholders in RMB and to H Shareholders in Hong Kong dollar. The actual amount of dividend paid in Hong Kong dollar will be determined based on the average exchange rate of RMB and Hong Kong dollar published by the People's Bank of China for the five business days immediately before the date of the 2020 annual general meeting of the Company.

VI. Risks Statement relating to forward-looking statements

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

VII. Whether there is appropriation of the Company's funds by the controlling shareholder and its associates for non-operating purposes

No

VIII. Whether there is provision of guarantee by the Company in favour of any third party in violation of the prescribed decision-making procedures

No

IX. Whether there are more than half of the Directors who cannot undertake that the information in this annual report is true, accurate and complete

No

X. The Company prepared this report in both English and Chinese versions. In the event of any discrepancy in the interpretation between the English version and Chinese version of this report, the Chinese version shall prevail.

XI. 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 organisational structure, systems, indicators, risk management culture and IT system. For details, please see "Potential risks" in Chapter 4 of this report.

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Chapter 1: Definitions

I. 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"	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"	http://www.sse.com.cn , 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"	http://www.hkexnews.hk , the website of The Stock Exchange of Hong Kong Limited
"our Group"	China Merchants Securities Co., Ltd. (招商證券股份有限公司), a joint stock company incorporated under the PRC laws with limited liability as a corporate legal person in August 1993, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6099) and the A Shares of which is listed on the Shanghai Stock Exchange (stock code: 600999) and its controlled subsidiaries
"Company's website"	http://www.cmschina.com , 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)

Chapter 1: Definitions

Common terms and expressions	
"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)
"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)
"ECT"	E-Capital Transfer Co., Ltd (証通股份有限公司)
"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)
"Huatai United Securities"	Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司)
"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)
"Kaiyuan Securities"	Kaiyuan Securities Co., Ltd. (開源證券股份有限公司)
"CM Shekou"	China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司)
"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)

Common terms and expressions	
"A Share(s)"	domestic share(s) in the ordinary share capital of our Company with a nominal value of RMB 1.00 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 RMB 1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 6099)
"A Shareholder(s)"	holders of A Shares
"H Shareholder(s)"	holders of H Shares
"the Reporting Period", "the Current Period"	from January 1, 2020 to December 31, 2020
"Previous Period"	from January 1, 2019 to December 31, 2019
"RMB", "RMB 10,000", and "RMB100 million"	Renminbi 1 Yuan, Renminbi 10,000 Yuan and Renminbi 100 million Yuan
"NEEQ"	The National Equities Exchange and Quotations for medium and small-sized enterprises
"STAR Market"	science and technology Innovation Board of SSE
"VaR"	Value at Risk
"APP"	Application
"IT"	Information Technology
"IPO"	Initial Public Offering
"CIRC"	China Insurance Regulatory Commission
"CBIRC"	China Banking and Insurance Regulatory Commission

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 of the Company

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of Last Year
Registered capital	8,696,526,806.00	6,699,409,329.00
Net capital	58,654,486,820.65	48,651,440,529.94

Business Qualifications of the Company

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

No.	Qualification	Approval authority	Date of approval
1	Issuer of credit protection warrants launched in Shenzhen Stock Exchange	Shenzhen Stock Exchange	November 2020
2	Standard forward contract on bond of Agricultural Development Bank of China	Shanghai Clearing House	October 2020
3	Interest option business	China Foreign Exchange Trading Center	March 2020
4	Market maker of stock index options	The Securities and Fund Institution Supervision	December 2019
5	Lead market maker of the CSI 300 ETF options	Shenzhen Stock Exchange	December 2019
6	Trading authority for access to stock options business	Shenzhen Stock Exchange	December 2019
7	Sale and settlement of foreign exchange business	State Administration of Foreign Exchange	August 2019
8	Participation in securities refinancing of the STAR Market	China Securities Finance Co., Ltd	July 2019
9	Market maker of treasury bond futures	The Securities and Fund Institution Supervision	May 2019

Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
10	Credit protection contract business	Shanghai Stock Exchange	February 2019
11	Lead market maker of listed funds business	Shanghai Stock Exchange	February 2019
12	Credit derivatives business	The Securities and Fund Institution Supervision	December 2018
13	Market maker of crude oil futures business	Shanghai International Energy Exchange	October 2018
14	Market maker of nickel futures	Shanghai Futures Exchange	October 2018
15	Market maker of copper options	Shanghai Futures Exchange	September 2018
16	Dealer of OTC options business	Securities Association of China	August 2018
17	Market maker of Bond Connect "Northbound Trading"	China Foreign Exchange Trading Center	July 2018
18	Conducting pilot cross-border businesses	The Securities and Fund Institution Supervision Department of the CSRC	April 2018
19	Core dealer of credit risk mitigation instruments	National Association of Financial Market Institutional Investors	January 2017
20	Qualification to issue credit risk mitigation certificates	National Association of Financial Market Institutional Investors	January 2017
21	Qualification to issue credit-linked notes	National Association of Financial Market Institutional Investors	January 2017
22	Non-bank member of the Shanghai Commercial Paper Exchange	General Administration Department of the People's Bank of China	November 2016
23	Trading authority for access to Southbound Trading business under Shenzhen-Hong Kong Stock Connect	Shenzhen Stock Exchange	November 2016
24	Approval for provision of online account opening service	The Securities and Fund Institution Supervision Department of the CSRC	April 2015
25	Ordinary member for centralized settlement of standard forward bond	Shanghai Clearing House	April 2015
26	Approval for financing through exercising incentive share options of listed companies	Shenzhen Stock Exchange	March 2015
27	Licence for spot gold proprietary trading business	The Securities and Fund Institution Supervision Department of the CSRC	March 2015
28	Licence for providing payment services for customers' funds	China Securities Investor Protection Fund Corporation Limited	March 2015
29	Licence for stock options market-making business	CSRC	January 2015
30	Licence for market-making business for SSE 50 ETF options trading	Shanghai Stock Exchange	January 2015
31	Proprietary trading of stock options	Shanghai Stock Exchange	January 2015
32	Licence for options settlement	China Securities Depository and Clearing Corporation Limited	January 2015
33	Stock options trading participant on the Shanghai Stock Exchange	Shanghai Stock Exchange	January 2015

Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
34	Licence for pilot online securities business	Securities Association of China	November 2014
35	Trading authority for access to Southbound Trading business	Shanghai Stock Exchange	October 2014
36	Ordinary member of Interbank Market Clearing House Co., Ltd. for centralised settlement of RMB interest rate swaps	Interbank Market Clearing House Co., Ltd.	June 2014
37	Qualification of lead manager business (market-making business)	NEEQ Co., Ltd.	June 2014
38	Licence for OTC options trading business	Securities Association of China	February 2014
39	Ordinary member for centralized settlement of interest swap	Shanghai Clearing House	February 2014
40	Licence for securities investment fund custody business	CSRC	January 2014
41	Qualification for agency business of securities pledge registration	The Registration and Custody Department of China Securities Depository and Clearing Corporation Limited	July 2013
42	Authority for stock-pledged repo business	Shanghai Stock Exchange	June 2013
43	Authority for stock-pledged repo	Shenzhen Stock Exchange	June 2013
44	Participation in interest rate swap transactions	CSRC Shenzhen Office	May 2013
45	Permit for conducting insurance agency businesses	CIRC (now known as CBIRC)	April 2013 (latest certificate obtained in April 2020)
46	Qualification of lead manager business (recommendation and brokerage businesses)	NEEQ Co., Ltd.	March 2013
47	Licence for OTC trading business	Securities Association of China	February 2013
48	Licence for equity total return swap business	The Institution Supervision Department (now known as the Securities and Fund Institution Supervision Department) of the CSRC)	January 2013
49	Licence for special institutional client business of insurance companies	CIRC (now known as CBIRC)	January 2013
50	Qualification for sale of financial products	CSRC Shenzhen Office	December 2012
51	Qualification of lead underwriting debt financing instruments of non-financial enterprises	National Association of Financial Market Institutional Investors	November 2012
52	Qualification to provide comprehensive custodian services for private investment funds	The Institution Supervision Department (now known as the Securities and Fund Institution Supervision Department) of the CSRC	October 2012
53	Licence for margin and securities refinancing	China Securities Finance Co., Ltd	August 2012
54	Qualification of underwriting private placement bonds of small and medium enterprises	Securities Association of China	June 2012

Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
55	Licence for stock repurchase business	CSRC	May 2012
56	Qualification for dealer-quoted bond pledged repo transactions	The Institution Supervision Department (now known as the Securities and Fund Institution Supervision Department) of the CSRC	January 2012
57	Qualification for third-party custodian services for one customer — multiple bank services	CSRC Shenzhen Office	June 2011
58	Ordinary member for settlement	Shanghai Clearing House	November 2010
59	Qualification for margin financing and securities lending business	CSRC	June 2010
60	Licence for direct investment business	CSRC	August 2009
61	Qualification for intermediary introduction business for China Merchants Futures	CSRC	February 2008
62	Category A clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	February 2008
63	Licence for overseas securities investment management business	CSRC	August 2007
64	Primary dealer on the integrated e-platform for fixed income securities of the Shanghai Stock Exchange	Shanghai Stock Exchange	July 2007
65	Permit for foreign exchange operation in the securities business	State Administration of Foreign Exchange	December 2006 (latest certificate obtained in November 2012)
66	Clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	March 2006
67	Primary dealer of SSE 180 Index Exchange Traded Fund	Shanghai Stock Exchange	March 2006
68	Qualification for quote transfer business	Securities Association of China	January 2006
69	Licence for underwriting business of commercial paper	The People's Bank of China	July 2005
70	Qualification for operation of foreign shares business	CSRC	September 2002
71	Qualification for open-end securities investment fund consignment business	CSRC	August 2002
72	Qualification for trusted investment management business	CSRC	May 2002
73	Qualification for online securities agency business	CSRC	February 2001
74	Qualified member of interbank market	General Administration Department of the People's Bank of China	September 1999
75	Qualifications for RMB special stocks business (unrestricted) in Shanghai	Shanghai Securities Management Office	November 1996
76	Licence for starting foreign exchange business	Shenzhen Office of the State Administration of Foreign Exchange	October 1996
77	Pilot unit of equity trading agency system for non-listed companies	Property Right Transfer Leading Group Office of the Shenzhen Municipal Government	January 1996
78	Licence for starting proprietary business	Shenzhen Securities Management Office	August 1993

Chapter 2: Corporate Profile and Key Financial Indicators

Qualifications of CMS International, a wholly-owned subsidiary of the Company, 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

Qualifications of China Merchants Futures, a wholly-owned subsidiary of the Company, are as follows:

No.	Qualification	Approval authority	Date of approval
1	Market maker of liquified gas futures	Dalian Commodity Exchange	December 2020
2	Market maker of natural rubber futures	Shanghai Futures Exchange	June 2020
3	Market maker business	China Futures Association	March 2018
4	Member of Shanghai International Energy Exchange	Shanghai International Energy Exchange	May 2017
5	Licence for basis trading	China Futures Association	April 2017
6	Licence for OTC derivatives business	China Futures Association	April 2017
7	Licence for warehouse receipt services	China Futures Association	December 2016
8	Filing for entry of the interbank bond market	The People's Bank of China	July 2016
9	Licence for commodities futures brokerage, financial brokerage and futures investment consulting	CSRC	August 2014 (latest certificate obtained in November 2020)
10	Licence for asset management	CSRC	March 2013
11	Licence for futures investment consultancy	CSRC	August 2011
12	Member of Zhengzhou Commodity Exchange	Zhengzhou Commodity Exchange	March 2009
13	Member of Dalian Commodity Exchange	Dalian Commodity Exchange	December 2008
14	Member of Shanghai Futures Exchange	Shanghai Futures Exchange	October 2008
15	Clearing and Settlement Member of China Financial Futures Exchange	China Financial Futures Exchange Co., Ltd.	December 2007
16	Licence for financial futures trading settlement	CSRC	November 2007

Chapter 2: Corporate Profile and Key Financial Indicators

Qualification of CMS Zhiyuan, a wholly-owned subsidiary of the Company, are 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, a wholly-owned subsidiary of the Company, 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, the PRC	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC
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, the PRC	40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wan Chai, Hong Kong

Chapter 2: Corporate Profile and Key Financial Indicators

III. Basic Information

Registered address of the Company	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC
Postal code	518046
Office address of the Company	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC
Postal code	518046
Principal place of business in Hong Kong	48/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Company's website	http://www.cmschina.com
E-mail address	IR@cmschina.com.cn

IV. 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 annual report publication	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for annual report publishing	http://www.hkexnews.hk
Place for inspection of the Company's annual reports	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC

V. Information on the Company's Shares

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 Information

(I) History of the Company, including the reform and reorganization, capital increase and share capital enlargement in previous years

The predecessor of the Company is the Securities Department of China Merchants Bank. On August 3, 1991, with the approval of The People's Bank of China (Shenzhen branch) pursuant to the Notice on the Approval for Trial Operation of the Securities Department of China Merchants Bank ([1991] Shen Ren Yin Fa Zi No.140) (《關於同意招商銀行證券業務部試營業的通知》([1991]深人銀發字第140號)), the Securities Department of China Merchants Bank was incorporated upon registration with the Shenzhen Administration for Industry and Commerce.

On August 1, 1993, with the approval of The People's Bank of China (Shenzhen branch) pursuant to the Approval for the Granting of Level 2 Legal Person Qualification to All Securities Business Department in Shenzhen (Shen Ren Yin Fu Zi [1993] No. 394) (《關於同意賦予各深圳證券業務部二級法人資格的批覆》(深人銀覆字[1993]第394號)), the Securities Department of China Merchants Bank was permitted by the Shenzhen Administration for Industry and Commerce to be incorporated as a legal person and became a level 2 legal person under China Merchants Bank with a registered capital of RMB25 million.

On August 26, 1994, with the approval of The People's Bank of China pursuant to the Approval for the Incorporation of CMB Securities Company (Yin Fu [1994] No.161) (《關於成立招銀證券公司的批覆》(銀覆[1994] 161號)) and the permission by the Shenzhen Administration for Industry and Commerce, China Merchants Bank, building on its Securities Department, established Shenzhen CMB Securities Company with a registered capital of RMB150 million. On September 28, 1994, the Shenzhen Administration for Industry and Commerce permitted Shenzhen CMB Securities Company to change its name to CMB Securities Company (招銀證券公司).

On November 6, 1998, with the approval of The People's Bank of China pursuant to the Approval for the Reformed Structure and Capital Increase of CMB Securities Company (招銀證券公司) (Yin Fu [1997] No.529) (《關於招銀證券公司增資改制的批覆》(銀覆[1997] 529號)) and the CSRC pursuant to the Approval for the Reformed Structure and Capital Increase and Change of Name of CMB Securities Company (招銀證券公司) (Zheng Jian Ji Gou Zi [1998] No. 27) (《關於同意招銀證券公司增資改制、更名的批覆》(證監機構字[1998] 27號)) and with the permission of the Shenzhen Administration for Industry and Commerce, CMB Securities Company introduced 11 new shareholders for the purpose of capital increase and structure reform, and changed its name to Guotong Securities Limited Liability Company (國通證券有限責任公司). Its registered capital increased from RMB150 million to RMB800 million. China Merchants Bank contributed to the capital by means of the net assets of CMB Securities Company while the 11 new shareholders contributed to the capital by means of cash.

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On August 31, 2000, with the approval of the CSRC pursuant to the Approval for the Capital Increase of Guotong Securities Limited Liability Company (CSRC Ji Gou Zi [2000] No.15) (《關於核准國通證券有限責任公司增資擴股的批覆》(證監機構字[2000] 15號)) and the permission of the Shenzhen Administration for Industry and Commerce, Guotong Securities Limited Liability Company (國通證券有限責任公司) increased its capital. With a total of RMB1.4 billion capital injection made by 12 shareholders including China Merchants Bank, the registered capital of the Company increased to RMB2.2 billion.

From 2000 to 2001, Guotong Securities Limited Liability Company underwent various equity transfers, and the number of its shareholders increased from 12 to 40.

On December 26, 2001, being approved by the Ministry of Finance of the PRC pursuant to the Approval for the Relevant Issues on State-owned Shares Management by Guotong Securities Co., Ltd. (國通證券股份有限公司) (Cai Qi [2001] No. 723) (《關於國通證券股份有限公司(籌)國有股權管理有關問題的批覆》(財企[2001] 723號)), the CSRC pursuant to the Approval for the Change of Guotong Securities Limited Liability Company (國通證券有限責任公司) to a Joint Stock Limited Company (Zheng Jian Ji Gou Zi [2001] No. 285) (《關於同意國通證券有限責任公司改制為股份有限公司的批覆》(證監機構字[2001] 285號)), the Municipal Government of Shenzhen pursuant to the Approval for Shareholding Structure Reform by Guotong Securities Co., Ltd. (國通證券股份有限公司) (Shen Fu Gu [2001] No. 49) (《關於整體改組設立國通證券股份有限公司的批覆》(深府股[2001] 49號)), and the Shenzhen Administration for Industry and Commerce, Guotong Securities Limited Liability Company (國通證券有限責任公司) reformed its company structure and changed its name to Guotong Securities Co., Ltd. (國通證券股份有限公司). The 40 shareholders of Guotong Securities Limited Liability Company, as the promoters, converted the audited net asset of Guotong Securities Limited Liability Company as at December 31, 2000 on a 1:1 basis into the capital of the joint-stock company comprising a total of 2,400,280,638 shares, forming a registered capital of RMB2,400,280,638. The domicile was at 8/F-11/F, Block East, Huaqiang Jiahe Building, No. 34 Shennan Central Road, Futian District, Shenzhen, the PRC.

On June 28, 2002, being approved by the CSRC pursuant to the Reply on the Filing of Guotong Securities Co., Ltd. for the Changes of Name and Business Address (Ji Gou Bu Bu Han [2002] No. 120) (《關於國通證券股份有限公司更名、遷址有關材料備案的回函》(機構部部函[2002] 120號)) and the Shenzhen Administration for Industry and Commerce, 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) and the domicile was changed to 38/F-45/F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC.

In 2006, being approved by the CSRC pursuant to the Approval for the Reduction of Shares and Capital Increase of China Merchants Securities Co., Ltd., (Zheng Jian Ji Gou Zi [2006] No. 179) (《關於招商證券股份有限公司縮股並增資擴股的批覆》(證監機構字[2006] 179號)) and the Shenzhen Administration for Industry and Commerce, the Company conducted share reduction and capital increase. Based on the audited net assets as at December 31, 2005, the total share capital was reduced from 2,400,280,638 shares to 1,726,915,266 shares. Following the reduction, seven shareholders subscribed the newly issued 1.5 billion shares, which increased the share capital and the registered capital of the Company to 3,226,915,266 shares and RMB3,226,915,266, respectively.

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On November 17, 2009, being approved by the CSRC pursuant to the Approval for the Initial Public Offering of China Merchants Securities Co., Ltd., (Zheng Jian Xu Ke [2009] No. 1132) (《關於核准招商證券股份有限公司首次公開發行股票的批覆》(證監許可[2009] 1132號)) and the SSE pursuant to the Notice on the Listing and Trading of RMB Ordinary Shares of China Merchants Securities Co., Ltd., (Shang Zheng Fa Zi [2009] No. 18) (《關於招商證券股份有限公司人民幣普通股股票上市交易的通知》(上證發字[2009] 18號)), the Company launched its initial public offering of 358,546,141 A Shares on the SSE, among which 286,837,000 shares and 71,709,141 shares were subscribed and settled online and offline, respectively. With an offer price of RMB31 per share, the Company raised a total of RMB11.115 billion and received a net proceeds of RMB10.883 billion after deducting offering expenses of RMB232 million. Following the completion of the offering, the total share capital of the Company increased from 3,226,915,266 shares to 3,585,461,407 shares.

In July 2011, the Company converted its capital reserve into shares on the basis of three shares for every ten shares, through which the total share capital of the Company increased by 1,075,638,422 shares to 4,661,099,829 shares from 3,585,461,407 shares.

In May 2014, being approved by the CSRC pursuant to the Approval for the Private Placement of Shares of China Merchants Securities Co., Ltd., (Zheng Jian Xu Ke [2014] No. 455) (《關於核准招商證券股份有限公司非公開發行股票的批覆》(證監許可[2014] 455號)), the Company issued 1,147,035,700 shares (A Shares) at RMB9.72 each by way of private placement, raising a total of RMB11,149,187,004.00 and receiving a net proceeds of RMB11,101,736,135.93 after deducting the offering expenses of RMB47,450,868.07. The new shares were registered and deposited with Shanghai office of the CSDC on May 27, 2014. On October 15, 2014, the Company completed the registration for the increase of the registered capital to RMB5,808,135,529.

On October 7, 2016, the Company completed the public issuance of overseas-listed foreign shares (H Shares) at an offer price of HK\$12.00 per share, raising total proceeds of HK\$10,695,285,600.00. After deducting the offering expenses, the net proceeds amounted to RMB8,947,439,178.14. On the same day, being approved by the Hong Kong Stock Exchange, the Company issued 891,273,800 overseas-listed foreign shares (H Shares) for the listing and trading on the Main Board of the Hong Kong Stock Exchange. Following the offering, the total share capital of the Company has increased from 5,808,135,529 shares to 6,699,422,311 shares. Due to a change in the shareholding by Liaoneng Holdings, an original state-owned shareholder of the Company, the deregistration for 12,982 A Shares which should have been transferred by it has not yet completed.

On March 27, 2017, the deregistration for 12,982 A Shares held by Liaoneng Holdings, an original state-owned shareholder of the Company, was completed. Total share capital of the Company was changed to 6,699,409,329 shares. For details, please see the Announcement on the Replenishment of State-owned Shares for Fulfilment of Transfer Obligation by Liaoneng Holdings, an Original State-owned Shareholder (《關於原國有股東遼寧遼能實業有限公司補充履行國有股轉持義務的公告》) of the Company dated March 27, 2017 published on the SSE website. On May 17, 2017, the Company completed the increase of its registered capital to RMB6,699,409,329.

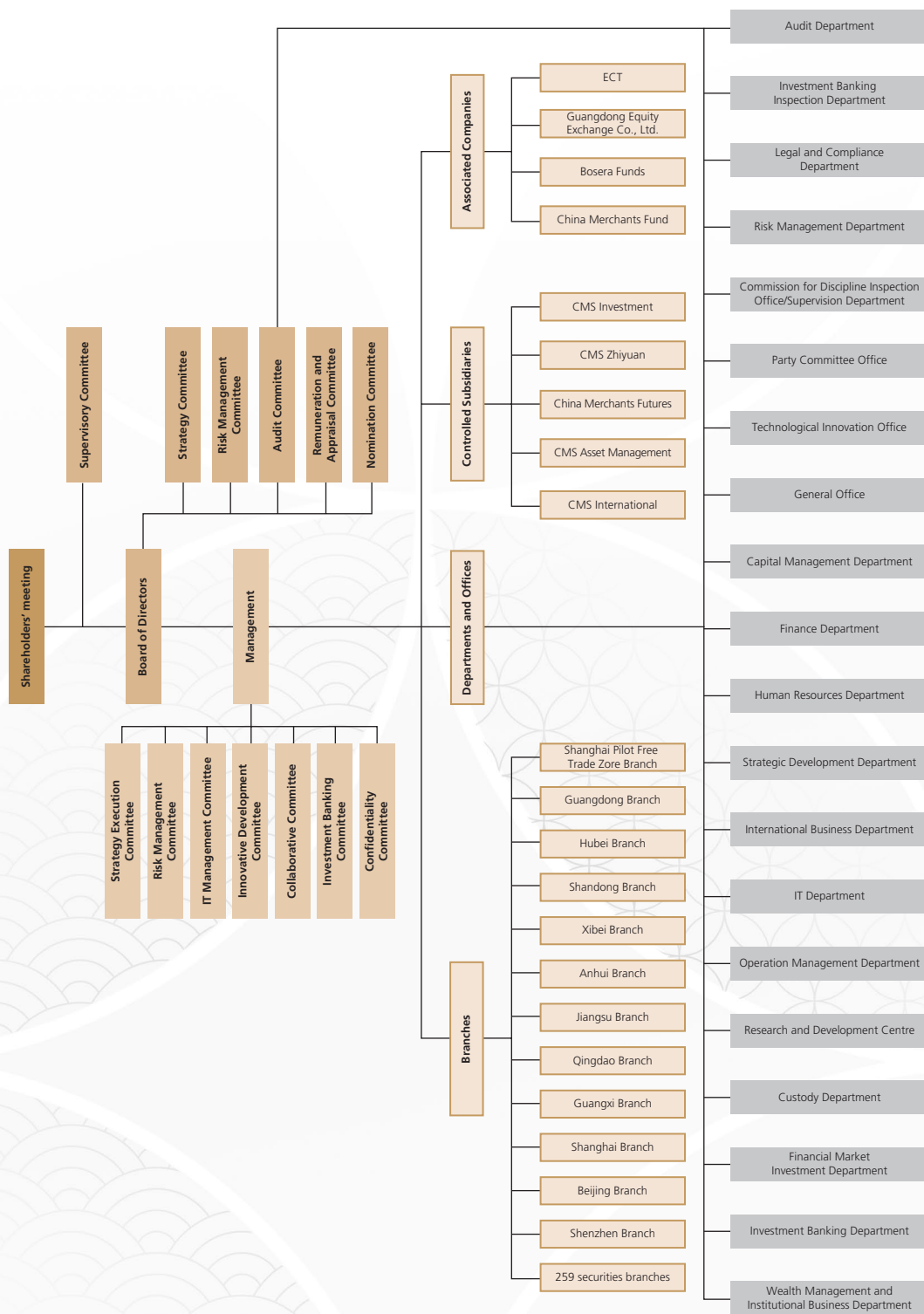
Chapter 2: Corporate Profile and Key Financial Indicators

In November and December 2018, the registered address and office address has been changed to “No.111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC (中國深圳市福田區福田街道福華一路111號)”.

As approved under CSRC Approval [2020] No. 723 and [2019] No. 1946, the Company has successfully completed the A share and H share rights issue in July and August, 2020, respectively. In the rights issue, 1,702,997,123 RMB ordinary shares have been issued to the existing A shareholders and 294,120,354 H shares have been issued to the qualified existing H shareholders. Upon the issuance, the total share capital of the Company increased from 6,699,409,329 shares to 8,696,526,806 shares. The A shares and H shares of the Company issued under the Rights Issue have been listed and traded on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on July 31, 2020 and August 20, 2020 respectively. The total proceeds raised from the A share rights issue and the H share rights issue amounted to RMB12.704 billion and HK\$2.407 billion, respectively. The net proceeds from the rights issue after deducting issue related expenses amounted to RMB12.683 billion and HK\$2.349 billion, respectively. In December 2020, upon completion of registration for the change of registered capital, the Company’s share capital increased from RMB6,699,409,329 to RMB8,696,526,806.

(II) Corporate organizational structure

As at the end of the Reporting Period, our corporate organizational structure was as follows:



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Currently, the Company has 5 first-level subsidiaries, namely CMS International, China Merchants Futures, CMS Zhiyuan, CMS Investment and CMS Asset Management.

No.	Company Name	Address	Date of Incorporation	Registered Capital (RMB ten thousand)	Person in charge	Contact number
1	CMS International	48/F, One Exchange Square, Central, Hong Kong	July 14, 1999	N/A	WU Guangyan (吳光焰)	0755-82943666
2	China Merchants Futures	9/F Unit 9-15, 7/F Unit 1-8 and Unit 22-26, Duty Free Building, No. 6 Fuhua Yi Road, Futian District, Shenzhen, the PRC	January 4, 1993	359,800	LI Zongjun (李宗軍)	0755-82943666
3	CMS Zhiyuan	Unit 1501, 15/F, Building 3, Courtyard No. 1, Yuetan South Street, Xicheng District, Beijing, the PRC	August 28, 2009	210,000	DENG Xiaoli (鄧曉力)	0755-82943666
4	CMS Investment	Room 201, Block A, No. 1 Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, the PRC (settled in Shenzhen Qianhai Business Secretary Company Limited)	December 2, 2013	710,000	ZHAO Bin (趙斌)	0755-82943666
5	CMS Asset Management	Room 201, Block A, 1 Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, the PRC (settled in Shenzhen Qianhai Business Secretary Company Limited)	April 3, 2015	100,000	DENG Xiaoli (鄧曉力)	0755-82943666

(III) The number and distribution of securities branches of the Company

As at the end of the Reporting Period, the Company has opened 259 securities branches. The distribution of those operating securities branches is as follow:

Regional Distribution	Number of branches
Beijing and Tianjin Regions	33
Yangtze River Delta: Shanghai, Jiangsu and Zhejiang	50
Guangdong Pearl River Delta	58
Other cities	118

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(IV) Amount of other branches and their distribution

As at the end of 2020, the Company had 12 branches, the basic information of which is as follows:

No.	Name of the branch	Date of incorporation	Place of business	Person-in-charge	Contact number
1	Shenzhen Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司深圳分公司)	February 1, 2010	Suite 16F2, 16G & 16H, Times Fortune Building, South Eastern Part, Central Area, Futian District, Shenzhen	HE Jincheng (何錦成)	0755-82922188
2	Shanghai Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司上海分公司)	February 12, 2010	Room 3008, Orient Building, No.1500 Century Avenue, China (Shanghai) Pilot Free Trade Zone	SHEN Yun (沈雲)	021-68407177
3	Beijing Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司北京分公司)	February 26, 2010	Unit A1A2, 8/F & Unit B1B2, 11/F, No.118 Jianguo Road, Chaoyang District, Beijing	YAN Xiaohui (嚴曉暉)	010-65684912
4	Guangxi Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司廣西分公司)	May 25, 2011	3/F, Shidailidu Mansion, No.38-1 Jinhua Road, Qingxiu District, Nanning, Guangxi	HU Yi (胡毅)	0771- 5596333
5	Qingdao Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司青島分公司)	September 1, 2011	Level 2, 100 Duplex, No.17-21 Xian Xa Lin Road, Laoshan District, Qingdao, Shandong	PENG Xiuling (彭秀玲)	0532-66889555
6	Jiangsu Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司江蘇分公司)	December 28, 2012	7/F, Mansion of China Merchants Bank, No. 199 Lushan Road, Jianye District, Nanjing	MURONG Xinyao (慕容馨韻)	025-52868377
7	Anhui Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司安徽分公司)	January 4, 2013	Suite 1-501 to 1-511, Hui Feng Plaza, No.118 Sui Xi Road, Luyang District, Hefe, Anhui Province	YANG Delong (楊德龍)	0551-65697168
8	Shandong Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司山東分公司)	January 9, 2013	2001-1, 17/F Zhongrun Century Plaza, No. 13777 Jingshi Road, Lixia District, Jinan	LI Hongying (李紅英)	0531-67885777
9	Xibei Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司西北分公司)	February 5, 2013	Semiconductor Industrial Park, No.125 Jin Ye Road, HI-TECH Industries Development Zone, Shaanxi Province	WANG Feng (王鋒)	029-38013258
10	Guangdong Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司廣東分公司)	May 16, 2013	Room 1101B, No.5 Huasui Road, Tianhe District, Guangzhou	YU Jinbiao (余錦標)	020-38394801
11	Hubei Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司湖北分公司)	January 4, 2013	No.236 Zhong Bei Road, Wuchang District, Wuhan	ZHANG Yin (張銀)	027-86770878
12	Shanghai Pilot Free Trade Zone Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司上海自貿試驗區分公司)	January 3, 2017	Room 603, 6/F, 68 Bohang Road, China (Shanghai) Pilot Free Trade Zone	WANG Jinbao (王金寶)	021-23519186

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VII. 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, the PRC
	Names of the signatory accountants	HONG Ruiming (洪銳明), LIU Lei (劉磊)
International accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Registered public interest entity auditors
	Office address	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
	Names of the signatory accountants	Man Kai Sze (文啟斯)
Sponsor hired to fulfill continuous supervision responsibilities during the Reporting Period	Name	CITIC Securities Co., Ltd.
	Office address	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Names of the signatory sponsor representatives	Zhao Wencong (趙文叢), Wang Chen (王琛)
	Continuous supervision period	August 2020 to December 2021
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, the PRC
International legal adviser appointed by the Company	Name	William Ji & Co. LLP in Association with Tian Yuan Law Firm Hong Kong Office
	Office address	Room 3304-3309, Jardine House, One Connaught Place, Central, Hong Kong
A Share Registrar	Name	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
	Office address	3/F, China Insurance Building, No. 166 Lujiazui East Road, Pudong New District, Shanghai, the PRC
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

VIII. Key Accounting Data and Financial Indicators in the Past Three Years

(I) Key accounting data

Unit: 1,000 Yuan Currency: RMB

Key accounting data	2020	2019	Year-on year increase/decrease (%)	2018
Total revenue, gains and other income	32,469,316	25,659,101	26.54	18,069,548
Profit for the year attributable to shareholders of the company and holders of other equity instruments	9,491,639	7,282,381	30.34	4,424,986
Profit for the year attributable to shareholders of the company after deduction of nonrecurring profit or loss	9,487,684	7,304,946	29.88	4,419,589
Net cashflow from operating activities	-33,343,495	-1,149,490	—	36,690,925
Other comprehensive income	-575,883	350,269	-264.41	186,910

Key accounting data	As at the end of 2020	As at the end of 2019	Year-on year increase/decrease (%)	As at the end of 2018
Total assets	499,726,679	381,771,889	30.90	304,930,705
Total liabilities	393,901,966	296,644,038	32.79	224,138,351
Equity attributable to shareholders of the company	105,736,805	85,048,321	24.33	80,722,846
Total equity of owners	105,824,713	85,127,851	24.31	80,792,354

Chapter 2: Corporate Profile and Key Financial Indicators

(II) Key financial indicators

Key financial indicator	2020	2019		Year-on year increase/decrease (%)	2018	
		after adjustment	before adjustment		after adjustment	before adjustment
Basic earnings per share (RMB per share)	1.06	0.82	0.97	29.26	0.46	0.54
Diluted earnings per share (RMB per share)	1.06	0.82	0.97	29.26	0.46	0.54
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	1.06	0.82	0.97	28.75	0.46	0.54
Weighted average return on net assets (%)	10.85	9.51	9.51	Increase by 1.34 percentage points	5.58	5.58
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	10.84	9.54	9.54	Increase by 1.30 percentage points	5.57	5.57

Note: In July and August 2020, the Company's A share and H share rights issue completed respectively. Pursuant to Accounting Standards for Business Enterprises No. 34 — Earnings per Share and the Application Guidance for Accounting Standards for Business Enterprises No. 34 — Earnings per Share, 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

During the Reporting Period, the net capital and all risk indicators of the company complied with the requirements of CSRC. As at the end of December 2020, the major risk control indicators such as net capital of the parent company are as follows:

Unit: Yuan Currency: RMB

Items	December 31, 2020	December 31, 2019
Net capital	58,654,486,820.65	48,651,440,529.94
Net assets	98,287,439,443.80	78,190,124,913.63
Sum of risk capital provisions	25,957,355,586.03	17,483,867,544.96
Total assets on- and off-balance sheet	283,672,225,304.43	216,513,339,454.04
Risk coverage ratio (%)	225.96	278.26
Capital leverage ratio (%)	17.38	19.24
Liquidity coverage ratio (%)	278.45	218.42
Net stable funding ratio (%)	144.18	172.78
Net capital/net assets (%)	59.68	62.22
Net capital/liabilities (%)	20.28	22.26
Net assets/liabilities (%)	33.98	35.78
Value of proprietary equity securities and security derivatives/net capital (%)	31.69	32.38
Value of proprietary non-equity securities and its derivatives/net capital (%)	319.68	328.85

Note: In January 2020, CSRC issued Requirements on the Calculation Standards for the Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》) with effective from June 1, 2020. All the risk control indicators of the company as at the end of previous year are adjusted pursuant to such requirements.

Chapter 2: Corporate Profile and Key Financial Indicators

(IV) Key financial data for the last five years

1. Earnings

Unit: Million yuan Currency: RMB

Items	2020	2019	2018	2017	2016
Total revenue, gains and other income	32,469	25,659	18,070	19,259	18,552
Total expenses	22,203	17,767	13,540	12,998	12,728
Profit before income tax	11,309	8,774	5,447	7,107	6,453
Profit for the year — attributable to shareholders of the Company and holders of other equity instruments	9,492	7,282	4,425	5,786	5,403

2. Assets

Unit: Million yuan Currency: RMB

Items	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Total assets	499,727	381,772	304,931	285,644	243,058
Total liabilities	393,902	296,644	224,138	206,310	183,143
Accounts payable to brokerage clients	85,441	61,724	48,912	51,095	67,582
Equity attributable to shareholders of the Company	105,737	85,048	80,723	79,230	59,826
Share capital	8,697	6,699	6,699	6,699	6,699

Chapter 2: Corporate Profile and Key Financial Indicators

3. Key financial indicators

Items	2020	2019	2018	2017	2016
Basic earnings per share (in RMB)	1.06	0.82	0.46	0.66	0.75
Diluted earnings per share (in RMB)	1.06	0.82	0.46	0.66	0.75
Weighted average return on net assets (%)	10.85	9.51	5.58	8.39	10.58
Gearing ratio (%)	74.46	73.40	68.44	66.18	65.86

Note 1: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients)/(Total assets – Accounts payable to brokerage clients)

Note 2: In July and August 2020, the Company completed the A share and H share rights issue respectively. Pursuant to Accounting Standards for Business Enterprises No. 34 — Earnings per Share and the Application Guidance for Accounting Standards for Business Enterprises No. 34 — Earnings per Share, 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. The earning per share prior to the adjustment for the 2016 to 2019 was 0.91, 0.78, 0.54 and 0.97 (Unit: RMB/Share) respectively and the diluted earning per share prior to the adjustment for the 2016 to 2019 was 0.91, 0.78, 0.54 and 0.97 (Unit: RMB/Share) respectively.

IX. Discrepancies in Financial Data between Domestic and International Accounting Standards

There was no difference between the net profit for 2020 and 2019 and net assets as of December 31, 2020 and December 31, 2019 as set out in the consolidated financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and in the consolidated financial statements prepared in accordance with the International Financial Reporting Standards.

SUMMARY of **OPERATION**





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

Investment banking: the Company provides one-stop domestic and international investment banking services to its corporate clients, including domestic and international equity financing, debt financing, structured financing, over-the-counter (OTC) listing, financial advisory and other services. In return, it earns underwriting and sponsorship fees and financial advisory fees.

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

Investment and trading: the Company engages in proprietary trading and market-making business in relation to equity and fixed-income securities, commodities, foreign exchange, alternative investment and other derivatives as well as 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

In 2020, the average one-sided daily turnover of stocks and funds in A shares markets was RMB884.724 billion, representing a year-on-year increase of 63.03%. The CSI 300 Index, the ChiNext Index and the ChinaBond Composite Total Return Index (Total Value) rose by 27.21%, 64.96% and 2.98% year-on-year, respectively. During the Reporting Period, the amount of financing through IPO in the domestic primary market was RMB472.649 billion, representing a year-on-year increase of 86.55%. The amount of refinancing (excluding share issuance for asset acquisition, same for below) was RMB911.913 billion, representing a year-on-year increase of 34.75%. Bonds (excluding central bank bills and interbank deposit certificates) issued totaled RMB37.64 trillion, representing a year-on-year increase of 39.58%. As at the end of the Reporting Period, the balance of margin financing and securities lending on the SSE and the SZSE amounted to RMB1,619.008 billion, representing a year-on-year increase of 58.84%. The balance of stock pledge repo amounted to RMB300.921 billion, representing a year-on-year decrease of 30.20%.

According to the statistics from the Securities Association of China, in 2020, the total income of the securities industry (data from unaudited financial statements) amounted to RMB448.479 billion, representing a year-on-year increase of 24.41%. Net profit amounted to RMB157.534 billion, representing a year-on-year increase of 27.98%. As at the end of the Reporting Period, the total assets of the securities industry amounted to RMB8.90 trillion, representing a year-on-year increase of 22.50%. Net assets amounted to RMB2.31 trillion, representing a year-on-year increase of 14.10%. Net capital amounted to RMB1.82 trillion, representing a year-on-year increase of 12.10%.

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. First, the Company adheres to continuous stable operations. It has been granted the highest “AA” grade of Type A rating for securities firms for 13 consecutive years, which represents a strong pillar for the Company to rely on when seeking policy support, seizing significant opportunities for new pilot projects, making responses to the volatile capital market and facing peer competition in the future. Second, 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 develop the business with its own features, differentiate its edges and facilitate the provision of one-stop services to customers, thereby paving a sound foundation for development. Third, the brokerage business of Company has a solid foundation with increasingly strengthened competitiveness. It has outstanding capability in providing comprehensive services to institutional clients and maintains stable performance in respect of providing whole industry chain services to corporate clients. It also stands out in certain business segments. Fourth, 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, according to the statistics from the Securities Association of China and the Asset Management Association of China, in terms of net income from agency trading (including leasing of trading seats), net income from agency sale of financial products, net income from investment banking, net income from asset management, interest income from margin financing and securities lending, interest income from stock pledge, average monthly active AUM for private investment fund (the fourth quarter) and number of private funds under custody, the Company ranked second, seventh, seventh, tenth, sixth, sixth, third and first, respectively. According to the statistics from Wind, in terms of number of mutual funds under custody, the Company ranked first, and in terms of domestic equity underwriting and bond underwriting, using issue date as statistics caliber, the Company ranked seventh and eighth, respectively.

Chapter 4: Report of the Board of Directors

I. Operation Discussion and Analysis

In 2020, due to the outbreak of the novel coronavirus (“COVID-19”) pandemic, the global economy and financial markets were significantly affected. Major economies including the United States and Europe all experienced negative economic growth, economic globalization encountered challenges, and domestic economy was also severely affected by the pandemic. Thanks to the efforts of the Party Central Committee, China’s economy remained stable in recovery and rebounded quarter by quarter, with GDP growing by 2.3% year on year, making it the only major economy in the world to achieve positive growth. The reform and innovation of the capital market continued to be enhanced and the underlying system was continuously strengthened. In particular, the amended “Securities Law” formally came into effect and the reform and pilot registration system were carried forward on ChiNext board.

Facing the complicated and challenging situation, the Company took multiple measures to boost sales growth and took the initiative to advance reforms in 2020. As a result, the Company’s annual operating results reached the second high in record, second only to those of 2015, and new progress was made in key reform projects, laying a solid foundation for full achievement of the reform strategy for the coming five-year period. Firstly, revenue and profit grew significantly, outperforming the industry. The Company’s total revenue, gains and other income and net profit attributable to shareholders of the Company were RMB32.469 billion and RMB9.492 billion respectively, representing a year-on-year increase of 26.54% and 30.34% respectively; ROE was 10.85%, representing a year-on-year increase of 1.34 percentage points. Secondly, the transformation and reforms were reinforced, and the development momentum continued to be enhanced. With a view to motivating vitality and improving efficiency through implementation of reforms, the Company has been promoting the SOE Reform “Double-hundred Action” and the quality and efficiency improvement program, carrying out a themed campaign on “promoting the spirit of Shekou, improving work style and enhancing work efficiency”, and further advancing development of the mechanism of “staff can get in and out; cadre can go up and down; salary can be high and low”, digital transformation, corporate culture development and business collaboration. Thirdly, the Company successfully completed the rights issue of A+H shares and implemented the employee stock ownership scheme, and saw its net assets smashing through the RMB100 billion barrier. Fourthly, the Company coordinated between pandemic control and business development, and continued to maintain compliance and sound operation. The Company took its pandemic control and emergency response measures in a timely manner and on a regular basis, and continued to enhance risk control and compliance, with various types of risk losses remaining at a low level. The Company has been granted the highest “AA” regulatory rating under the “A” category for securities firms for 13 consecutive years.

II. Operating Results of Major Businesses for the Reporting Period

(I) Analysis of principal businesses

The Company is committed to providing 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. In 2020, the Company's market share in terms of net income from agency trading business was 4.85%, ranking second in the industry, jumping from seventh in 2019, hitting a record high. Benefits of the integration of the wealth management and institutional business were highlighted.

(1) **Brokerage and wealth management**

In 2020, the one-way trading volume of stocks and funds in the A share market amounted to RMB214.99 trillion, representing a year-on-year increase of 62.37%. The average net commission rate of the industry decreased by 9.21% year-on-year to 0.270%, which showed a continuous downward trend over the past years. The Hang Seng Index in Hong Kong closed at 27,231 points, representing a decrease of 3%; and the average one-sided daily trading volume of stocks in the Hong Kong market, benefiting from the enthusiastic IPO fundraising climate, amounted to HK\$129.5 billion, representing a year-on-year increase of 49%. In 2020, as both the policy tone of "houses are for accommodation, not for speculation" and the new regulations on asset management promoted the transfer of capital into the capital market; the demands from residents for wealth growth kept rising, it is expected that the allocation of financial assets in household wealth will increase, and the room for securities firms to develop wealth management is very broad.

During the Reporting Period, as actively measures taken in hedging the impacts of the pandemic, the Company adopted online- and offline-channel marketing, constantly optimized and promoted the "Zhiyuan Yi Hu Tong" (智遠一戶通) APP, and launched services with special features such as investment return over the past ten years and stocks minesweeping function, as a result, the average number of monthly active users (MAU) of the Company's APP recorded a year-on-year increase of 42%. The Company upgraded its wealth management plan services, rolled out marketing activities such as exclusive gift packages for new clients, Double 11 Wealth Carnival and expert live streaming, and developed social marketing tools like WeChat Mini Program "China Merchants Securities Fortune+" (招商證券財富+), to acquire clients actively and enhance customer experience persistently. Consequently, the Company achieved a 40% year-on-year growth in the number of new accounts opened during the year. In the overseas market, benefitting from the launch of a new online account opening system and effective IPO marketing strategies, CMS International achieved a five-fold year-on-year increase in the number of new accounts opened and a 69.23% year-on-year increase in net income from agency trading in 2020.

Chapter 4: Report of the Board of Directors

In 2020, the Company continued to build a “customer-oriented” wealth management ecosystem, and transformed and upgraded its wealth management business by providing a full range of financial services to wealth management clients. The Company’s wealth management business focused on product, team and system building. It released the “private fund 50” and “selected mutual fund” product pool to develop a supermarket of competitive products; enhanced the quality and efficiency of the wealth advisory team, and provided high-net-worth clients with advisory services such as customized products and high-end brand featured events to reinforce client stickiness and build a professional brand of wealth advisory; and increased the application of financial technologies, especially, innovated and launched mini Program “China Merchants Securities Fortune+” (招商證券財富+) which created an exclusive wealth management room to increase the marketing capability of wealth advisory, with the scale of financial products sold through the mini-program exceeding RMB1.7 billion; launched the “Zhaocai Smart Investment (招財智投)” intelligent investment advisory service, for instance, to provide clients with personalized, diversified and scenario-based one-click asset allocation services.

As at the end of the Reporting Period, the number of the Company’s clients of wealth management reached 0.454 million accounts, representing a year-on-year increase of 28.50%; the asset size of wealth management clients reached RMB1.37 trillion, representing a year-on-year increase of 47.31%; and the number of high-net-worth customers reached 24.1 thousand accounts, representing a year-on-year increase of 53.71%. In 2020, the scale of the Company’s agency sale of financial products saw a year-on-year increase of 34.79%, and the net income from agency sale of financial products recorded a year-on-year increase of 219.25%.

Currency: RMB

Operating indicators	2020	2019	Year-on-year change
Trading volume of stocks and funds (RMB trillion) (note 1)	18.26	10.84	68.45%
Market share of the trading volume of stocks and funds	4.25%	4.09%	Increased by 0.16 percentage point
Ranking of net revenue from agency securities trading	2	7	Up by 5
Number of wealth management advisors	1,002	859	16.65%
Total sales of financial products (RMB100 million) (note 2)	11,250.58	8,346.85	34.79%
Net revenue from the agency sales of financial products (RMB100 million) (note 3)	6.27	1.97	219.25%
Ranking of net revenue from the agency sales of financial products	7	8	Up by 1
Number of wealth management clients (unit: 10,000) (note 4)	45.40	35.33	28.50%
Asset size of wealth management clients (RMB trillion)	1.37	0.93	47.31%
Number of high-net-worth customers (unit: 10,000) (note 5)	2.41	1.57	53.71%

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

- Notes:
1. Transaction volume of stocks and funds of the Company represents bilateral transaction volume.
 2. Total sales of wealth management products include mutual funds, private investment funds, collective asset management products of the Company (including margin management products) and trust products.
 3. The amount of net income from agency sales of financial products is derived from the statistical data of Securities Association of China.
 4. Wealth management clients refer to clients with assets under our company’s custody amounting to RMB300,000 and above.
 5. High-net-worth clients refer to clients with assets under our company’s custody amounting to RMB8 million and above.

(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 businesses.

As at the end of 2020, the scale of margin financing and securities lending business in the A share market amounted to RMB1,619.008 billion, representing a year-on-year increase of 58.84%. Benefiting from the reform of the securities lending mechanisms of the STAR Market and the ChiNext board as well as the expansion of the pool of securities available for lending, the balance of securities lending reached RMB136.984 billion, representing a dramatic year-on-year increase of 894.08%. The scale of the stock pledge repo business in the market continued to decrease, and the relevant risks were further relieved.

During the Reporting Period, the Company captured the opportunity of market explosion in margin and securities refinancing business and expanded its cooperation with mutual fund and private fund to vigorously develop its securities lending business and tailored financing plans for different customers. 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 2020, the balance of the Company's margin financing and securities lending amounted to RMB83.136 billion, representing a year-on-year increase of 61.56%, and the overall maintenance coverage ratio was 296.4%, of which, the balance of securities lending amounted to RMB6.213 billion, the balance of stock pledge repo (including contribution from asset management plans) amounted to RMB30.420 billion, and the overall collateral coverage ratio was 308.4%. Of which, contribution from self-owned capital was RMB20.115 billion, and the collateral coverage ratio was 344.2%.

Currency: RMB

Operating indicators	2020	2019	Year-on-year change
Balance of margin financing and securities lending (RMB100 million)	831.36	514.59	61.56%
Market share of margin financing and securities lending	5.13%	5.05%	Increased by 0.08 percentage point
Balance of stock pledge repo (including contribution from asset management plans) (RMB100 million)	304.20	302.85	0.45%
Balance of stock pledge repo by self-owned capital (RMB100 million)	201.15	210.88	-4.61%

Source: SSE and SZSE, internal statistics of the Company

In the overseas market, CMS International seized the business opportunities amid a flurry of IPOs and developed competitive IPO financing solutions to meet clients' financing needs. During the Reporting Period, the daily margin trading volume amounted to HK\$7.276 billion, representing a year-on-year increase of 91.27%, and interest income from margin trading recorded an increase of 50.23% year-on-year.

Chapter 4: Report of the Board of Directors

(3) Institutional client integrated services

The Company's integrated services for institutional clients are based on 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 package of solutions for institutional clients has been established.

① Institutional integrated services

During the Reporting Period, the institutional business of the Company continued to maintain its competitive advantages. The institutional business of the Company further enhanced its management over the marketing services of branches and reinforced its synergy between its research and institutions sales. During the Covid-2019 pandemic, the Company took the initiative in innovating the online service model and further consolidated its leading position in terms of commission through enhancing its services to mutual funds and insurance asset management firms. The Company proactively seized the market opportunities brought about by the excellent performance of mutual equity funds and launch of hot selling funds in 2020, to give full play to the efficiency of wealth management strategic transformation and improve the sales capability of its brokerage branches. Meanwhile, the Company made active efforts to enable the introduction of products under settlement model of brokerage firms, and to advance the relevant customer services of banking wealth management companies. As a result, the Company has established cooperation with a number of fund firms in respect of margin and securities refinancing business.

In respect of primary broker business, the Company continued to push forward the development of primary broker business system, continued to optimize the marketing service platform and service platform for institutional clients, so as to provide institutional clients with a packet of services including trading system, agency sales, capital referral, securities sourcing, follow-on investment, OTC derivatives and custody and outsourcing, enhancing its service efficiency and customers' experience on a constant basis. In 2020, the Company initiated the first session of "Zhaocai Cup" private fund quantitative investment open competition, built a capital referral platform and enhanced its special featured service to private fund clients. The Company continued to increase its investment in the "Geetek Institutional Transaction Service Platform", which further strengthened the Company's ability of multi-asset investment management, instant transaction and strategic transaction service. As of the end of the Reporting Period, the Company's private fund filing products had a year-over-year increase of 72% in trading asset size, during the Reporting Period, the trading volume of stock and funds of institutional clients supported by Geetek recorded a year-on-year increase of 114%.

② Research

The Company's domestic stock research covered 1,254 listed companies in 17 industry sectors and 71 categories on the CSRC, covering 88% of the total market capitalization of CSI 300 Index constituent stocks and 79% of the total market capitalization of ChiNext Index constituent stocks. The Company takes the leading positions in the research of a wide variety of areas, including quantization, electronics, strategy, food and beverage, macro-economy, media, electric devices and new energy, fixed income, small and mid-cap, finance, communications, real estates, automobiles, computer, agriculture industries. In 2020, the Company constantly improved its research personnel training system, strengthened research quality and compliance management, accelerated the market-oriented transformation of research, and enhanced its research services comprehensively based on the orientation of "research creates value". In addition to focusing on services for core institutional clients, the Company strengthened the in-depth integration of research and business, actively cooperated with investment banking and other businesses in promoting the Company's "Gazelle Incubator Program", and established an indicator-based evaluating system for sub-segments and enterprises involving, pharmaceuticals, semiconductors, cosmetics, medical beauty and agency operation of e-commerce, and actively promoted the selection, and the investment in relevant enterprises.

In the overseas market, the research team of CMS International ranked top three or top five in the categories of China H shares, Red-Chips, P-Chips (private enterprise shares) and Hong Kong (local) in Asia Money's ranking in 2020, and ranked as the sixth best local broker in the categories of China H shares, Red-Chips and P-Chips.

③ Custody and outsourcing

In 2020, opportunities and challenges coexisted in the custody and outsourcing industry. On one hand, residents' demands for wealth growth led to the sustained growth of the mutual and private funds industries, with their AUM reaching RMB19.89 trillion and RMB15.97 trillion respectively by the end of 2020, representing a year-on-year growth of 34.76% and 16.23% respectively; at the same time, the standardization-oriented transformation of financial products of banks and trust products, as well as the two-way opening up of the financial industry, brought new development opportunities to the custody and outsourcing industry. On the other hand, regulatory rules became increasingly stringent and the industry turned to be more and more competitive. 11 custodians were introduced into the industry during the reporting period, while the implementation of New Regulations on Filing of Private Funds promulgated by the Asset Management Association of China will further regulate the development of the private fund industry.

Chapter 4: Report of the Board of Directors

During the Reporting Period, the Company enhanced innovation and the application of financial technologies in respect of its custody and outsourcing business, and released China Merchants Securities Private Fund Index (CMSFI), the first private fund valuation index in China, successfully established a new service model and business format. At the same time, the Company adopted multiple measures such as strengthened compliance and risk control, to enhance quality and efficiency, continuously adjusted and optimized its product structure, and vigorously compressed the scale of non-standard products. As at the end of 2020, the number of custody and outsourcing products (including products of asset management subsidiaries) of the Company was 26.3 thousand and the size was RMB2.87 trillion, representing a year-on-year growth of 27.58% and 28.15% respectively. According to the statistics from the Asset Management Association of China and Wind, the Company maintained a market share of 24.24% in the number of private funds products under custody, indicating an absolute leading position. Moreover, the number of private fund products under custody and the number of mutual fund products under custody ranked first for seven consecutive years. In 2020, the Company was awarded the “Best Private Funds Custodian” by The Asset magazine and, for the fourth consecutive year, the “Best Funds Custody Broker” by China Fund.

2. *Investment banking business*

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

In 2020, the Company actively promoted the implementation of various investment banking reformative initiatives, with a view to building a “modern” investment bank. In particular, the Company focused on accelerating the implementation of the “Gazelle Incubator Project”(羚躍計劃), to provide strategic emerging industries and premium innovative high-tech enterprises with one-stop integrated financial services in a cross-platform collaboration model; continued to accelerate professional transformation, focusing on key industries such as semiconductors, biopharmaceuticals, transportation and logistics, and strengthening development in key regions such as the Beijing-Tianjin- Hebei region, the Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area; improved its marketing service system and strengthened account manager system, actively exploring large strategic clients such as SOEs; strengthened the internal control mechanisms and improved the quality of its investment banking practice.

(1) Equity underwriting

In 2020, reform of capital market was deepened, reform of the IPO registration system continued to be advanced, the NEEQ Select Tier was launched, favorable policies including new refinancing regulations on placement came into effect, and the equity financing market of A shares maintained its positive growth rate as achieved in 2019. According to the statistics from Wind, the total size of equity financing in A share market (excluding share issuance for asset acquisition) was RMB1,384.562 billion, representing a year-on-year increase of 48.86%. As the pace of IPO issuance in A share market accelerated, a total of 399 IPOs were completed in the market with raised proceeds of RMB472.649 billion, representing a year-on-year increase of 97.52% and 86.55% respectively, a record high in issuance size in the recent decade. Of which, a total of 144 IPOs were completed on the STAR Market with raised proceeds of RMB222.283 billion, representing a year-on-year increase of 164.60%; a total of 109 IPOs were completed on the ChiNext board with raised proceeds of RMB90.291 billion, representing a year-on-year increase of 199.91%; and the total proceeds raised from refinancing projects underwritten were RMB911.913 billion, representing a year-on-year increase of 34.75%. Of which, the proceeds raised from placement were RMB557.463 billion, representing a significant year-on-year increase of 315.55%.

During the Reporting Period, the Company's major client development in the semiconductor, biomedicine, agriculture, and banking industries produced visible results, and the scale of refinancing business increased significantly. By virtue of the "Gazelle Incubator Project" (羚躍計劃), the Company has created a multi-channel cooperation "ecosystem" for its investment banking business, which further enriched its reserve of early-stage IPO projects. According to the statistics from Wind, the Company ranked seventh and eighth in the industry in terms of the amount and number of A share projects underwritten, respectively. Of which, the Company ranked eighth in terms of the value of IPO projects underwritten and ranked sixth in terms of the value of refinancing projects underwritten. The Company continued to seize the opportunities from reform of registration system in the STAR Market and the ChiNext board. During the year, the number of IPO projects underwritten by the Company in the STAR Market was 6, with underwritten value amounting to RMB5.969 billion, ranked seventh in the industry. According to the data from the CSRC, SSE and SZSE and Wind, 32 IPO projects underwritten by the Company were pending approval (including approved projects to be offered and projects not registered with the CSRC) as at the end of 2020, ranking tenth in the industry. Of which, 8 and 16 projects were pending approval in the STAR Market (including the projects reviewed by the Listing Committee of the STAR Market of SSE) and on the ChiNext board market, both ranking eighth in the industry. 14 refinancing projects underwritten by the Company were pending approval, ranking sixth in the industry.

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In 2020, the Company successfully underwrote a number of market influential projects, including IPO projects like VeriSilicon, the “No. 1 stock in semiconductor IP sector” in the STAR Market, and Jinhong Gas, a leading gas company in China and refinancing projects such as the non-public offering of Haitong Securities and Bank of Zhengzhou, and the convertible bonds issuance of Qingdao Rural Commercial Bank and New Hope Liuhe. In addition, the Company assisted in the successful listing of Forstar, one of the first batch of NEEQ Select Tier enterprises in China. During the Reporting Period, the Company was awarded with the “Best Investment Bank in China” of the 13th New Fortune Awards and the “Junding Award for All-round Investment Bank in China in 2020” by the Securities Times.

Currency: RMB

Item	2020		2019		Size's year-on-year change
	Lead underwriting amount (RMB100 million)	Number of projects	Lead underwriting amount (RMB100 million)	Number of projects	
IPOs	142.66	17	141.96	12	0.49%
Refinancing	397.52	23	128.60	12	209.11%
Total	540.18	40	270.57	24	99.65%

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

Note: Refinancing excludes share issuance for asset acquisition

(2) Bond underwriting

In 2020, monetary policies remained moderately accommodative and market liquidity was relatively abundant. However, the issuance of corporate bonds with lower credit ratings was significantly hampered by credit bond defaults in the market since November. The bond market witnessed large-scale cancellations, aggravated credit divergence, overall rising issuance rates and persistently high benchmark rates and credit spreads. During the Reporting Period, the overall scale of domestic bond financing maintained a growing trend. According to the statistics from Wind, the total bonds (excluding central bank bills and inter-bank deposit certificates) issued amounted to RMB37.64 trillion, representing a year-on-year increase of 39.58%. Of which, the total credit bonds (excluding treasury bonds, local government bonds, central bank bills, inter-bank deposit certificates and policy bank bonds) issued amounted to RMB18.81 trillion, representing a year-on-year increase of 29.01%. The asset backed securities business (ABS) had differentiated development. In particular, the credit ABS was affected by the Covid-19 pandemic, with issuance amounting to RMB804.190 billion, representing a year-on-year decrease of 16.53%; while corporate ABS maintained rapid growth, with issuance amounting to RMB1,574.009 billion, representing a year-on-year increase of 41.84%.

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During the Reporting Period, the Company comprehensively enhanced its competitiveness in all segments of the bond underwriting business, deal sourcing, pricing and sales, remedied for its business shortcomings, persisted in business innovation and consolidated its advantages in credit ABS business. According to the statistics from Wind, the Company's credit asset securitization business ranked first in the industry for the sixth consecutive year with an underwriting amount of RMB131.752 billion in 2020. Yet, due to the decline in underwriting scale of credit ABS, the Company's ranking was down to the fifth in the industry in terms of underwriting amount of ABS and eighth in terms of lead underwriting amount of bonds. In addition, the Company further optimized the structure of its bond business and focused on credit bonds such as urban construction investment bonds. The Company's underwriting amount and ranking of credit bonds (excluding asset securitization) both improved compared to last year, with the underwriting value amounting to RMB229.427 billion, representing a year-on-year increase of 33.67%, and ranking seventh in the industry, up by 2 places year-on-year. The Company actively responded to the State's call to help the physical economy fight the pandemic and facilitate direct financing channels for enterprises, and assisted ten enterprises in issuing several epidemic prevention and control bonds with a total issuance scale of more than RMB12 billion.

In 2020, the Company successfully issued a number of first-in-market products, including "Zhaoyin Hejia 2020 Phase I Personal Residential Mortgage-Backed Securities" (招銀和家2020年第一期個人住房抵押貸款資產支持證券) (the first LPR-based floating-rate RMBS project in the market), "Jianxin 2020 Phase VI Non-Performing Asset-Backed Securities" (建鑫2020年第六期不良資產支持證券) (the first public inclusive finance non-performing asset backed securities in the country) and "Xingqing 2020 Phase I Personal Consumer Loan Asset-Backed Securities" (興晴2020年第一期個人消費貸款資產支持證券) (the first personal consumer loan asset-backed securities project issued the credit risk mitigation warrant in the inter-bank market). During the reporting period, the Company was awarded "Excellent Underwriting Institution" by China Central Depository & Clearing Co., Ltd..

Currency: RMB

Item	2020		2019		Size's year-on-year change
	Lead underwriting amount (RMB100 million)	Number of issuance (tranche)	Lead underwriting amount (RMB100 million)	Number of issuance (tranche)	
Enterprise bonds	6.25	2	20	2	-68.75%
Corporate bonds	487.95	114	442.79	86	10.20%
Financial bonds	1,374.93	75	1,007.97	59	36.41%
Short-term financing bonds	80.30	22	44.85	14	79.04%
Medium-term notes	170.14	39	88.07	27	93.19%
Private placement notes	133.67	31	87.22	27	53.26%
Exchangeable bonds	41.04	5	45.50	3	-9.80%
Asset-backed securities	1,754.42	440	2,337.15	405	-24.93%
Others	76.70	509	27.70	255	176.90%
Total	4,125.39	1,237	4,104.24	878	0.52%

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.

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(3) Financial advisory

In 2020, due to the effect of the registration-based IPO system, the M&A transaction market weakened. According to the statistics from Wind, in 2020, the number of announced transactions in the Chinese M&A market (excluding overseas M&A) was 9,490 and the transaction amount was RMB2,445.183 billion, representing a year-on-year decrease of 4.18%, while the number of completed deals was 6,168 and the transaction amount was RMB1,438.607 billion, representing a year-on-year decrease of 23.24%. The majority of M&A transactions were still horizontal integration businesses, with the announced transaction amount of RMB880.490 billion, accounting for 36.01% of the total announced transaction amount.

During the Reporting Period, the Company closely focused on the opportunities arising from economic restructuring and upgrade as well as SOE reform, fully leveraged its role as a professional platform for the capital operation of the China Merchants Group, actively promoted the Group's collaboration projects between industrial and financial companies and collaboration projects between financial companies, and deepened its close cooperation with strategic clients from large central enterprises and SOEs. In 2020, the Company assisted the China Merchants Group to accomplish a private enterprise financial relief program, the judicial restructuring of Antong Holdings. According to the statistics from Wind, during the Reporting Period, the number of M&A transactions as announced by the Company was 13, and the total M&A transaction amount was RMB60.961 billion, ranking fifth in the industry. The Company successfully concluded a number of influential M&A transactions in the market, such as transfer of equity interest in Gree Electric, Appliances, acquisition of Guangzhou Securities by CITIC Securities and sales of Be & Cherry to Pepsi Beverages by Haoxiangni (好想你).

(4) Overseas investment banking

In the overseas market, Hong Kong continued to attract new economy companies around the world to list in Hong Kong, including nine U.S.-listed Chinese companies that completed secondary listing in Hong Kong. The aggregate equity underwritten in the Hong Kong market amounted to USD93.165 billion in 2020, representing a year-on-year increase of 71.64%. The IPO funds raised amounted to USD51.3 billion, representing a year-on-year increase of 27.99%. New economy companies coming to Hong Kong for a second listing accounted for more than 30% of the financing size. The amount raised from the underwritten Asia ex-Japan G3 Currency Bonds amounted to USD348.446 billion, representing a year-on-year increase of 3.05%.

During the Reporting Period, CMS International continued to consolidate its business advantages in the new economy sector. There were 13 equity projects underwritten in the Hong Kong market, with an aggregated underwriting amount of USD6.44 billion, representing a year-on-year increase of 51.76%. Of which, the number of IPO projects was 12, with an underwriting amount of USD6.132 billion, representing a year-on-year increase of 44.45%; 2 US stock IPO projects were successfully concluded, with an aggregated underwriting amount of USD78 million. 12 Asia ex-Japan G3 Currency Bonds projects were completed, with an underwriting amount of USD4.42 billion, representing a year-on-year decrease of 17.54%; 4 financial advisory projects were completed, with an aggregated trading value of USD914 million, representing a year-on-year decrease of 44.74%. In 2020, CMS International ranked seventh among Chinese brokers in terms of equity underwritten scale and IPO underwritten scale in the Hong Kong market. Projects of significant influence in the market were concluded, including Huijing Holdings Company Limited (匯景控股有限公司) (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 9968), InnoCare Pharma Limited (諾誠健華醫藥有限公司) (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 9969), Akeso, Inc.(康方生物科技(開曼)有限公司) (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 9926), Yeahka Limited (移卡有限公司) (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 9923) and Immunotech Biopharm Ltd. (永泰生物製藥有限公司) (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 6978).

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3. Investment management

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

(1) Asset management business of securities companies

In 2020, the pressure on asset management business transformation of securities companies was mounting, and the total AUM of securities companies further compressed against the background of the industry-wide de-channelization. By the end of 2020, the total AUM of securities companies was RMB10.42 trillion, representing a year-on-year decrease of 15.22%; the Pareto Principle of the industry became increasingly obvious and the competition pattern became more intense and complex.

During the Reporting Period, CMS Asset Management actively promoted the transformation of massive collective asset management to mutual funds, and successfully issued its first mutual fund product “Wisdom and Growth (智遠成長)” during the year; strengthened the active management abilities, and achieved breakthroughs in the issuance of STAR Market themed, fixed income+, interval bond fund and other products, with significant growth achieved in the number and scale of newly issued active management products; tapped into client needs and enlarged business cooperation with institutional clients such as wealth management subsidiaries of banks; strengthened internal collaboration, so as to build a distinctive full-product spectrum; and continued to upgrade the investment research system to help clients to gain steady asset growth. According to the statistics from the Securities Association of China and the Asset Management Association of China, as at the end of 2020, the total AUM of CMS Asset Management was RMB541.922 billion, ranking fourth in the industry; the average monthly active AUM for securities companies’ private offered products (the fourth quarter) was RMB276.025 billion, representing a year-on-year increase of 52.13%, ranking the third in the industry, up by one place.

Currency: RMB

Category	AUM (RMB100 million)		Net income (RMB100 million)		Size's year-on-year change
	2020	2019	2020	2019	
Collective asset management plan	1,303.40	1,325.86	7.84	7.35	-1.69%
Separate asset management plan	3,475.80	4,866.62	3.51	2.83	-28.58%
Specialized asset management plan	640.02	679.59	0.17	0.31	-5.82%
Total	5,419.22	6,872.07	11.52	10.49	-21.14%

Source: Internal statistics of the Company

(2) Private equity fund management

In 2020, the private equity industry faced challenges due to the increasing downward pressure on macro-economy and the impact of the Covid-19 pandemic; meanwhile, the private equity industry embraced significant opportunities due to the government's comprehensive deepening of capital market reform, an increase in the proportion of direct financing, as well as the policy support for the physical economy and the construction of a new "dual circulation" development pattern. According to the statistics from Zero2IPO Group, in 2020, the total amount of newly-raised funds in the domestic equity investment market was RMB1,197.214 billion, representing a year-on-year decrease of 3.8%; the number of newly-raised funds was 3,478, representing a year-on-year increase of 13.6%; the total investment amount was RMB887.149 billion, representing a year-on-year increase of 16.3%; the number of investment projects was 7,559, representing a year-on-year decrease of 8.2%; the number of exit cases was 3,842¹, representing a year-on-year increase of 30.3%. In terms of fundraising, local governments and state-owned LPs continued to expand their capital contribution and have become a major fundraising group; in terms of investment, private equity investment institutions will benefit from the development of domestic innovative enterprises and from the business opportunities brought about by capital market reforms.

During the Reporting Period, CMS Zhiyuan Capital strengthened the establishment of fundraising system and actively promoted the raising of funds with special features; vigorously explored investment opportunities and strengthened project quality control; constantly 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 the Company to achieve win-win cooperation. During the year of 2020, CMS Zhiyuan Capital completed the establishment of funds, with an amount of RMB3.3 billion newly raised and recorded a cumulative AUM of over RMB24 billion. Investments of these funds focused on Information and Communication Technology (ICT), pharmaceuticals & medical, advanced manufacturing and other fundamental industries with an investment scale of RMB2.8 billion during the year. In respect of post-investment management, 4 investees have undergone IPO, with another 3 approved and another 3 filed for IPO. In respect of exiting, it has recorded a total exiting proceeds of RMB2.6 billion during the year, rewarding the investors with positive returns.

(3) Fund management

In 2020, the domestic capital market reform was further reinforced, with the first batch of NEEQ select, MOM funds and STAR Market 50 ETF approved, and public REITs and cross-market bond ETFs to be launched soon; meanwhile, demands from residents wealth growth provided opportunities for the development of the mutual fund industry. During the Reporting Period, the scale of new products issued in the mutual fund industry reached RMB3,158.6 billion, representing a year-on-year increase of 123.30% and a record high in new product issuance size.

¹ 1 exit transaction refers to the exit of 1 equity investment fund from 1 investee enterprise, and if N equity investment funds exit from 1 enterprise, it will be recorded as N cases.

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① Bosera Funds

The Company holds 49% of the equity of Bosera Funds. During the year of 2020, Bosera Funds adhered to the strategy of “keeping a balanced development of quality, efficiency and scale, with quality going first”, and promoted continuous growth in scale and improvement in efficiency and quality. Bosera Funds emphasized on building the investment abilities of equity and pension, reinforced investment research abilities in key sub-sectors, focused on building its investment strengths in two core asset categories that represent the competitiveness of China’s economy, and economic restructuring and upgrading, as well as technological innovation, continued to enhance its equity investment abilities, and consolidated its strengths in fixed income investment.

As of the end of the Reporting Period, the AUM of Bosera Funds was RMB1,319.4 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) was RMB712.6 billion. According to the statistics from Wind, as at the end of 2020, Bosera Funds ranked eighth in the industry in terms of AUM of non-monetary mutual funds ranked first in terms of AUM of bond mutual fund.

② China Merchants Fund

The Company holds 45% of the equity of China Merchants Fund. During the year of 2020, China Merchants Fund, with a view of transformation and upgrading, optimized the investment and research mechanism, promoted marketing and system reforms, improved product portfolio, accelerated the implementation of technology-driven strategies, strengthened internal integration and market alignment, and focused on building core competencies to achieve a comprehensive development in respect of scale, performance and efficiency.

As of the end of the Reporting Period, the AUM of China Merchants Fund was RMB784.3 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) was RMB503.3 billion. According to the statistics from Wind, as at the end of 2020, China Merchants Fund ranked ninth in the industry in terms of AUM of non-monetary mutual funds, and ranked fifth in both of AUM of bond mutual funds and AUM of equity mutual funds.

4. *Investment and trading*

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

In 2020, due to the impact of the Covid-19 pandemic, the global economy was under pressure, highlighted by a rare meltdown in the US stock market, the first negative price for crude oil futures and increased volatility in the domestic capital markets. The A share market, amid changes in the pandemic, economy and macro policies, had undergone twists and turns before ending the year with three rising indices. The domestic bond market was featured with broad volatility. The bond price and other safe-haven assets rose sharply in the first quarter as the Covid-19 pandemic weighed on the global economy, and then after the second quarter, the bond market fell amid volatility along with domestic economy growth and monetary policies returning to normal. The ChinaBond Composite Total Return Index recorded an increase of 2.98% during the year, lower than the average annual rise of the bond market over the past decade. The RMB exchange rate weakened at first and then appreciated by 10% to 6.54 during the year.

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During the Reporting Period, the Company's proprietary business actively engaged in range-based operations on the basis of strict risk control, continued to strengthen its research abilities, further increased the allocation of public funds and enhanced the stability of various strategies, all of which led to a decent return.

The derivative investment business of the Company actively engaged, via financial instruments and derivatives, in market-neutral trade business by adopting quantitative trading and hedging approaches, in order to gain return steadily with low-risk exposure. Currently, business mainly includes market-making, OTC derivatives trading and quantitative proprietary business. In 2020, the Company actively applied new business qualifications for its market-making business and has added 66 underlyings, ranking the Company among the top tier in the industry in terms of number of underlying assets and market competitiveness. The Company kept improving product competitiveness for its OTC derivatives business, covering various underlying assets such as domestic and overseas stocks, indices and commodities, leading to rapid growth in business scale. The Company's quantitative proprietary business accurately captured opportunities arising from market volatility and brought stable income to the Company. The Company was awarded the "Best Equity ETF Market Maker 2020", "Best Cross-Border ETF Market Maker 2020" and "Outstanding Option Market Maker 2020" by the Shanghai Stock Exchange.

In respect of fixed-income investment business, the Company upheld its prudential investment philosophy, strengthened macro research, market research and risk screening, steadily broadened the scale of investment, enriched trading strategies, actively utilized various derivatives to develop market neutral strategies and strengthened the capability of financial technology. As a result, its investment yields significantly outperformed the market. During the reporting period, the Company actively participated in market innovation business, and was among the first batch of participating interest rate options launched by the Foreign Exchange Trade Center, standard forward contract on bond of Agricultural Development Bank of China, and credit protection warrants launched by the Shenzhen Stock Exchange. The Company was awarded the "Outstanding Proprietary Business Dealer in China Bond Market 2020" by China Central Depository & Clearing Co., Ltd., and the "Outstanding Inter-bank Bond Market Dealer 2020" and "Active Inter-bank Local Currency Market Dealer 2020" by China Foreign Exchange Trading Center.

In terms of foreign exchange business, the Company has established a professional foreign exchange trading team. It actively conducted foreign exchange trading on all types of foreign exchange products which covers spot, forward, swap and option, and becoming the only securities firm which concurrently be selected into the "Top 10 ESP (Executable Streaming Price) Transactions in the Inter-bank Renminbi Foreign Exchange Market 2020" and "Top 100 Dealers in the Inter-bank Renminbi Foreign Exchange Market 2020".

In terms of alternative investment business, the Company has been steadily promoting strategic investments in STAR Market projects and actively expanding its equity investment and financial product investment. The Company's equity investment business regarded strategic emerging industries of China as the central theme, focused on quality enterprises with core competitiveness in areas of, among others, chips and semiconductors, technology and internet, medical and health, new energy and new materials. Also, the Company constantly provided value-added services to investee companies leveraging on the advantages of its brokerage platform. The total equity investment amounted to RMB3.36 billion during the year.

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(II) Analysis of financial statement

1. Details of changes related to profit and cash flows

Unit: 1,000 Yuan Currency: RMB

Item	Current period	Previous period	Year-on-year change
Total revenue, gains and other income	32,469,316	25,659,101	26.54%
Total expenses	22,203,085	17,767,472	24.96%
Profit before income tax	11,308,869	8,773,637	28.90%
Profit of the year	9,503,867	7,313,283	29.95%
Profit for the year attributable to shareholders of the Company and holders of other equity instruments	9,491,639	7,282,381	30.34%
Net cash used in operating activities	-33,343,495	-1,149,490	—
Net cash from/(used in) investing activities	2,520,985	-1,799,098	—
Net cash generated from financing activities	37,319,970	4,760,169	684.01%
Net increase (decrease) in cash and cash equivalents	6,497,460	1,811,581	258.66%

In 2020, the Company recorded total revenue, gains and other income of RMB32.469 billion, profit before tax of RMB11.309 billion and profit attributable to shareholders of the parent company of RMB9.492 billion, representing a year-on-year increase of 26.54%, 28.90% and 30.34%, respectively. Weighted average return on net assets was 10.85%, representing a year-on-year increase of 1.34 percentage points.

2. Income

Unit: 1,000 Yuan Currency: RMB

Item	Current period		Previous period		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fee and commission income	12,798,077	39.42%	8,858,493	34.52%	3,939,584	44.47%
Interest income	9,716,966	29.93%	8,288,799	32.30%	1,428,167	17.23%
Net gain on investment	6,783,213	20.89%	6,159,670	24.01%	623,543	10.12%
Net other income and gains	3,171,060	9.77%	2,352,139	9.17%	818,921	34.82%
Total revenue, gains and other income	32,469,316	100.00%	25,659,101	100.00%	6,810,215	26.54%

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In 2020, the total revenue, gains and other income amounted to RMB32.469 billion, representing a year-on-year increase of RMB6.810 billion, or 26.54%, among which:

Fee and commission income recorded a year-on-year increase of 44.47%, among which, the income from securities and futures brokerage business recorded a year-on-year increase of 63.96%, mainly attributable to a year-on-year increase of 62.37% in average trading volume of A shares, and an increase in the company's market share of trading volume partially offset by the decrease in commission rate. The income from underwriting and sponsorship business recorded a year-on-year increase of 26.36%, mainly attributable to the increase in revenue from IPO business.

Interest income recorded a year-on-year increase of 17.23%, mainly due to the expansion of market, the rise in indices and the active transactions, an expansion of the scale of margin financing and securities lending business, and a year-on-year increase of 33.82% in the interest income of margin financing and securities lending; the active equity market, the increase in the margin deposited by clients, stock exchanges and non-financial institutions, resulting in a year-on-year increase of 20.60% in interest income from stock exchanges and non-financial institutions.

Net investment gains recorded a year-on-year increase of 10.12%, primarily due to the increase in the investment gains from proprietary equity.

Net other income and gain recorded a year-on-year increase of 34.82%, mainly attributable to the revenue growth of commodities.

3. Expenses

Unit: 1,000 Yuan Currency: RMB

Item	Current period		Previous period		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Depreciation and amortization	591,279	2.66%	530,908	2.99%	60,371	11.37%
Staff costs	7,498,108	33.77%	5,559,394	31.29%	1,938,714	34.87%
Fee and commission expenses	2,101,235	9.46%	1,422,798	8.01%	678,437	47.68%
Interest expenses	7,118,053	32.06%	6,393,610	35.98%	724,443	11.33%
Tax and surcharges	140,492	0.63%	94,364	0.53%	46,128	48.88%
Other operating expenses	4,598,325	20.71%	3,670,815	20.66%	927,510	25.27%
Credit impairment losses	155,575	0.70%	92,027	0.52%	63,548	69.05%
Other impairment losses	18	0.00%	3,556	0.02%	-3,538	-99.49%
Total expenses	22,203,085	100.00%	17,767,472	100.00%	4,435,613	24.96%

In 2020, the total revenue, gains and other income amounted to RMB22.203 billion, representing a year-on-year increase of 24.96%, of which:

Fee and commission expenses amounted to RMB2.101 billion, representing a year-on-year increase of 47.68%, of which fee and commission expenses of securities and futures brokerage business increased by RMB0.688 billion along with the growth of business and the increase in income and a slight year-on-year decrease in the expenses of underwriting and sponsorship business, asset management and fund management business and financial advisory business.

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Interest expenses amounted to RMB7.118 billion, representing a year-on-year increase of 11.33%, mainly due to the increase in debt financing scale, partially offset by the decrease in interest rate of financing.

Staff costs amounted to RMB7.498 billion, representing a year-on-year increase of 34.87%, primarily due to the increase in performance-based remuneration as a result of the increase in income.

Credit impairment loss amounted to RMB156 million, representing a year-on-year increase of 69.05%, primarily due to the increase in impairment loss of the business of financial assets under resale agreements during the year.

Other operating expenses amounted to RMB4.598 billion, representing a year-on-year increase of 25.27%, primarily due to the increase in costs along with the growth in revenue of commodities.

Other expenses mainly included depreciation and amortization, tax and surcharges and other impairment loss.

4. Segment revenues

4.1 Analysis of segment revenues and other incomes

Unit: 1,000 Yuan Currency: RMB

Business segment	Current period		Previous period		Increase/Decrease		Change
	Amount	Percentage	Amount	Percentage	Amount	Percentage	
Wealth management and institutional business	16,777,661	51.67%	11,967,661	46.64%	4,810,000	40.19%	5.03%
Investment banking	2,205,761	6.79%	1,879,777	7.33%	325,984	17.34%	-0.54%
Investment management	1,589,072	4.89%	1,873,773	7.30%	-284,701	-15.19%	-2.41%
Investment and trading	8,463,978	26.07%	7,358,834	28.68%	1,105,144	15.02%	-2.61%
Others	3,481,483	10.72%	2,640,073	10.29%	841,410	31.87%	0.43%

In 2020, the total revenue, gains and other income of the Company amounted to RMB32.469 billion, of which:

Revenue from the wealth management and institutional business segment recorded a year-on-year increase of 40.19%, mainly due to the year-on-year increase of 62.37% in average trading volume of A shares in 2020, the increase in the market share of the trading volume of the Company, and a year-on-year increase in net fee income from agency trading. The net income from financial products under agency sale and the net interest income from margin financing and securities lending also recorded growth on year-on-year basis.

Revenue from the investment banking business segment recorded a year-on-year increase of 17.34%, mainly due to the increase in income from IPO business.

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Revenue from the investment management business segment recorded a year-on-year decrease of 15.19%, mainly due to the decrease in income from private equity investment.

Revenue from the investment and trading business segment recorded a year-on-year increase of 15.02%, mainly due to an increase in income from investment gains from proprietary equity.

Revenue from other business segments recorded a year-on-year increase of 31.87%, mainly due to the increase in revenue from the commodities.

In terms of revenue composition, the proportion of operating income from the wealth management and institutional business segment and other business segments increased by 5.03 and 0.43 percentage points, respectively, and the proportion of investment banking business segment, investment management business segment and investment and trading business segment decreased by 0.54, 2.41 and 2.61 percentage points, respectively.

4.2 Analysis of segment expenses

Unit: 1,000 Yuan Currency: RMB

Business segment	Current period		Previous period		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Wealth management and institutional business	11,125,551	50.11%	8,620,568	48.52%	2,504,983	29.06%
Investment banking	1,024,669	4.61%	906,320	5.10%	118,349	13.06%
Investment management	462,933	2.08%	378,980	2.13%	83,953	22.15%
Investment and trading	5,638,679	25.40%	4,847,651	27.28%	791,028	16.32%
Others	3,999,892	18.02%	3,074,970	17.31%	924,922	30.08%

Expenses of various business segments recorded a year-on-year increase to different extent, in which expenses of wealth management and institutional business increased by 29.06%, mainly attributable to an increase in performance-based remuneration resulting from the growth of revenue and the increase in stock exchanges fees and network communication expenses incurred in relation to business operation; expenses of investment and trading business segment recorded a year-on-year increase of 16.32%, mainly attributable to the increase in interest expenses resulting from the growth of investment scale and the growth of performance-based remuneration driven by the increase in revenue; expenses of others segment recorded a year-on-year increase of 30.08%, mainly resulting from the increase in cost of the commodities.

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5. Cash flows

Unit: 1,000 Yuan Currency: RMB

Item	Current period	Previous period	Amount increased/decreased	Percentage increased/decreased
Net cash used in operating activities	-33,343,495	-1,149,490	-32,194,005	—
Net cash generated from (used in) investing activities	2,520,985	-1,799,098	4,320,083	—
Net cash generated from financing activities	37,319,970	4,760,169	32,559,801	684.01%
Net increase in cash and cash equivalents	6,497,460	1,811,581	4,685,879	258.66%

In 2020, the net increase in cash and cash equivalents of the Company was RMB6.497 billion. Of which, the net cash used in operating activities recorded a deficit of RMB33.343 billion. The net cash generated from investing activities of RMB2.521 billion. The net cash generated from financing activities amounted to RMB37.32 billion.

- (1) Net cash used in operating activities recorded a deficit of RMB33.343 billion, representing a decrease of RMB32.194 billion as compared to 2019, primarily due to the increase in advances from financing customers of RMB14.345 billion, the increase of financial assets held under resale agreements of RMB13.909 billion and the decrease financial assets sold under repurchase agreements of RMB14.879 billion, partially offset by the decrease in financial assets at fair value through profit or loss of RMB5.789 billion and an net increase in other current liabilities of RMB8.209 billion.
- (2) Net cash generated from investing activities amounted to RMB2.521 billion, representing an increase of RMB4.32 billion as compared to 2019, primarily due to the increase in the proceed from the disposal of financial assets at fair value through other comprehensive income of RMB4.610 billion during the year.
- (3) Net cash generated from financing activities amounted to RMB37.320 billion, representing an increase of RMB32.560 billion as compared to 2019, primarily due to the proceed from the A share and H share rights issue completed during the year of RMB14.824 billion, a year-on-year increase of proceed received from the issue of bonds of RMB43.348 billion, partially offset by the repayment of bonds and short-term debt instruments of RMB24.508 billion.

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6. Overview of consolidated statement of financial position

Unit: 1,000 Yuan Currency: RMB

Item	December 31, 2020		December 31, 2019		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Non-current assets						
Property and equipment	1,547,029	0.31%	1,540,746	0.40%	6,283	0.41%
Right-of-use assets	1,608,964	0.32%	1,610,549	0.42%	-1,585	-0.10%
Goodwill	9,671	0.00%	9,671	0.00%	—	—
Other intangible assets	19,988	0.00%	15,855	0.00%	4,133	26.07%
Investment in associates	9,508,149	1.90%	8,833,586	2.31%	674,563	7.64%
Equity instruments at fair value through other comprehensive income	7,420,580	1.48%	7,057,809	1.85%	362,771	5.14%
Debt instruments at amortised cost	921,389	0.18%	1,424,662	0.37%	-503,273	-35.33%
Financial assets held under resale agreements	1,362,032	0.27%	2,170,301	0.57%	-808,269	-37.24%
Financial assets at fair value through profit or loss	7,565,032	1.51%	2,708,857	0.71%	4,856,175	179.27%
Deferred tax assets	1,818,424	0.36%	826,872	0.22%	991,552	119.92%
Other non-current assets	1,132,319	0.23%	817,565	0.21%	314,754	38.50%
Total non-current assets	32,913,577	6.59%	27,016,473	7.08%	5,897,104	21.83%
Current assets						
Advances to customers	81,754,350	16.36%	55,224,619	14.47%	26,529,731	48.04%
Current tax assets	106,799	0.02%	180,145	0.05%	-73,346	-40.71%
Account and other receivables	6,429,522	1.29%	3,213,572	0.84%	3,215,950	100.07%
Debt instruments at fair value through other comprehensive income	44,614,600	8.93%	45,734,307	11.98%	-1,119,707	-2.45%
Debt instruments at amortised cost	818,001	0.16%	469,974	0.12%	348,027	74.05%
Financial assets held under resale agreements	50,898,293	10.19%	33,509,524	8.78%	17,388,769	51.89%
Financial assets at fair value through profit or loss	166,030,032	33.22%	135,437,211	35.48%	30,592,821	22.59%
Derivative financial assets	1,726,339	0.35%	1,805,819	0.47%	-79,480	-4.40%
Deposits with Exchanges and non-bank financial institutions	9,067,233	1.81%	4,780,890	1.25%	4,286,343	89.66%
Clearing settlement funds	22,529,340	4.51%	12,471,616	3.27%	10,057,724	80.64%
Cash and bank balances	82,838,593	16.58%	61,927,739	16.22%	20,910,854	33.77%
Total current assets	466,813,102	93.41%	354,755,416	92.92%	112,057,686	31.59%
Total assets	499,726,679	100.00%	381,771,889	100.00%	117,954,790	30.90%

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As at the end of 2020, the total assets of the Company was RMB499.727 billion, increased by RMB117.955 billion, or 30.90%, as compared with the end of 2019. The total current assets amounted to RMB466.813 billion and total non-current assets accounted to RMB32.914 billion. Financial assets² as at the end of the period increased by RMB34.457 billion as compared with the end of 2019, and the financial assets held under resale agreements and advances to customers as at the end of the period increased by RMB43.110 billion as compared with the end of 2019.

The Company has maintained satisfactory assets quality and liquidity. Net current assets as at the end of 2020 amounted to RMB134.334 billion, representing an increase of RMB21.165 billion, or 18.70% over last year, which was primarily due to growth in scale of financial assets and advances to customers. As at the end of 2020, the Company's cash and bank balances and clearing settlement funds, financial assets, advances to customers, financial assets held under resale agreements and investment in associates accounted for 21%, 46%, 16%, 10% and 2% of the total assets, respectively. As compared with the end of last year, the share of cash and bank balances and clearing settlement funds to the total assets and the share of advances to customers and financial assets held under resale agreements to the total assets increased by 2 and 3 percentage points respectively and the share of financial assets to the total assets decreased by 5 percentage points.

² **Financial assets** = Debt instruments at fair value through other comprehensive income + Financial assets measured at amortized cost + Financial assets at fair value through profit or loss + Equity instruments at fair value through other comprehensive income + Derivative financial assets

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Unit: 1,000 Yuan Currency: RMB

Item	December 31, 2020		December 31, 2019		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Current liabilities						
Short-term borrowings	3,290,295	0.84%	3,103,673	1.05%	186,622	6.01%
Short-term debt instruments	36,216,758	9.19%	33,098,616	11.16%	3,118,142	9.42%
Placements from other financial institutions	11,002,762	2.79%	7,013,199	2.36%	3,989,563	56.89%
Accounts payable to brokerage clients	85,441,243	21.69%	61,724,220	20.81%	23,717,023	38.42%
Accrued staff costs	6,759,837	1.72%	5,042,877	1.70%	1,716,960	34.05%
Other payables and accrued charges	18,451,855	4.68%	6,847,972	2.31%	11,603,883	169.45%
Current tax liabilities	249,546	0.06%	57,064	0.02%	192,482	337.31%
Financial liabilities at fair value through profit or loss	11,249,844	2.86%	7,918,509	2.67%	3,331,335	42.07%
Derivative financial liabilities	3,071,802	0.78%	2,183,222	0.74%	888,580	40.70%
Financial assets sold under repurchase agreements	119,258,195	30.28%	97,706,686	32.94%	21,551,509	22.06%
Lease liabilities	294,159	0.07%	267,627	0.09%	26,532	9.91%
Provisions	377	0.00%	—	—	377	—
Long-term borrowings due within one year	253,004	0.06%	1,144,880	0.39%	-891,876	-77.90%
Bonds payable due within one year	36,939,761	9.38%	15,478,614	5.22%	21,461,147	138.65%
Total current liabilities	332,479,438	84.41%	241,587,159	81.44%	90,892,279	37.62%

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Item	December 31, 2020		December 31, 2019		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Net current assets	134,333,664	34.10%	113,168,257	38.15%	21,165,407	18.70%
Total assets less current liabilities	167,247,241	42.46%	140,184,730	47.26%	27,062,511	19.30%
Non-current liabilities						
Accrued staff costs	395,360	0.10%	525,040	0.18%	-129,680	-24.70%
Deferred tax liabilities	790,161	0.20%	485,282	0.16%	304,879	62.83%
Financial liabilities at fair value through profit or loss	2,692,207	0.68%	2,157,877	0.73%	534,330	24.76%
Deferred income	119,340	0.03%	122,537	0.04%	-3,197	-2.61%
Lease liabilities	966,240	0.25%	984,520	0.33%	-18,280	-1.86%
Long-term borrowings	418,353	0.11%	268,735	0.09%	149,618	55.67%
Bonds payable	56,040,867	14.23%	50,512,888	17.03%	5,527,979	10.94%
Total non-current liabilities	61,422,528	15.59%	55,056,879	18.56%	6,365,649	11.56%
Total liabilities	393,901,966	100.00%	296,644,038	100.00%	97,257,928	32.79%

As at the end of 2020, the total liabilities of the Company was RMB393.902 billion, representing an increase of RMB97.258 billion, or 32.79%, as compared with the end of 2019. The current liabilities amounted to RMB332.479 billion and non-current liabilities amounted to RMB61.423 billion. Accounts payable to brokerage clients increased by RMB23.717 billion as compared with the end of 2019. The balance of financial assets sold under repurchase agreements as at the end of the period increased by RMB21.552 billion; the balance of bonds payable as at the end of the period increased by RMB26.989 billion; and the balance of placements from other financial institutions as at the end of the period increased by RMB3.990 billion.

Excluding the accounts payable to brokerage clients, as at the year-end the total assets of the Company amounted to RMB414.285 billion, increased by RMB94.238 billion, or 29.44%, as compared with the end of 2019, and the total liabilities of the Company amounted to RMB308.461 billion, increased by RMB73.541 billion as compared with the end of 2019, representing a growth of 31.30%. The gearing ratio, after deducting accounts payable to brokerage clients, of the Company was 74.46%, representing a rise of 1.06 percentage points as compared with the end of 2019.

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Unit: 1,000 Yuan Currency: RMB

Item	December 31, 2020		December 31, 2019		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Equity						
Share capital	8,696,526	8.22%	6,699,409	7.87%	1,997,117	29.81%
Other equity instruments	15,000,000	14.17%	15,000,000	17.62%	—	—
Capital reserve	40,361,022	38.14%	27,533,939	32.34%	12,827,083	46.59%
Less: treasury shares	—	—	663,954	0.78%	-663,954	-100.00%
Investment revaluation reserve — financial assets at fair value through other comprehensive income	288,626	0.27%	542,629	0.64%	-254,003	-46.81%
Foreign currency translation reserve	-43,094	-0.04%	278,786	0.33%	-321,880	-115.46%
General reserves	18,514,639	17.50%	16,401,426	19.27%	2,113,213	12.88%
Retained profits	22,919,086	21.66%	19,256,086	22.62%	3,663,000	19.02%
Equity attributable to shareholders of the Company	105,736,805	99.92%	85,048,321	99.91%	20,688,484	24.33%
Non-controlling interests	87,908	0.08%	79,530	0.09%	8,378	10.53%
Total equity	105,824,713	100.00%	85,127,851	100.00%	20,696,862	24.31%

As at the end of 2020, the equity attributable to shareholders of the parent company was RMB105.737 billion, representing an increase of 24.33% as compared with the end of 2019, in which an increase in net assets of RMB14.824 billion was attributable to the A and H shares rights issues completed during the year. Net profit attributable to the parent company amounted to RMB9.492 billion, partially offset by the dividends distributed to shareholders of RMB2.913 billion and interest payable for perpetual subordinated bonds of RMB802 million.

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(III) Analysis of investment

1. Analysis of total external equity investments

The amount of external equity investment by the Company did not increase during the Reporting Period.

(1) Significant equity investments

Currency: RMB

Investees	Initial investment (RMB0,000)	Shareholding as at the beginning of the period (%)	Shareholding as at the end of the period (%)	Closing balance (RMB0,000)	Gain or loss during the Reporting Period (RMB0,000)	Change in equity attributable to the owner during the Reporting Period (RMB0,000)	Accounting item	Source
Bosera Asset Management Co., Limited	369,319.04	49.00	49.00	557,918.03	61,104.27	-385.88	Long-term equity investment	Acquisition
China Merchants Fund Management Co., Ltd.	85,084.45	45.00	45.00	285,740.02	40,673.26	-378.92	Long-term equity investment	Promotion and acquisition
Total	454,403.49	—	—	843,658.06	101,777.53	-764.80		

- Note: 1. Closing balance referred to in the table is the balance net of provision for impairment as at the end of the period.
2. Gain or loss during the Reporting Period referred to in the table refers to impact of the investment on the combined net profit of the Company for the Reporting Period.
3. Change in equity attributable to the owner during the Reporting Period referred to in the table excludes the impact of profit and loss during the Reporting Period.

(2) Financial assets measured at fair value

Unit: 10,000 Yuan Currency: RMB

Item	As of the end of December 2020		January – December 2020	
	Initial investment cost/nominal amount	Fair value	Investment gains/interest income	Change in fair value
Financial assets held-for-trading	16,874,605.80	17,359,506.39	699,563.77	163,788.63
Other debt investments	4,360,658.42	4,461,460.02	190,392.28	-47,689.93
Other equity investments	708,183.34	742,057.98	—	16,346.71
Derivative financial assets	36,520,006.11	172,633.89	-162,585.27	-20,202.55
Derivative financial liabilities		307,180.16		
Financial liabilities held-for-trading	1,396,454.10	1,394,205.11	-29,750.52	-4,147.39
Sub-total	—	—	697,620.26	108,095.48

(IV) Analysis of subsidiaries**1. Analysis of subsidiaries****(1) China Merchants Securities Asset Management Co., Ltd. (incorporated in the People's Republic of China with limited liability)**

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: 10,000 Yuan Currency: RMB

Item	For/as of the end of 2020	For/as of the end of 2019
Registered capital	100,000	100,000
Total revenue, gains and other income	128,588	119,597
Net profit	76,106	74,940
Total assets	490,621	458,849
Net assets	394,061	418,169

(2) China Merchants Securities International Company Limited (incorporated in Hong Kong Special Administrative Region of the People's Republic of China with limited liability)

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

Unit: 10,000 Yuan Currency: HKD

Item	For/as of the end of 2020	For/as of the end of 2019
Paid-up capital	410,363	410,363
Total revenue, gains and other income	150,654	120,796
Net profit	50,577	21,626
Total assets	2,924,544	2,710,822
Net assets	631,119	578,325

(3) China Merchants Futures Co., Limited (incorporated in the People's Republic of China with limited liability)

China Merchants Futures is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB3.598 billion. Its principal businesses include commodity futures brokerage, financial futures brokerage, futures investment consultation and asset management. As at the end of December of 2020, China Merchants Futures has 4 futures branches in Beijing, Guangzhou, Shanghai and Hangzhou, 1 branch office in Henan and 1 risk management subsidiary.

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Unit: 10,000 Yuan Currency: RMB

Item	For/as of the end of 2020	For/as of the end of 2019
Registered capital	359,800	63,000
Total revenue, gains and other income	371,609	268,935
Net profit	21,306	14,916
Total assets	1,953,530	813,958
Net assets	477,283	159,177

(4) China Merchants Zhiyuan Capital Investment Co., Ltd. (incorporated in the People's Republic of China with limited liability)

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 mainly engages in private equity investment funds and related consultancy and advisory services and other business as permitted by regulatory authorities.

Unit: 10,000 Yuan Currency: RMB

Item	For/as of the end of 2020	For/as of the end of 2019
Registered capital	210,000	210,000
Total revenue, gains and other income	17,882	64,834
Net profit attributable to the parent company	2,941	34,722
Total assets	639,631	653,996
Net assets attributable to the parent company	257,415	254,475

(5) China Merchants Securities Investment Co., Ltd. (incorporated in the People's Republic of China with limited liability)

CMS Investment is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB7.1 billion. It principally engages in alternative investment businesses such as financial products and equity investment other than those listed in the "List of Securities Investments for Proprietary Trading of Securities Companies".

Unit: 10,000 Yuan Currency: RMB

Item	For/as of the end of 2020	For/as of the end of 2019
Registered capital	710,000	310,000
Total revenue, gains and other income	64,538	6,001
Net profit	48,130	10,729
Total assets	809,373	223,382
Net assets	781,004	222,083

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 approved by the CSRC.

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

Unit: 10,000 Yuan Currency: RMB

Item	As of the end of 2020	As of the end of 2019
Registered capital	25,000.00	25,000.00
Operating income	422,601.19	348,589.72
Operating profit	164,882.20	120,683.30
Net profit	124,702.59	91,288.90
Total assets	885,922.70	739,638.43
Net assets	576,083.01	482,167.93

(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 approved by the CSRC.

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

Unit: 10,000 Yuan Currency: RMB

Item	As of the end of 2020	As of the end of 2019
Registered capital	131,000.00	131,000.00
Operating income	323,513.20	258,739.52
Operating profit	116,932.94	102,360.14
Net profit	90,385.02	80,262.29
Total assets	823,661.02	729,539.96
Net assets	590,634.46	538,431.49

(V) Structured entities controlled by the Company

As of December 31, 2020, the Group consolidated 15 structured entities, including mainly collective asset management schemes, investment funds, trust products and limited partnership. 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 December 31, 2020, the total assets of the consolidated structured entities amounted to RMB7.964 billion.

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(VI) Financing

1. *Financing Channels*

The Company has established diversified financing channels in respect of equity, allowing it to proceed with equity financing through issuance of A and H shares and rights issue. It has extended its diversified debt financing platform, covering domestic stock market, inter-bank market, China Securities Interagency Quotation Systems Co., Ltd., Shanghai Gold Exchange, China Securities Finance Co., Ltd. and overseas markets. Debt financing products include, but are not limited to, foreign debts, publicly or privately issued corporate bonds, perpetual subordinated bonds, subordinated bonds, short-term corporate bonds, financial bonds, short-term financing bonds, beneficiary certificates, margin trading rights as collateral financing, securities refinancing, interbank borrowing and repurchase. Smooth and diversified financing channels provide a solid guarantee for the Company's stable operation.

Major financing activities during the year: in 2020, the Company publicly issued 5 tranches of corporate bonds to qualified investors, raising a total of RMB19.7 billion; privately issued 4 tranches of corporate bonds, raising a total of RMB15.5 billion; issued 1 tranche of subordinated bonds, raising a total of RMB5.5 billion; issued 16 tranches of financing bonds on rolling basis, raising a total of RMB62 billion; issued 81 tranches of beneficiary certificates, raising a total of RMB47.845 billion and issued one overseas debt, raising a total of USD0.3 billion.

2. *Structure of liabilities*

As of the end of 2020, the total liabilities of the Company amounted to RMB393.902 billion. Excluding the transaction settlement funds from customers, the liabilities amounted to RMB308.461 billion. Liabilities mainly included publicly or privately issued corporate bonds, subordinated bonds, financial bonds, foreign bonds, asset-backed special program, beneficiary certificates, bank borrowings, interbank borrowing and repurchase. As of the end of 2020, the balance of bonds payable amounted to RMB92.981 billion, accounting for 30.14% of the Company's own liabilities. Long-term borrowings amounted to RMB0.671 billion, accounting for 0.22% of the Company's own liabilities. The balance of financial assets sold under repurchase agreements amounted to RMB119.258 billion, accounting for 38.66% of the Company's own liabilities. Short-term borrowings amounted to RMB3.290 billion, accounting for 1.07% of the Company's own liabilities. Borrowings amounted to RMB11.003 billion, accounting for 3.57% of the Company's own liabilities. Currently, the Company has no debts overdue. The solvency of the Company is strong and the liquidity risk is controllable.

3. *Liquidity management*

In respect of liquidity management, the Company aims to maintain the liquidity according to its business strategies at a level such that it is adequate to settle the debts when they fall due and to expand business when necessary. The liquidity should be sufficient to provide the Company with working capital without the need of funds from disposal of assets. The Company also maintains sufficient liquid assets and available facilities to meet unexpected financial needs.

With regular analysis of and monitoring on the size and structure of assets and liabilities, the Company was able to maintain adequate premium liquid assets while keeping proper size and duration of its assets and liabilities to support business development. The Company has an asset and liability management system and has determined liquidity risk indicators for different levels of management to monitor the compliance of limits of assets and liabilities. Such measures are taken to ensure the liquidity of the Company with reasonable structure of assets and liabilities in terms of size and maturity. The Company has an internal capital pricing system to regulate the capital flow. A real-time monitoring system and a quantified analysis model for investment business have been established. Data are collected for sensitivity analysis, stress test, and VaR analysis to keep track the liquidity risk of investment business. The management of the Company will be alerted of any risks exceeding the liquidity alert level and any rapid deterioration of risks for remedial actions. The Company has established an internal risk reporting system to promptly monitor the liquidity risk in the operation of all businesses at each branch so that the Company could take measures to maintain the safety and sustainability of its operations. The Company has a financing policy to secure funds when necessary. It also explored financing channels and methods to satisfy its financial needs for operation. The Company maintained high liquidity through effective asset allocation during the year.

(VII) Business innovation and risk control during the Reporting Period

1. Business innovation during the Reporting Period

In 2020, the Company has firmly seized the new opportunities arising from the reform and development of capital market to make innovation and serve for the economy.

The Gazelle Incubator Program has been promoted to provide services to corporate clients. Integrated one-stop comprehensive financial service were provided to strategic emerging enterprises, especially those high technology enterprises with high potential of growth. As of the end of the reporting period, almost one hundred enterprises were included in such Program. The investment banking business has established the industry's first working paper rating system, which enables quantitative evaluation of project working paper in terms of three indicators: completeness, timeliness and standardization of working drafts, and helps improve project quality control. In respect of wealth management service, we continued to develop a customer-oriented wealth management ecosystem by offering "selected mutual funds" and "private investment funds 50" and launched the mini-programme of China Merchants Securities Wealth and Merchants Wealth Smart Investment* (招商財富+與招財智投) to assist customers in asset value growth. As for institutional clients service, the Company has built a professional trading service platform Geetek, which covers a number of services, such as investment management, high-speed quotes, high-speed trading, algorithmic trading, quantitative platform, etc. The Company is one of the very few brokers in the industry with independent research and development capabilities of FPGA, and launched its self-developed FPGA high-speed quotes system in 2018, and continues to maintain iterative updates in the quotes and trading to provide customers with competitive trading services in the industry. The Company released the "Private Investment Funds Index of China Merchant Securities" to consolidate our innovation advantage in institutional business, and help institutions expand their business quickly. We actively expanded cooperation in cross-border business, including cross-border equity swap business written on offshore equity assets which achieved a breakthrough in trading volume, reaching RMB2.295 billion by the end of 2020. Meanwhile, we succeeded in carrying out cross-border equity swap business for such type of bonds as required by our clients. Besides, we also recorded positive expansion in derivative business as a total of 23 newly added market-making underlying were made in futures and options market and a total of 43 new market-making underlying were recorded in funds market.

We insisted on the view that business growth should be led by technology and vigorously promoted digital transformation. An aggregate of RMB994 million (including manpower expenditure) was invested in information technology in 2020, representing a year-on-year increase of 52.22%. More than 43 financial technology innovation fund projects were established throughout the year, with value amounted to RMB160 million, which was used to fully empower investment research, wealth management, customer services, operation management and risk management. The construction of a new generation of core business systems based on cloud-native technology has experienced positive progress since the "new generation of unified counter system" was launched to create a standardised, regulated and intelligent operating procedure for counter business and promote centralised operations. We also propelled the development of a competence middle platform, vigorously promoted the application of digital staff, reinforced the asset and production nature of data, and built BI (Business Intelligence) business analysis to support management decisions.

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2. Risk control for innovative business

- ① The Company has established a decision-making and management structure for innovation activities and formulated relevant management systems to ensure that all innovation activities are carried out in compliance with relevant laws and regulations under reasonable risk control.

The Company has established the Innovation Development Committee as the decision-making body to promote innovation activities, responsible for making decisions on major matters relating to innovation activities. We also established the Financial Technology Innovation Fund Committee as the decision-making body for the financial technology innovation fund, and established the Technology Innovation Office as the department for the coordination and promotion technology innovation. The Company's Risk Management Department and Legal Compliance Department involve in the early stages from project establishment, design and validation and conduct risk assessment and compliance validation and help to avoid any potential legal risks in relation to innovation activities if the risks involved in innovation activities are fully validated and assessed, and provide guidance to business departments to improve the internal control systems and procedures. Major innovative activities are also subject to special review and consideration by the Company's Risk Management Committee.

- ② Establish a risk monitoring and pre-warning system for innovation activities and dynamically adjust the monitoring indicators to ensure that the risk exposure to innovation activities is always kept within an acceptable range as far as the Company's net capital and liquidity concerned.

In respect of development of innovative activities, the Company designs various monitoring indicators and risk limits based on the risk characteristics of innovative activities, tracks the risk dynamics of innovative businesses in real time, and provides risk alerts to business departments in a timely manner when there are abnormalities in the risk indicators, to ensure that the risk exposure to innovation activities is always kept within an acceptable range as far as the Company's net capital and liquidity concerned.

- ③ Incorporate the development of innovative businesses into the scope of internal audit and implement comprehensive inspections on the management system, control processes and system construction of relevant businesses to continuously improve the effectiveness of internal control system of innovative businesses.

The Audit Department of the Company focuses on innovative business during its auditing, and the audit scope covers important aspects of innovative business. Through inspection on the management systems, operational processes and information systems involved in innovative business, the department evaluates the effectiveness of the internal control system of innovative business on a separate basis, makes suggestions for improvement in respect of the problems found in the inspection and supervises the management of innovative business to rectify and implement relevant measures, so as to promote the continuous improvement of the internal control standard of our innovative business through post-event supervision.

(VIII) Establishment and disposal of branches

During the Reporting Period, China Merchants Securities has not newly established or withdrawn branches or securities branches, and completed relocation of two branches and 31 securities branches within the same cities. A subsidiary of China Merchants Futures has set a new branch.

III. Discussion and Analysis of Future Development of the Company

(I) Industry pattern and trend

1. Accelerated promotion of capital market reform

Under the 14th Five-Year Plan, a series of reforms would be implemented and promoted in capital market in various aspects, including, general implementation of registration system for stock issuance, establishment of regular delisting mechanism, increase of proportion of direct financing, quality improvement of listed issuers and furthering the two-way opening-up of the financial industry, with an aim of continuously enhancing the underlying systems, propelling the domestic capital market to step into higher quality development and further strengthening the capability of serving for the physical economy. As essential participants in the capital market, securities companies are facing strategic opportunities along with the expansion of capital market both in depth and breadth.

2. Intensified competition in securities industry

On one hand, the leading brokers have maintained their leading position in terms of comprehensive competitiveness benefiting from their capital strength, client base and brand influence, while small and medium-sized brokers have actively replenished capital in recent years and compete in areas such as IPO and internet brokerage business to form their own distinctive advantages, which leads to increasingly intensified competition in the industry. With the further penetration of the two-way opening-up in the financial industry, international investment banks are accelerating their business development in the domestic capital market. By virtue of their strong technological capability, capital strength and experience in overseas markets, they will compete vigorously with domestic brokers in areas such as high-end client services and asset management. On the other hand, the in-depth reform of capital market has provided solid foundation for domestic financial institutions to expand into new businesses. At present, a number of securities companies, fund companies, commercial banks and fund distribution institutions have become pilot institutions for fund investment advisory business, which will become an important approach for various institutions to broaden customer base and strengthen wealth management business, resulting in furious competition among securities companies.

(II) Development strategies of the Company

1. Opportunities for the Company

Firstly, the securities industry will continue to benefit from the capital market reform as the reform continues to advance. Secondly, the rapid growth of residents' wealth and the strong demand for wealth management has laid the foundation for securities companies to accelerate the transformation of wealth management. Thirdly, the continuous injection of long-term capital and growth of institutional investors will bring securities companies more diversified business opportunities and more profitable models. Fourthly, under the national innovation-driven strategy, high-tech enterprises are experiencing a period of rapid development, bringing opportunities for securities companies' direct equity investment business. Fifthly, with availability of more financial instruments, rapid improvement of the operating systems and trading mechanism and the two-way financial opening-up, there is a prosperous prospect for cross-market investment and trading.

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2. *Challenges faced by the Company*

Firstly, the rapid increase in customers' demand will drive for the transformation of the business model of securities companies into integrated and digitalized operation, which poses huge challenges to the securities companies in organization and operation capabilities as well as comprehensive risk management capabilities. Secondly, new technologies including mobile internet, big data, cloud computing, blockchain and artificial intelligence expedites the reconstruction of the ecosystem for financial industry, and whether or not a securities company can take the advantage in differentiated competition depends on its ability to efficiently apply technology. Thirdly, there is an irresistible trend for the securities industry to remain under comprehensive and strict regulation. Fourthly, amid the further opening up of the securities industry, the international financial institutions will leverage on global resources, mature customer services model and the flexible and rapid innovation capabilities, which will impose direct impacts to China's securities industry's relatively traditional business management system and the customer services model.

3. *Development strategies of the Company*

From 2019 to 2023, the Company will uphold its strategic vision of "being customer-oriented to become the best investment bank in China with international competitiveness" and comply with the overall requirements of "advocating quality first, prioritizing efficiency, maintaining moderate scale" so as to accomplish the goals of "aiming the top five Chinese brokers in terms of all competitiveness", implementing the "reform strategies" and realizing high quality development and sustainable growth. In this regard, the Company will focus on its customers' needs and carry out five core strategies of "leading by the value of investment banking business, establishing institutional customer business with special features and advantages, building up wealth management business with distinctive edges, expanding consolidated operating model with multi-channels and wide variety of products and strengthening the integration of cross-borders business" during the planning period, so as to provide one-stop integrated services to customers and persistently enhance our overall competitiveness. In the meantime, the Company will be more dedicated in maintaining the "five" core capabilities, namely risk management, technologies, talents, synergies and capital, in a bid to support the healthy growth of all business segments of the Company.

(III) **Business plans**

The business environment faced by the Company remains complex in 2021. Externally, the COVID-19 epidemic is still spreading globally and the outlook for global economic recovery remains uncertain. China will consolidate its achievements in epidemic prevention and control as well as economic and social development, and accelerate building of a new development pattern with the domestic circulation as the priority and promoting positive interplay between domestic and international dual circulation. The capital market is in an essential position of an in-depth reform, and the regulation will, focus on registration system reform, which drives innovation in the key system of capital market, in order to establish a more inclusive and adaptable multi-tiered capital market and continuously strengthen direct financing to support physical economy, aiming to further stimulate market vitality. At the same time, the pace of high-level two-way opening-up reform of the securities industry will be further accelerated, and leading foreign-invested financial institutions will accelerate their pace of tapping into the domestic market, which will further highlight the trend of concentration of leading market players and the competition will be intensified.

The year 2021 is the first year of the 14th Five-Year Plan of China, and also a key year for implementation of our new five-year strategy. The Company will continue to carry forward the spirit of Shekou and be determined to make aggressive reform and innovation, maintaining the momentum of growth in operating revenue and net profit and striving to achieve further improvement in overall competitiveness. In terms of business development, the Company will adhere to the general policy of “light capital operation and heavy asset allocation” and focus on “three enhancements”, namely, enhancement in service transformation, asset allocation and business synergy. In terms of internal management, we will stick closely to the deployment and requirements under the three-year action plan for SOE reform and China Merchants Group’s decision of “management improvement with world class standards as the benchmarks”, and focus on “four advances”, namely, promoting management improvement, mechanism change, technology leadership and cultural construction.

IV. 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 of the risk management profile and relevant measures in relation to the market risk, credit risk, operational risk, liquidity risk and other risks during the business operation of the Company are as follows:

(1) Risk management

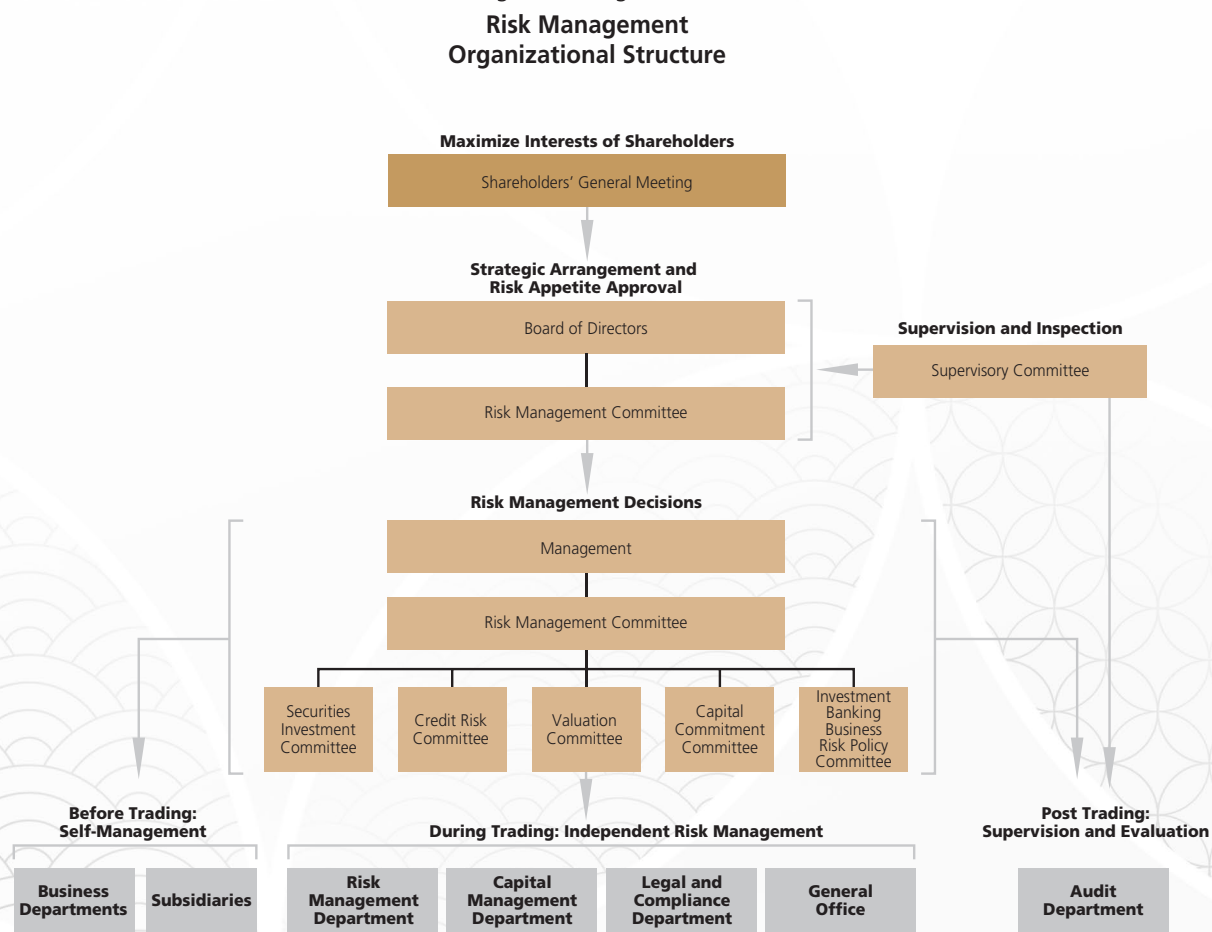
1. Risk management structure

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.

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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 its 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.

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 as the highest risk management decision-making body 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, Capital Commitment Committee and Investment Banking Business Risk Policy 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, capital risks and investment banking business risk 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 in-charge of co-ordinating the Company's management over market, credit and operational risks, 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 over the business operations and practice of the Company and its employees, and promoting the implementation of work in relation to 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 is the departments and branches which conduct effective self-regulated risk management; the second line of defense is the relevant risk-control functions that carry out professional measures on risk management; and the third line of defense is the Audit Department which focuses on inspecting and assessing risks after they occur.

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(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 a 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.

(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 are strictly prohibited. Authorized persons at each level must exercise their power and undertake 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.

(4) Risk management culture

The Company adheres to a sound risk management culture and has integrated risk control and compliance into the corporate culture of China Merchants Securities, emphasizing that compliance and risk control are the lifeline of the Company and proposing that “professional compliance and risk control can not only hold the bottom line, but also facilitate business expansion”. 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 has enhanced the intelligence, systemization and collectivization of its risk management system 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 with enhanced transparency. The Group won second prize of the Shenzhen Financial Innovation Award. 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; 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, forming a unified risk control 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 for risk data, 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 improving the efficiency of risk management and reducing the 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.

(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 allocates 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 the management 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 sublimit 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.

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.

(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.

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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-rating 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 collateral lists mechanism 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.

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 appetite and tolerance, formulation of loan provision policy of the Company and independent monitoring and warning on credit risk.

(4) Credit risk management on principal businesses

In respect of margin financing and securities lending, stock pledged 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 issuers through a business authorization system, concentration limits, monitoring and risk examination, etc. The risk management of risky bonds was enhanced through subsequent monitoring such that the credit risk of bond investment business can be managed.

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: 10,000 Yuan Currency: RMB

	December 31, 2020	December 31, 2019
Offshore bond		
PRC sovereign bonds	8,773,453	5,487,568
AAA	5,701,097	7,522,352
AA+	720,649	817,432
AA	183,353	252,896
AA-	747	—
Below AA-	4,086	899
A-1	94,130	30,722
Non-rated	290,737	57,026
Sub-total	15,768,252	14,168,895
Offshore bond		
PRC sovereign bonds	340	267
A	16,692	95,175
B	338,927	459,871
C	—	—
D	—	—
Non-rated	3,521	7,440
Sub-total	359,480	562,753
Total	16,127,732	14,731,648

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 financing bonds. 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 Standard & Poor's and D rating of Fitch.

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 reviewing the significant event on liquidity risk management and making related decision, and a treasury 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.

6. Dynamic control over risk control indicators and the establishment of a mechanism on capital replenishment

The Company strictly implements the relevant requirements of regulatory authorities and has established dynamic control over risk control indicators and replenish mechanism on net capital and liquidity, covering system establishment, arrangement and staff deployment, to ensure persistent achievements of the targets of risk control indicators and the details are as follows:

The Company has established a control system over risk control indicators and realized T+1 dynamic control over all risk control indicators and automatic advance warning functions. The Company has formulated “Management Method of Risk Control Indicators” (《風險控制監管指標管理辦法》) and “Management Method of Stress Tests” (《壓力測試管理辦法》) to formally set up the mechanism for the management of risk control indicators and stress tests over the indicators. The Company has designated staff to perform regular monitoring over the risk control indicators and immediately report abnormalities. In future, the Company has set up a net capital replenishment mechanism and replenish net capital through, among others, issue of capital, subordinated debts based on the stress tests and analysis over the risk control indicators over a period of time.

During the Reporting Period, all risk control indicators on net capital and liquidity of the Company satisfied the regulatory requirements and the Company has not recorded any non-compliance with the regulatory requirements. As at the end of the Reporting Period, the net capital of the Company amounted to RMB58.654 billion.

Chapter 5: Major Events

I. Proposals on Profit Distribution for Ordinary Shares or Conversion of Capital Reserve

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

While striving to achieve sustainable growth and development, the Company also attached great importance to provide reasonable, steady and constant returns to investors, and has implemented a continuous and stable profit distribution policy.

The Company may distribute its profits in the form of cash, shares or a combination of cash and shares, and may distribute its profit by way of cash dividend as priority. The specific distribution ratio will be determined by the Board according to the operating status of the Company and the relevant requirements of CSRC, subject to the approval at the shareholders' general meeting. Under the premises that both the profit and risk control indicators of the Company have met the regulatory requirements, and after taking into account the operation and long-term development needs of the Company, the Company has adopted profit distribution in the form of cash.

The profit distribution of the Company complies with the following requirements:

1. profits distributed by the Company in cash each year shall be no less than 10% of distributable profits realized in that year, and for any three consecutive years, profits accumulatively distributed by the Company in cash shall be no less than 30% of annual average distributable profits realized for such three years;
2. the Company may not distribute profits beyond the scope of accumulative distributable profits and shall ensure that, after the implementation of the profit distribution plan, all risk control indexes comply with the standard warning requirements set out in the Measures for the Risk Control Indexes of Securities Companies;
3. the Company shall in principle distribute profits once each year, but the Board may suggest the Company make the interim cash dividend distribution according to its profitability and funding requirements and on relevant conditions; and
4. where the Company maintains the consistency of share capital expansion with business development and performance growth on the premise of complying with the provisions concerning cash dividend distribution contained in (1) above and ensuring the reasonable scale of share capital of the Company, it may distribute dividends in shares or by other means.

During the Reporting Period, the Company formulated and implemented the interim profit distribution plan for 2020 in accordance with the requirements on the policy, decision-making process and arrangement of dividend under the Plan on Shareholders Returns of China Merchants Securities Co., Ltd. (2018-2020) 《招商證券股份有限公司股東回報規劃(2018年-2020年)》 and the Articles of Association of China Merchants Securities Co., Ltd. (《招商證券股份有限公司章程》).

The proposal on the interim profit distribution for 2020 is as follows:

The Company declared a cash dividend of RMB3.35 for every 10 shares (tax included) to all shareholders, amounting to cash dividends of RMB2,913,336,480.01 in total (tax included). The cash dividends declared accounted for 67.22% of the net profits attributable to shareholders of the parent company in the interim consolidated statement of the Company in 2020. (Note: As the Company was engaged in the rights issue exercise in the first half of 2020, no proposal on the profit distribution for 2019 was made. The total cash dividends accounted for 40.01% of the net profits attributable to owners of the parent company in the consolidated statement in 2019).

Such cash dividend will be denominated and declared in RMB and paid to holders of A Shares in RMB and to holders of H Shares in Hong Kong dollar. The actual amount of dividend paid in Hong Kong dollar will be determined based on the average exchange rate of RMB and Hong Kong dollar published by the People's Bank of China for the five business days immediately before the date of the Company's second extraordinary general meeting for 2020.

The profit distribution plans were reviewed by the Company's independent Directors and were approved by the Board before they were submitted to the shareholders' general meeting for approval. The proposals were considered and passed by the shareholders' general meeting, where the vote by minority shareholders was counted separately.

The profit distribution policy adopted by the Company is in compliance with laws and regulations as well as stipulations of the Plan on Shareholders Returns of China Merchants Securities Co., Ltd. (2018-2020) (《招商證券股份有限公司股東回報規劃(2018年-2020年)》) and the Articles of Association. The dividend distribution standard and ratio were specified and clear, and the relevant decision-making process and arrangement were complete. The independent Directors of the Company have fully performed their responsibilities in the course of making decisions on profit distribution and the legitimate rights and interests of minority shareholders were safeguarded.

The interim profit distribution plan for 2020 of the Company was implemented on December 11, 2020.

Chapter 5: Major Events

(II) Plan or proposal for distribution of dividend for ordinary shares or conversion of capital reserve into share capital of the Company for the last three years (including the Reporting Period)

Unit: Yuan Currency: RMB

Year	Bonus share for every 10 shares (share)	Dividend for every 10 shares (tax inclusive)	Conversion into share capital for every 10 shares (share)	Cash dividends (tax inclusive)	Net profit attributable to holders of ordinary shares of the listed company for the year as stated in the consolidated financial statements	Percentage of net profit attributable to holders of ordinary shares of the listed company as stated in the consolidated financial statements (%)
2020	—	4.37	—	3,800,382,214.22	9,491,638,796.98	40.04
Half year of 2020	—	3.35	—	2,913,336,480.01	4,333,834,391.86	67.22
2019	—	—	—	—	7,282,380,829.33	—
2018	—	2.64	—	1,768,644,062.86	4,424,985,940.97	39.97

Note 1: As the Company was engaged in the rights issue exercise in the first half of 2020, no proposal on the profit distribution for 2019 was made. The total interim cash dividends for 2020 accounted for 40.01% of the net profits attributable to owners of the parent company in the consolidated statement in 2019.

Note 2: According to the “Opinions on Supporting the Repurchase of Shares by Listed Companies” (《關於支持上市公司回購股份的意見》), where listed company repurchases its shares by means of offer or centralized auctions with the consideration in cash, it shall be deemed as cash dividend of the listed company and be counted in the calculation of relevant proportion of cash dividend. On December 19, 2019, the Company completed the repurchase of the Company's A shares, and the total amount of repurchase was RMB663,895,568.36 (excluding transaction fee), accounting for 9.12% of the net profits attributable to owners of the parent company in the consolidated statement in 2019.

(III) Tax reduction

1. A Shareholders

Pursuant to the Notice on Issues Regarding Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015] 101號)) and the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012] 85號)) and issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for the dividend and bonus received by corporate investors on shares with holding period less than one month (inclusive) from the date when the corporate investors acquired the listed shares from public issuance or secondary market to the date which is one day before the settlement of the shares, a tax levy at the tax rate of 20% is imposed. For holding period between one month to one year (inclusive), 50% reduction will be applied to the tax rate imposed on the amount of dividend and bonus, with effective tax rate of 10%. For holding period of more than one year, no income tax will be imposed on the dividend and bonus. For the dividend and bonus distributed by listed companies to individual investors, no individual income tax will be charged for holding period of less than one year (inclusive). Pending to the transfer of shares, Securities Depository and Clearing Corporation shall calculate the tax payable based on the holding period and the Company shall withhold the tax through Securities Depository and Clearing Corporation. Dividend and bonus received from listed companies by securities investment companies shall pay individual income tax pursuant to the requirements of Cai Shui [2012] No. 85.

For resident enterprise shareholders, income tax on their cash bonuses shall be paid by themselves.

For Qualified Foreign Institutional Investors (QFII), pursuant to provisions in the Notice on Issues Regarding Withholding and Payment of Corporate Income Taxes when PRC Resident Enterprises Distribute Dividends, Bonuses and Interests to the QFII (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009] 47號)) issued by the State Administration of Taxation, corporate income taxes are withheld and paid by the listed company at the tax rate of 10%. If the QFII shareholder intends to claim the preferential treatment as stipulated in tax treaties (arrangements) after obtaining dividend and bonus incomes, application for tax refund can be submitted to the competent tax authority after obtaining such dividends and bonuses in accordance with the regulations.

Chapter 5: Major Events

Pursuant to the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs issued by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014] 81號)), for dividend and bonus incomes obtained by investors (including enterprises and individuals) in the Hong Kong market from investing in A Shares listed on the SSE, the implementation of differentiated taxation is suspended before Hong Kong Securities Clearing Co., Ltd. meets the conditions of providing identification, term of shareholding and other specific data of investors to the CSDC; the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the competent taxation authority. For Hong Kong investors who are tax residents of foreign countries that have entered into a tax treaty with the PRC specifying an income tax rate for dividend and bonus incomes below 10%, the investing enterprises or individuals may by themselves or entrust a withholding agent on their behalf to apply to the competent tax authority of the listed company to claim the preferential treatment as stipulated in such tax treaties. Upon the verification and approval of the competent tax authority, taxes shall be refunded based on the discrepancy between the levied taxes and the taxes payable pursuant to the tax rate of the tax treaty.

Other institutional investors shall pay the tax with respect to dividends and bonus income themselves.

2. *H Shareholders*

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011] 348號)) issued by the State Administration of Taxation, dividend and bonus income received by overseas resident individual shareholders who hold shares issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld and paid by the withholding agents according to relevant laws. The overseas resident individual shareholders who hold shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China and the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends and bonus, generally withhold individual income tax at the rate of 10%, and are not required to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements stipulating a tax rate of lower than 10%, the withholding agents can file applications on their behalf to claim the relevant agreed preferential treatments, and upon approval by the competent tax authorities, the excess tax amounts withheld will be refunded; (2) for citizens from countries which have entered into tax agreements stipulating a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends and bonus, and are not required to file an application; (3) for citizens from countries without tax agreements or under other situations, the withholding agents will withhold the individual income tax at 20% when distributing dividends and bonus.

Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H Shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008] 897號)) issued by the State Administration of Taxation, a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold and pay enterprise income tax at a flat rate of 10%.

Pursuant to the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014] 81號)) and the Notice on Tax Policy Regarding Shenzhen-Hong Kong Stock Connect Pilot Programs (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016] 127號)) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividend and bonus incomes obtained by mainland individual investors from investing in H Shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the individual income taxes thereof are withheld and paid by the H Share company at the rate of 20%; for dividend and bonus incomes obtained by mainland securities investment funds from investing in H Shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the individual income taxes are accrued and levied according to the same provision stated above; and for dividend and bonus incomes obtained by mainland corporate investors from investing in H Shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the income taxes thereof shall be reported and paid by the investing enterprise on its own instead of being withheld and paid by the H Share company, provided that where such dividend and bonus incomes are obtained by the mainland resident enterprise after holding relevant H Shares for 12 consecutive months, the enterprise income taxes thereof shall be exempted pursuant to law.

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

Shareholders of the Company shall pay the relevant taxes and/or be entitled to the tax relieves in accordance with the above provisions.

Chapter 5: Major Events

II. Performance of Undertakings

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 favour 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	—	—
Undertaking related to the initial public offering	Prevention of competition	China Merchants Group	Pursuant to the Non-competition Undertaking Letter in favour 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	—	—
Undertaking related to re-financing	Prevention of competition	CM Finance Investment	Pursuant to the Non-competition Undertaking Letter in favour 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	—	—

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	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 rights issue period of the Company	Yes	Yes	—	—
Undertaking related to re-financing	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 rights 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

III. Appointment and Removal of Accounting Firms

Unit: 10,000 Yuan Currency: RMB

	Currently appointed
Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)
Remuneration	228
Term of appointment	3 years
Name of international accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration	108
Term of appointment	3 years

Unit: 10,000 Yuan Currency: RMB

	Name	Remuneration
Accounting firm for internal control and auditing	Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)	35
Sponsor	CITIC Securities Company Limited	1,566

Description of appointment and dismissal of accounting firm

During the Reporting Period, with the approval from the 2019 annual general meeting of the Company, the Company has re-engaged Deloitte (Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)) and Deloitte Touche Tohmatsu Public Accountants LLP) as the auditors for the Company's financial reports and internal control for the year 2020. Deloitte has been providing annual audit services for the Company for three consecutive years since 2018.

IV. Material litigation and arbitration

This year, the company has no material litigation and arbitration under the Listing Rules of SSE.

Certain investors of China Security Co., Ltd. (hereafter “China Security”) have commenced litigation against China Security and its directors, its subsidiary China Security & Fire Technology Co., Limited (hereafter “China Security & Fire Technology”) and intermediary like the Company, respectively, in the Shanghai Financial Court for a civil compensation case regarding relevant investment loss caused by false statements in the securities market, claiming China Security to compensate for their losses and bear the litigation expenses and requesting China Security & Fire Technology, directors and relevant personnel of China Security and relevant intermediary to be jointly liable for the loss. As at March 25, 2021, the Company has received the litigation materials from a total of 481 investors from Shanghai Financial Court, which involved a total of RMB272 million. Shanghai Financial Court has made first instance judgments on some cases, the aforementioned first instance judgements are yet to be effective. Our Company has filed an appeal against the abovementioned first instance judgments, which is accepted by Shanghai High People’s Court and pending for its judgement.

China Merchants Assets Management (on behalf of asset management plan) as a dealer for reverse repurchase, and Kaiyuan Securities (on behalf of asset management plan), as a dealer for repurchase, carried out bond-pledged repo transactions. In November and December 2019, Kaiyuan Securities did not repay the funds as agreed after the repurchase became due. Due to the breach of contract by Kaiyuan Securities, China Merchants Assets Management (on behalf of asset management plan) applied for arbitration to the Shanghai International Arbitration Center in December 2020, requesting Kaiyuan Securities (on behalf of asset management plan) to pay the repurchase principal of RMB91.9 million as well as the corresponding interest, liquidated damages, expenses incurred for realizing the creditor’s rights and other fees. Kaiyuan Securities undertook the obligations of making up the difference for the failure of its assets management scheme in fully paying up the amount.

For other litigations and arbitration that involved the Company in an amount of above RMB50 million during the Reporting Period, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on April 8, April 13, May 8, May 14, September 8, September 17, November 17, November 24 and December 11, 2020, respectively.

Chapter 5: Major Events

V. Punishment and Remedial Measures on the Listed Company, its Directors, Supervisors, Senior Management, Controlling Shareholders, De Facto Controller and Acquirer

On August 18, 2020, CSRC issued the Decision on Taking Regulatory Measure of Issuing a Warning Letter to China Merchants Securities Co., Ltd. and Decision on Taking Regulatory Measure of Issuing a Warning Letter to 林聯備 and 康自強 (【2020】48, 49) against the Company and its sponsor, which stated that in the process of sponsoring the application by Wuhan Keqian Biological Co., Ltd.* (武漢科前生物股份有限公司) for the initial public offering and listing on the STAR Market, the company did not find that the issuer transferred the funds from the issuer's account to the personal card of the chief financial officer through disbursed R & D expenses or other expenses to pay part of the executive compensation, bonus or non bill expenses; failed to identify Mingyi Li (李名義), an employee of the issuer, is the actual operator of Jinhua Kangshun (金華康順), a distributor; failed to disclose adequately possible risks of fluctuation in operation results possibility caused by African swine fever epidemic in the material submitted during the first application.

In view of the problems mentioned in the warning letter, the Company studied the issues conscientiously and conducted comprehensive and in-depth self-investigation and rectification with reference to the Securities Law, Administrative Measures for Sponsorship of the Offering and Listing of Securities, Guidelines for Internal Control of Investment Banking Business of Securities Companies and relevant regulations. The Company made rectifications through measures like refining the structure of our system, enhancing internal control process and quality control as well as strengthening the training of employees. In view of the registration system, the Company required its employee to hold in awe the market, and ensure the provision of true, accurate, comprehensive, concise and clear information and disclosures that do not contain any false representation, misleading statement or material omission to the market when engaging in sponsoring business; hold in awe the rule of law, examine carefully the application documents and disclosed information of the issuers and urging the issuers to operate in accordance with the regulations; hold in awe the profession, strive to enhance its professional competency; hold in awe the risk, handle carefully details for implementation of projects and ensuring an in-depth and adequate due diligence.

VI. Integrity of the Company and Its Controlling Shareholders and De Facto Controller during the Reporting Period

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

* *For identification purpose only*

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

(I) Related share incentive events which were disclosed in the temporary announcements and with no progress or change in subsequent implementation

Summary of event	Reference
<p>"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, the first extraordinary general meeting for 2019, the first A Shares class general meeting for 2019 and the first H Shares class general meeting for 2019 of the Company. The Company intended to use all of the A Shares repurchased for the employee stock ownership plan.</p> <p>"Proposal Regarding the Consideration of the 'Employee Stock Ownership Plan (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 of the Company and the 2020 first extraordinary general meeting of the Company; "Proposal on the Advanced Completion of A Share Repurchase of the Company" and the Proposal on the defining the price and scale of purchasing the repurchased shares of the Company's Employee Stock Ownership Plan 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 the "Employee Stock Ownership Plan (Draft) of China Merchants Securities Co., Ltd." and its summary was accordingly revised.</p> <p>On January 21, 2020, the Company held the first meeting of holders of employee stock ownership plan, and considered and approved the "Proposal on the Establishment of Employee Stock Ownership Plan Management Committee of the Company" and the "Proposal on the Election of Members of the Employee Stock Ownership Plan Management Committee of the Company".</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>

Chapter 5: Major Events

Summary of event	Reference
<p>The Company engaged 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 behalf of employees. On March 6, 2020, the Company received the "Share Transfer Confirmation" issued by China Securities Depository and Clearing Corporation Limited. On March 3, 2020, the Company has completed the share transfer procedures of the employee stock ownership plan. There are 40,020,780 A Shares under the employee stock ownership plan of the Company, accounting for 0.5974% of the Company's total share capital, with a total of 995 participants.</p> <p>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.</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. According to the "China Merchants Securities Employee Stock Ownership Scheme (Revised Draft)", the 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>	

VIII. Material connected transactions

During the Reporting Period, the following continuing connected transactions of the Company were subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

We entered into the Securities and Financial Products, Transactions and Services Framework Agreement and Administrative Procurement and Property Leasing Framework Agreement (the “Framework Agreements”) with China Merchants Group on May 21, 2019 for a term commencing from September 9, 2019 until December 31, 2021 and May 21, 2019 until December 31, 2021, respectively. On August 28, 2020, the 35th meeting of the sixth session of the Board revised the estimated annual cap for the Administrative Procurement Framework Agreement entered into between the Company and China Merchants Group. Pursuant to the Framework Agreements, we and China Merchants Group and/or its associates agreed to conduct securities and financial transactions with each other, and provide securities and financial products and financial services as well as administrative procurement and property leasing services to each other, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

A. Securities and financial products and transactions

Reasons for the transactions

We conduct securities and financial transactions with China Merchants Group and/or its associates in our ordinary course of business from time to time. The estimated annual caps of the total inflow and total outflow of the securities and financial products and transactions contemplated under the Framework Agreement for the three years ending December 31, 2021 are as follows:

	RMB million		
Securities and financial products and transactions	2019	2020	2021
Inflow	10,290	10,890	11,110
Outflow	8,440	10,840	14,940

- (1) “Inflow” represents our total cash inflow from the sale of fixed income products and equity products to, transactions of derivative products with and/or borrowing/repurchase from financing transactions with China Merchants Group and its associates.
- (2) “Outflow” represents our total cash outflow from the purchase of fixed income products and equity products from, transactions of derivative products with and/or lending/resale from financing transactions with China Merchants Group and its associates.

Chapter 5: Major Events

Historical figures

The Group had securities and financial products transactions with China Merchants Group and/or its associates, with a total cash inflow of RMB8,253 million and a total cash outflow of RMB9,946 million. Such amounts did not exceed the caps for 2020.

	RMB million
Securities and financial products and transactions	As at December 31, 2020
Inflow	8,253.4968
Outflow	9,946.3294

B. Financial services

Reasons for the transactions

In our ordinary course of business, we provide various financial services to our clients, which include China Merchants Group and its associates. Due to their business needs and our expertise and professional capabilities, we had been engaged by China Merchants Group and its associates to provide financial services including (but not limited to) underwriting, sponsoring, financial advisory and financial products agency sale services from time to time. The estimated annual caps of the financial services (insofar as an annual cap is required to be set for that service) to be provided under the Framework Agreement for the three years ending December 31, 2021 are as follows:

	RMB million		
Financial services	2019	2020	2021
Income generated by us	230.11	231.22	232.39

Historical figures

As at December 31, 2020, the Group provided securities and financial services to China Merchants Group and/or its associates and generated income of RMB117.4274 million, which was below the annual cap of 2020. The figures are set out in the table below:

	As at December 31, 2020
Financial services	RMB million
Total income generated by us	117.4274

Details of the above continuing connected transactions are set out in note 60 to the consolidated financial statements in this report.

C. Administrative procurement and property leasing*Reasons for the transactions*

We conduct administrative procurement and property leasing with China Merchants Group, our controlling shareholder, and its associates from time to time in our ordinary course of business. The estimated annual caps of the administrative procurement and property leasing contemplated under the Framework Agreement for the three years ending December 31, 2021 are as follows:

Transactions	RMB million		
	2019	2020	2021
Administrative procurement	23	45.75 (note)	71.5 (note)
Property leasing	21	22	23

Note: On August 28, 2020, the 35th meeting of the sixth session of the Board revised the estimated annual cap for the Administrative Procurement Framework Agreement entered into between the Company and China Merchants Group. The estimated annual cap for the year 2020 and 2021 was adjusted from RMB25 million and RMB27 million to RMB45.75 million and RMB71.5 million respectively.

Chapter 5: Major Events

Historical figures

As at December 31, 2020, the administrative procurement and property leasing between the Group and China Merchants Group and its associates from time to time amounted to RMB43.2832 million and RMB15.6648 million, respectively, which was below the annual cap of 2020. The figures are set out in the table below:

	RMB million
Transactions	As at December 31, 2020
Administrative procurement	43.2832
Property leasing	15.6648

Confirmation of independent non-executive Directors

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that:

- (1) the above continuing connected transactions are entered into during the ordinary course of the business of the Company;
- (2) the above continuing connected transactions are entered into on normal commercial terms or more favorable terms; and
- (3) the above continuing connected transactions are executed by agreements, and the terms of which are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

Confirmation of independent auditor

The independent auditor of the Company has reviewed the above continuing connected transactions and confirmed that:

- (1) they are not aware of any matters that would make them believe that the continuing connected transactions disclosed have not been approved by the Board;
- (2) in respect of the continuing connected transactions involving the provision of services by the Company, they are not aware of any matters that would make them believe that the transactions are not executed in accordance with the pricing policy of the Company in any material aspects;
- (3) they are not aware of any matters that would make them believe that the transactions are not entered into in accordance with the relevant governing agreements in any material aspects; and
- (4) in respect of the aggregate transaction amount of each continuing connected transaction, they are not aware of any matters that would make them believe that the continuing connected transactions disclosed have exceeded the annual caps of value determined by the Company.

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in note 61 to the consolidated financial statements that falls into the connected transactions or continuing connected transactions that need to be disclosed under the Hong Kong Listing Rules. The connected transactions and continuing connected transactions of the Company complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

During the reporting period, the Group's other connected transactions under Hong Kong Listing Rules are as follows:

1. On May 20, 2020, CMS Investment, a wholly-owned subsidiary of the Company, has entered into an agreement with China Merchants Property Development (Beijing) Co., Ltd. to establish Beijing Zhaoyi Corporate Management Company Limited (北京招亦企業管理有限公司), with a total registered share capital of RMB1.02 billion, of which CMS Investment will make a capital contribution of RMB499.8 million and China Merchants Property Development (Beijing) Co., Ltd. will make a capital contribution of RMB520.2 million accounting for 49% and 51% of the total registered capital of the Joint Venture respectively. China Merchants Group is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. China Merchants Property Development (Beijing) Co., Ltd., a wholly owned subsidiary of CM Shekou which is in turn held by China Merchants Group as to 63.98% as of December 31, 2020, is therefore an associate of China Merchants Group and a connected person of the Company under the Listing Rules.

For details of the above connected transaction, please refer to the announcement published by the Company on the Hong Kong Stock Exchange website on May 21, 2020.

2. On November 27, 2020, CMS Investment (a wholly-owned subsidiary of the Company), China Merchants Real Estate (Suzhou) Co., Ltd. and the Wuxi Ruishang Real Estate Development Co., Ltd. entered into the Cooperation Agreement, pursuant to which (among other things), CMS Investment agreed to purchase, and China Merchants Real Estate (Suzhou) Co., Ltd. agreed to sell, 24.5% equity interest of the Wuxi Ruishang Real Estate Development Co., Ltd. for a consideration of RMB299,470,463.34. China Merchants Group is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. China Merchants Real Estate (Suzhou) Co., Ltd., a wholly-owned subsidiary of CM Shekou (which is in turn held by China Merchants Group as to 63.98% as of December 31, 2020), is therefore an associate of China Merchants Group and a connected person of the Company under the Listing Rules.

For details of the above connected transaction, please refer to the announcement published by the Company on the Hong Kong Stock Exchange website on November 27, 2020.

Chapter 5: Major Events

3. On December 23, 2020, CMS Investment entered into:
 - (a) the Framework Agreement with China Merchants Real Estate (Hangzhou) Co., Ltd. and Hangzhou Zhaoying Real Estate Development Co., Ltd. (“Hangzhou Zhaoying”), pursuant to which (among other things), CMS Investment agreed to purchase, and China Merchants Real Estate (Hangzhou) Co., Ltd. agreed to sell, 24% equity interest of Hangzhou Zhaoying for a consideration not exceeding RMB500,000,000; and
 - (b) the Framework Agreement with Zhuhai Yiyun Real Estate Co., Ltd. (“Zhuhai Yiyun”) and Changsha Renhui Real Estate Development Co., Ltd. (“Changsha Renhui”), pursuant to which (among other things), CMS Investment agreed to purchase, and Zhuhai Yiyun agreed to sell, approximately 18.4% equity interest of Changsha Renhui for a consideration not exceeding RMB300,000,000. Such equity interest of Changsha Renhui will be held by CMS Investment through a joint venture established and controlled by Zhuhai Yiyun as to 51% interest and CMS Investment as to 49% interest. China Merchants Group is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Each of China Merchants Real Estate (Hangzhou) Co., Ltd. and Zhuhai Yiyun is a wholly-owned subsidiary of CM Shekou (which is in turn held by China Merchants Group as to 63.98% as of December 31, 2020), and therefore an associate of China Merchants Group and a connected person of the Company under the Listing Rules.

For details of the above connected transaction, please refer to the announcement published by the Company on the Hong Kong Stock Exchange website on December 23, 2020.

For details of other connected transactions subject to the listing rules for A Shares, please refer to the Announcement on the Contemplated Ordinary Connected Transactions of the Company for 2021 《關於公司2021年度預計日常關聯交易的公告》 published by the Company on the SSE website, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily.

In addition, the Company entered into the 2021 Securities and Financial Products, Transactions and Services Framework Agreement with China COSCO Shipping Corporation Limited on January 1, 2021. For details of the agreement, please refer to the announcement published by the Company on the Hong Kong Stock Exchange website on December 30, 2020.

IX. Material Contracts and their Performance

Guarantees

Unit: 100 million Currency: RMB

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 and its subsidiaries													
Total guarantees for subsidiaries during the Reporting Period													0.28
Balance of guarantees for subsidiaries as at the end of the Reporting Period (B)													30.99
Total guarantees (including guarantees for subsidiaries)													
Total guarantees (A+B)													30.99
Ratio of total guarantee to net assets of the Company (%)													2.93
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)													0
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)													0
Outstanding guarantees subject to joint and several liabilities													—
Details of guarantees							<p>1. On January 20, 2014, the provision of net assets guarantee of up to RMB500 million for CMS Asset Management was approved at the first extraordinary meeting of the fourth session of the Board in 2014. On September 27, 2016, the increase of net assets guarantee in favour 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 42th 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 RMB2 billion.</p> <p>2. In May 2020, the annual general meeting of the Company in 2019 considered and approved that the total amount of financing guarantees provided by CMS International for its wholly-owned subsidiaries within the term of authorization shall not exceed HK\$31 billion or equivalent, of which the amount of financing guarantee shall not exceed HK\$2.7 billion or equivalent. As at the end of the Reporting Period, the agreed amount of guarantee provided by CMS International for its wholly-owned subsidiaries was approximately RMB11.126 billion in total (with financing guarantees of approximately RMB1.926 billion). At the end of the year, the balance of the guarantee utilized and traded was approximately RMB1.073 billion in total.</p> <p>3. Provision of guarantees in favor of CMS International for all obligations under the lease of office in Kwun Tong and all losses and indemnification obligations which may arise from the lease by CMS International and its subsidiaries was approved by the board of directors of CMS International in the year of 2018. As at the end of December 2020, the balance of rent guarantee amounted to RMB25 million.</p>						

Chapter 5: Major Events

X. Other Major Events

(I) Changes in qualification of each line of business during the Reporting Period

For details of changes in qualification of each line of business during the Reporting Period, please see “Business Qualifications of the Company” under “Chapter 2 Corporate Profile and Key Financial Indicators” in this report.

(II) Changes in Directors and senior management

For details, please see “Changes in Directors, Supervisors and Senior Management” under “Chapter 7 Directors, Supervisors, Senior Management and Employees” under this report and the announcements of the Company on the SSE website and the Hong Kong Stock Exchange website.

(III) Significant events after the Balance Sheet Date

For details, please see “Events after the Reporting Period” in the 2020 Audit Report of the Company.

XI. Fulfillment of Social Responsibilities

(I) 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 Party Committee of 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 redevelop 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:

- (1) exercise the leadership role of the Party Committee of the Company, guide the direction, manage the overall situation, ensure implementation and guarantee the complete implementation of the work of fighting poverty alleviation;
- (2) give full play to utilise the capital power of “co-existence and co-development”, explore the new ideas of alleviating poverty financialization and industrialization, and create classic examples of poverty alleviation;
- (3) inspire the intelligent power of “dual support for aspiration and wisdom”, nurture the elements of poverty alleviation from the root;
- (4) carry out in-depth welfare activities for poverty alleviation from multidimensional approaches ranging from fighting the epidemic to subsidizing education and agriculture and consumption for poverty alleviation.

Chapter 5: Major Events

2. Summary of targeted poverty alleviation works of the year

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

(1) Poverty alleviation by education

- ① Donated RMB1 million to Shitai County for the purchase of electronic equipment in the county's library renovation project to support the construction of digitalized facilities for fundamental culture and enhance the standard of public culture service.
- ② Promoted the in-depth work of helping the poor in Weining County, Guizhou Province through practical actions to participate in helping the poor and help students in poverty-stricken areas. 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.
- ③ In order to support the nation in fighting the battle for poverty alleviation and support education and poverty alleviation, donated RMB170,000 to the Xingxing Aid Foundation of Chongqing Province for targeted use in the "Ayi Tudou" (阿依土豆) — Delipu Primary School Education Project.

(2) Poverty alleviation by financialization

- 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 Shenzhen Stock Exchange. 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 this county is included in the list of impoverished counties of the country by the Securities Industry Association. The Company fulfilled its corporate social responsibility by practical actions and helped people to improve their livelihood and to alleviate poverty through financialization. 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" (華能貴誠-招商-牧原惠融供應鏈1期資產支持專項計劃) 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 of this project.

The Special Scheme will help Muyuan Foods to broaden its financing channels and revitalize the stock assets of accounts payable that are not liquid, further improve its capital utilization efficiency, and provide financial support to the upstream enterprises in the supply chain of Muyuan Foods and strengthen its cooperation with upstream enterprises in the supply chain, which will better benefit the business development of the Company. At the same time, it can also effectively reduce Muyuan Foods' financing costs and minimize the impact of the credit policy of banks on the Company.

- 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. Overall speaking, the project safeguarded a total of 4,500 tons of rubber, benefited 8,782 rural households, of which 2,877 were registered impoverished households. Such project fully covered the impoverished households engaging in rubber planting in this county and this project utilized a capital amount of RMB3.6 million.

(3) Poverty alleviation by 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 thousand in April 2020 and donated them to Shenzhen Yuehai Sub-district Office and Shenzhen Futian Sub-district Office to encourage the staff of those offices who were fighting against the epidemic at the front line.

The Company purchased highland apples from Weining County, Guizhou Province and agricultural products from Hechi City and Baise City, Guangxi Province for distribution to employees for festival celebration, totaling RMB1.3371 million.

(4) Poverty alleviation for health

In April 2020, as the progress for the treatment of severe cases of COVID-19 in Hubei Province remained stagnant, 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 satisfy local demand for epidemic prevention and control. Five of the ambulances (valued at RMB2.745 million) were donated to national impoverished counties namely 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.

Chapter 5: Major Events

3. Effect of targeted poverty alleviation

Unit: 10,000 Yuan Currency: RMB

Indicators		Amounts and details
I. Total		
Total:	1. Funds	637.11
	2. Conversion of money from materials	277.7
	3. Number of people under poverty alleviation with documentary cards (person)	—
II. By category		
1. Industrial development		
Including: 1.1	Project types	Agriculture and forestry Asset income promotion Others
	1.2 Number of industrial poverty alleviation projects (project)	3
	1.3 Investment for industrial poverty alleviation projects	360
	1.4 Number of people under poverty alleviation with documentary cards (person)	—
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	117
3. Health poverty alleviation		
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)	3
	4.2 Investment	160.11
	4.3 Number of people under poverty alleviation with documentary cards (person)	—
	4.4 Description of other projects	Poverty alleviation for consumption

Indicators	Amounts and details
III. Awards (details and levels)	
<p>The Company was awarded the Honorary Certificate for Active Participation and Donation for Poverty Alleviation issued by the Securities Association of China and China Foundation for Poverty Alleviation.</p> <p>Won the title of “‘super donator’ of the 2019 Beijing Great Walker Fundraising Trekking Event” by the China Foundation for Poverty Alleviation;</p> <p>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.</p>	

4. *The progress in fulfilling the social responsibility of targeted poverty alleviation in different stages*

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 May 2019 and April 2020, Neixiang County in Henan Province and Shitai County in Anhui 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.

Chapter 5: Major Events

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.

(II) **Performance of social responsibilities**

Please refer to the 2020 Social Responsibility Report of China Merchants Securities Co., Ltd. (《招商證券股份有限公司2020年度社會責任報告》) and 2020 Environmental, Social and Governance Report published by the Company for the same period of this report on the SSE website and on the Hong Kong Stock Exchange website, respectively.

(III) **Environmental protection**

1. *Description of environmental protection measures taken by companies other than key pollutant discharging units*

Please refer to the 2020 Social Responsibility Report of China Merchants Securities Co., Ltd. (《招商證券股份有限公司2020年度社會責任報告》) and 2020 Environmental, Social and Governance Report published by the Company for the same period of this report on the SSE website and on the Hong Kong Stock Exchange website, respectively.

XII. Other Disclosures

(I) Sufficiency of public float of H Shares

As at the latest practicable date prior to the printing of this report, based on the information publicly available and to the best knowledge of the Directors, the Directors believe that the public float of the Company complied with Rule 8.08 of the Hong Kong Listing Rules and satisfied the minimum public float requirement prescribed by the Hong Kong Stock Exchange.

(II) Directors' and Supervisors' interests in business competing with the Company

As at the latest practicable date prior to the printing of this report, none of the Directors or Supervisors had any interests in another business which has or may have direct or indirect conflict of interests with the business of the Company.

(III) Directors' and Supervisors' service contracts

None of the Directors or Supervisors had a service contract with the Company or its subsidiaries which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

(IV) Directors' and Supervisors' interests in transactions, arrangements or contracts of significance

During the Reporting Period, none of the Directors, Supervisors or any entity connected with any Director or Supervisor of the Company had any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance entered into by the Company or its subsidiaries.

(V) Permitted indemnity provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, Supervisors and senior management.

(VI) Pre-emptive share option arrangement

Pursuant to the PRC laws and Articles of Association, shareholders of the Company are not entitled to any pre-emptive share option.

Chapter 5: Major Events

(VII) Board's responsibility statement of risk management, internal control and compliance management

The Board shall assume ultimate responsibility of the risk management, internal control and compliance management of the Group, and shall be responsible for assessing the effectiveness of such systems. Given that the objectives of such risk management and internal control systems are to manage, rather than eliminate, the risk of failure to achieve the business objectives, the Board may only provide reasonable instead of absolute assurance that such systems and internal control can prevent any material misstatement or loss.

(VIII) Remunerations to Directors and Supervisors

Details of remunerations to the Directors and Supervisors are set out in "Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period" under "Chapter 7 Directors, Supervisors, Senior Management and Employees" of this report.

(IX) Purchase, sale or redemption of securities of the Company

During the Reporting Period, the Company did not redeem any of its securities. Neither the Company nor any of its subsidiaries have purchased or sold any securities of the Company.

(X) Qualification of accounts

According to the statistics of the internal data centre of the Company, as at December 31, 2020, there were 6,039 unqualified capital accounts, 6,165 unqualified securities accounts, 1,077,447 dormant capital accounts, 1,687,547 dormant securities accounts, 52 capital accounts under freezing order, 1,231 securities accounts under freezing order, 570 risk disposal capital accounts (including dormant accounts of companies to be disposed of), 2,761 risk disposal securities accounts (including dormant accounts of companies to be disposed of) and 69,783 capital accounts under the A share capital accounts and securities accounts of the Company.

(XI) Investment in compliance and risk control as well as information technology

In 2020, the Company invested RMB432 million for compliance and risk control, accounted for 3.18% of the operating income of the parent company in 2019, and invested RMB994 million for information technology, accounted for 7.33% of the operating income of the parent company in 2019.

(XII) Use of net proceeds from A+H rights issue

In order for the Company to (i) facilitate the development of its business and enhance its market competitiveness, and (ii) obtain adequate capital support for the steady development of its capital intermediary and investment transaction business, the Company has successfully completed the A share and H share rights issue. According to the use of proceeds from the shares issuance described in the A Share Rights Issue Prospectus and H Share Rights Issue Prospectus disclosed on July 7, 2020 and July 27, 2020, the Company has used the proceeds from the A+H shares rights issue as follows:

Approximately 70% was used to increase capital in subsidiaries and diversify business of the Company. As at December 31, 2020, the accumulated actual usage was approximately RMB8,183 million;

Approximately 13.33% was used for the development of capital intermediary business. As at December 31, 2020, the accumulated actual usage was approximately RMB2,000 million;

Approximately 13.33% was used for the development of capital investment business. As at December 31, 2020, the accumulated actual usage was approximately RMB2,000 million;

Approximately 3.34% was used as working capital. As at December 31, 2020, the accumulated actual usage was approximately RMB500 million;

As of December 31, 2020, the balance in the special account for the proceeds was HK\$2,407,951,141.62 and RMB19,607,184.84. Upon translation of HK dollar into Renminbi at the central parity rate of HK dollar against Renminbi as of December 31, 2020, the sum of the above proceeds in HK dollar and Renminbi was RMB2,046,235,183.67. The actual uses of the proceeds were in line with the commitment announced by the Company. The Company will continue to use the balance proceeds in the special account for the proceeds pursuant to the above-mentioned proportion and expects the proceeds will be used up by December 31, 2021.

Chapter 6: Changes in Ordinary Shares and Shareholders

I. Changes in Ordinary Share Capital

Table of changes in ordinary shares

1. Table of changes in ordinary shares

Unit: share

	Before this change		Increase/decrease after this change (+, -)					After this change	
	Number	Percentage (%)	New shares issued	Bonus shares	Shares converted from reserves	Others	Sub-total	Number	Percentage (%)
I. Restricted shares	—	—	—	—	—	—	—	—	—
1. Shares held by the state	—	—	—	—	—	—	—	—	—
2. Shares held by state-owned legal person	—	—	—	—	—	—	—	—	—
3. Shares held by other domestic investors	—	—	—	—	—	—	—	—	—
Including: Shares held by domestic non-state-owned legal person	—	—	—	—	—	—	—	—	—
Shares held by domestic natural person	—	—	—	—	—	—	—	—	—
4. Shares held by foreign investors	—	—	—	—	—	—	—	—	—
Including: Shares held by overseas legal person	—	—	—	—	—	—	—	—	—
Shares held by overseas natural person	—	—	—	—	—	—	—	—	—
II. Unrestricted shares	6,699,409,329	100	1,997,117,477	—	—	—	1,997,117,477	8,696,526,806	100
1. RMB ordinary shares	5,719,008,149	85.37	1,702,997,123	—	—	—	1,702,997,123	7,422,005,272	85.34
2. Domestic listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign shares	980,401,180	14.63	294,120,354	—	—	—	294,120,354	1,274,521,534	14.66
4. Others	—	—	—	—	—	—	—	—	—
III. Total number of ordinary shares	6,699,409,329	100	1,997,117,477	—	—	—	1,997,117,477	8,696,526,806	100

Chapter 6: Changes in Ordinary Shares and Shareholders

2. Changes in ordinary shares

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

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

3. Impact on financial indicators, such earning per shares and net asset per share, for the last year and last period of the changes in ordinary shares

In July and August, 2020, the Company completed A Share Rights Issue and H Share Rights Issue respectively and shares were allotted to existing shareholders on the basis of three rights shares for every ten Shares held, resulting an increase of total share capital from 6,699,409,329 shares to 8,696,526,806 shares. In consideration of the bonus shares involved in the rights issue, the weighted average number of total ordinary shares outstanding for the Reporting Period has been adjusted based on the time of change in ordinary shares when calculating the earnings per share. Retrospective adjustment was made to the earnings per share for the year and period immediately preceding the changes, that is for the year of 2019 and the second quarter of 2020 and the adjusted earnings per share was RMB0.82/share and RMB 0.30/share respectively. Assets per share attributable to the ordinary shareholders of the Company presented in the consolidated statements as at the end of 2020 was RMB10.43/share. Retrospective adjustment was made to assets per share for the year and period immediately preceding the changes, that is for the year-end of 2019 and the second quarter-end of 2020 and the adjusted assets per share was RMB 8.85/share and RMB 9.40/share respectively.

Chapter 6: Changes in Ordinary Shares and Shareholders

II. Issue and Listing of Securities

(I) Issuance of securities during the Reporting Period

Unit: share Currency: RMB

Class of shares and their derivative securities	Code	Abbreviation	Date of issue completed	Offer price (or interest rate)	Issuance amount	Date of listing	Transaction amount permitted for listing	Date of closing
Ordinary shares								
A-share	600999	China Merchants	July 20, 2020	RMB 7.46	1,702,997,123	July 31, 2020	1,702,997,123	—
H-share	6099	China Merchants	August 20, 2020	HKD 8.815	294,120,354	August 20, 2020	294,120,354	—
Convertible corporate bonds, bonds with warrants and corporate bonds								
Corporate bonds	163757.SH	20 China Merchants G1	July 22, 2020	3.55%	3 billion	July 30, 2020	3 billion	July 22, 2023
Corporate bonds	163814.SH	20 China Merchants S2	July 28, 2020	2.85%	2.1 billion	August 4, 2020	2.1 billion	May 14, 2021
Corporate bonds	163924.SH	20 China Merchants Securities G2	August 13, 2020	2.93%	1.8 billion	August 18, 2020	1.8 billion	August 26, 2021
Corporate bonds	163925.SH	20 China Merchants Securities G3	August 13, 2020	3.50%	3 billion	August 18, 2020	3 billion	August 13, 2023
Corporate bonds	175174.SH	20 China Merchants Securities G4	September 21, 2020	3.55%	2.9 billion	September 28, 2020	2.9 billion	September 21, 2022
Corporate bonds	175175.SH	20 China Merchants Securities G5	September 21, 2020	3.78%	2.9 billion	September 28, 2020	2.9 billion	September 21, 2023
Corporate bonds	175292.SH	20 China Merchants Securities G6	October 26, 2020	3.43%	3 billion	October 29, 2020	3 billion	October 26, 2023
Corporate bonds	175293.SH	20 China Merchants Securities G7	October 26, 2020	3.63%	1 billion	October 29, 2020	1 billion	October 26, 2023
Non-public corporate bonds	166206.SH	20 China Merchants F1	March 11, 2020	2.65%	3 billion	March 18, 2020	3 billion	March 26, 2021
Non-public corporate bonds	166414.SH	20 China Merchants F3	March 25, 2020	2.65%	2 billion	April 1, 2020	2 billion	April 14, 2021
Non-public corporate bonds	166415.SH	20 China Merchants F4	March 25, 2020	2.85%	1.5 billion	April 1, 2020	1.5 billion	March 25, 2022
Non-public corporate bonds	166701.SH	20 China Merchants F5	May 25, 2020	2.00%	3 billion	June 1, 2020	3 billion	June 9, 2021
Non-public corporate bonds	166996.SH	20 China Merchants F6	June 11, 2020	2.63%	2 billion	June 19, 2020	2 billion	July 8, 2021
Non-public corporate bonds	166997.SH	20 China Merchants F7	June 11, 2020	3.15%	4 billion	June 18, 2020	4 billion	June 11, 2022

Chapter 6: Changes in Ordinary Shares and Shareholders

Class of shares and their derivative securities	Code	Abbreviation	Date of issue completed	Offer price (or interest rate)	Issuance amount	Date of listing	Transaction amount permitted for listing	Date of closing
Subordinated bonds	175515.SH	20 China Merchants Securities C1	December 3, 2020	4.38%	4.43 billion	December 10, 2020	4.43 billion	June 3, 2023
Subordinated bonds	175516.SH	20China Merchants SecuritiesC2	December 3, 2020	4.43%	1.07 billion	December 10, 2020	1.07 billion	December 3, 2023
Short-term financing bonds	072000011	20 China Merchants CP001BC	January 13, 2020	2.75%	4 billion	January 14, 2020	4 billion	April 10, 2020
Short-term financing bonds	072000019	20China Merchants CP002BC	January 17, 2020	2.83%	4 billion	January 19, 2020	4 billion	April 14, 2020
Short-term financing bonds	072000027	20China Merchants CP003BC	February 12, 2020	2.63%	4 billion	February 13, 2020	4 billion	May 12, 2020
Short-term financing bonds	072000033	20China Merchants CP004BC	February 20, 2020	2.53%	5 billion	February 21, 2020	5 billion	May 20, 2020
Short-term financing bonds	072000054	20 China Merchants CP005BC	March 4, 2020	2.41%	4 billion	March 5, 2020	4 billion	June 2, 2020
Short-term financing bonds	072000069	20 China Merchants CP006BC	March 12, 2020	2.24%	4 billion	March 13, 2020	4 billion	June 10, 2020
Short-term financing bonds	072000096	20 China Merchants CP007BC	April 15, 2020	1.60%	5 billion	April 16, 2020	5 billion	July 14, 2020
Short-term financing bonds	072000109	20 China Merchants CP008BC	April 29, 2020	1.55%	3 billion	April 30, 2020	3 billion	July 25, 2020
Short-term financing bonds	072000118	20 China Merchants CP009BC	May 13, 2020	1.58%	3 billion	May 14, 2020	3 billion	August 11, 2020
Short-term financing bonds	072000130	20 China Merchants CP010BC	May 21, 2020	1.58%	3 billion	May 22, 2020	3 billion	August 19, 2020
Short-term financing bonds	072000134	20 China Merchants CP011BC	May 26, 2020	1.60%	3 billion	May 27, 2020	3 billion	August 21, 2020
Short-term financing bonds	072000143	20 China Merchants CP012BC	June 4, 2020	1.99%	4 billion	June 5, 2020	4 billion	September 3, 2020
Short-term financing bonds	072000162	20 China Merchants CP013BC	June 18, 2020	2.25%	4 billion	June 19, 2020	4 billion	September 16, 2020
Short-term financing bonds	072000207	20 China Merchants CP014BC	August 19, 2020	2.64%	4 billion	August 20, 2020	4 billion	November 17, 2020
Short-term financing bonds	072000222	20 China Merchants CP015BC	September 8, 2020	2.75%	4 billion	September 9, 2020	4 billion	December 4, 2020
Short-term financing bonds	072000230	20 China Merchants CP016BC	September 17, 2020	2.65%	4 billion	September 18, 2020	4 billion	December 16, 2020
Oversea debt	40129.HK	CMSEC N2301	January 21, 2020	2.625%	USD 300 million	January 22, 2020	USD 300 million	January 21, 2023

Chapter 6: Changes in Ordinary Shares and Shareholders

Issuance of securities during the Reporting Period (bonds with different interest rates within the effective period shall be separately specified):

1. Completion of rights issue exercise

During the Reporting Period, the Company completed the Rights Issue exercises for A Share and H Share. The number of A Shares increased to 7,422,005,272 shares from 5,719,008,149 shares and the number of H Shares increased to 1,274,521,534 shares from 980,401,180 shares.

2. Public issuance of corporate bonds to professional investors

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)) from the CSRC, pursuant to which the CSRC approved that the Company might publicly issue to professional investors corporate bonds with a maturity of more than one year, of which the total face value shall be no more than RMB25 billion, and short-term corporate bonds, of which the balance of the face value shall be no more than RMB10 billion. During 2020, the Company issued four tranches of corporate bonds with a maturity of more than one year and one tranche of short-term corporate bonds accordingly.

3. Non-public issue of corporate bonds

In March 2019, the Company received the No Objection Letter for the Offer for Sale of Corporate Bonds Non-public 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)) from the Shanghai Stock Exchange, pursuant to which the SSE has no objection to the offer for sale of corporate bonds non-public issued by the Company to qualified investors in the amount of no more than RMB45 billion on the SSE. During 2020, the Company issued four tranches of non-public offered corporate bonds accordingly.

4. Short-term financing bonds

In June 2019, the Company received the Notice of the Financial Market Department of the People's Bank of China on the Maximum Outstanding Balance of Short-term financing bonds of China Merchants Securities Co., Ltd. (Yin Shi Chang [2019] No. 129) (《中國人民銀行金融市場司關於招商證券股份有限公司短期融資券最高待償還餘額有關事項的通知》(銀市場[2019] 129號)), pursuant to which the maximum outstanding balance of short-term financing bonds of the Company amounted to RMB31.6 billion. During 2020, the Company issued a total of 16 tranches of short-term financing bonds.

Chapter 6: Changes in Ordinary Shares and Shareholders

5. Subordinated bonds

In November 2020, the Company received the Approval on the Registration of Publicly Issued Subordinated Bonds by China Merchants Securities Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2020] No. 3138) (《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]3138號)) from the CSRC, pursuant to which the CSRC approved that the Company might publicly issue to professional investors subordinated bonds, of which the total face value shall be no more than RMB30 billion. During 2020, the Company issued one tranche of subordinated bonds accordingly.

(II) Changes in the total number of ordinary shares and shareholding structure as well as changes in the structure of assets and liabilities of the Company

During the Reporting Period, the Company completed the rights issue exercise, increasing the total number of ordinary shares to 8,696,526,806 shares from 6,699,409,329 shares, of which the number of A Shares increased to 7,422,005,272 shares from 5,719,008,149 shares and the number of H Shares increased to 1,274,521,534 shares from 980,401,180 shares.

For details of the changes in the structure of assets and liabilities of the Company, please see “Analysis of assets and liabilities” under “Chapter 4 Report of the Board of Directors” in this report.

III. Shareholders and De Facto Controller

(I) Total number of shareholders

Number of holders of the ordinary shares as of the end of the Reporting Period	136,789
Number of holders of the ordinary shares as of the end of the month preceding the disclosure of the annual report	177,496

Chapter 6: Changes in Ordinary Shares and Shareholders

(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

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)	472,592,427	2,047,900,517	23.55	—	Nil	—	State-owned legal person
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	393,215,739	1,703,934,870	19.59	—	Nil	—	State-owned legal person
HKSCC Nominees Limited	294,119,501	1,274,164,821	14.65	—	Nil	—	Overseas legal person
China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	125,684,404	544,632,418	6.26	—	Nil	—	State-owned legal person
Hebei Port Group Co., Ltd. (河北港口集團有限公司)	79,219,092	343,282,732	3.95	—	Nil	—	State-owned legal person
China Communications Construction Company Ltd. (中國交通建設股份有限公司)	62,819,853	272,219,361	3.13	—	Nil	—	State-owned legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	60,093,909	260,406,933	2.99	—	Nil	—	Unknown
Hong Kong Securities Clearing Company Limited	4,631,604	112,206,931	1.29	—	Nil	—	Overseas legal person
COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司)	25,199,977	109,199,899	1.26	—	Nil	—	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理 有限責任公司)	23,175,480	100,427,080	1.15	—	Nil	—	State-owned legal person

Chapter 6: Changes in Ordinary Shares and Shareholders

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)	2,047,900,517	RMB ordinary shares	2,047,900,517
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	1,703,934,870	RMB ordinary shares	1,703,934,870
HKSCC Nominees Limited	1,274,164,821	Overseas listed foreign shares	1,274,164,821
China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	544,632,418	RMB ordinary shares	544,632,418
Hebei Port Group Co., Ltd. (河北港口集團有限公司)	343,282,732	RMB ordinary shares	343,282,732
China Communications Construction Company Ltd. (中國交通建設股份有限公司)	272,219,361	RMB ordinary shares	272,219,361
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	260,406,933	RMB ordinary shares	260,406,933
Hong Kong Securities Clearing Company Limited	112,206,931	RMB ordinary shares	112,206,931
COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司)	109,199,899	RMB ordinary shares	109,199,899
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	100,427,080	RMB ordinary shares	100,427,080
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"> 1. CM Finance Investment and Jisheng Investment are all subsidiaries of China Merchants Group, the de facto controller of the Company; 2. China Ocean Shipping and COSCO Shipping (Guangzhou) Co., Ltd. are all subsidiaries of China COSCO Shipping Corporation Limited. 		

- Note: 1. HKSCC Nominees Limited is the nominee holder for the shares held by the non-registered H Shareholders of the Company;
2. Hong Kong Securities Clearing Company Limited is the nominal holders of shares under Shanghai-Hong Kong Stock Connect for the Company;
3. 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 will be 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) Interests and short positions of the substantial shareholders and other persons in the shares and underlying shares

As at December 31, 2020, 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 de facto controller and substantial shareholders	Class of Shares	Nature of interest	Number of shares held (share)	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 ^{7/} / short positions ^{8/} / shares available for lending
1	China Merchants Group	A Shares	Interest held by controlled corporations ¹	3,751,835,387	43.14	50.55	Long position
		H Shares	Interest held by controlled corporations ²	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 ³	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 ⁴	663,437,515	7.63	8.94	Long position
		H Shares	Interest held by controlled corporations ⁵	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

Chapter 6: Changes in Ordinary Shares and Shareholders

No.	Name of de facto controller and substantial shareholders	Class of Shares	Nature of interest	Number of shares held (share)	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 ^{7/} / short positions ^{8/} / shares available for lending
7	The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司)	H Shares	Interest held by controlled corporations ⁶	433,290,000	4.98	34.00	Long position
8	COSCO SHIPPING Investment Holdings Co., Limited	H Shares	Beneficial owner	207,797,720	2.39	16.30	Long position
9	Best Winner Investment Limited	H Shares	Beneficial owner	89,042,607	1.02	6.99	Long position

- 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.
- 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.
- 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.
- China COSCO Shipping Corporation Limited holds 100% of the equity interest in China Ocean Shipping Company Limited (中國遠洋運輸有限公司) 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), a wholly-owned subsidiary of China Shipping (Group) Company (1.26%), COSCO SHIPPING Investment Holdings Co., Limited, a wholly-owned subsidiary of China Shipping Group Company Limited (中國海運集團有限公司) (0.10%), and Guangzhou Sanding Oil Products Transport Co., Ltd. (廣州市三鼎油品運輸有限公司) (0.01%) are interested in under the SFO.
- China COSCO Shipping Corporation Limited is deemed to be interested in the same number of H Shares which COSCO SHIPPING Financial Holdings Co., Limited (2.39%), a wholly owned subsidiary of China Shipping Group Company Limited (中國海運集團有限公司), is interested in under the SFO.
- The People's Insurance Company (Group) of China Limited (listed on the SSE, stock code: 601319) directly and indirectly holds 80% of the equity interest in PICC Life Insurance Company Limited, and is deemed to be interested in the same number of H Shares which PICC Life Insurance Company Limited is interested in under the SFO.
- 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

Chapter 6: Changes in Ordinary Shares and Shareholders

8. 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 December 31, 2020, 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.

IV. Details of Controlling Shareholders and De Facto Controller

(I) Details of controlling shareholder

1. Legal person

Name	China Merchants Finance Investment Holdings Co. Ltd. (深圳市招融投資控股有限公司)
Person in charge or legal representative	Hong Xiaoyuan (洪小源)
General manager	Su Min (蘇敏)
Date of incorporation	May 28, 1997
Unified social credit code	91440300279343712N
Registered capital	7,778 million yuan
Principal business	Investment (projects are separately reported); domestic business, commodity supply and sales (excluding licensed, exclusive or franchised commodities)
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Directly interested in 4.55% shareholding of China Merchants Bank; and in aggregate interested in 13.28% shareholding of China Merchants Bank through its controlling subsidiaries, namely Shenzhen Yan Qing Investment and Development Company Ltd. and Shenzhen Chuyuan Investment and Development Company Ltd.
Others	CM Finance Investment is a subsidiary of China Merchants Group, the de factor controller of the Company

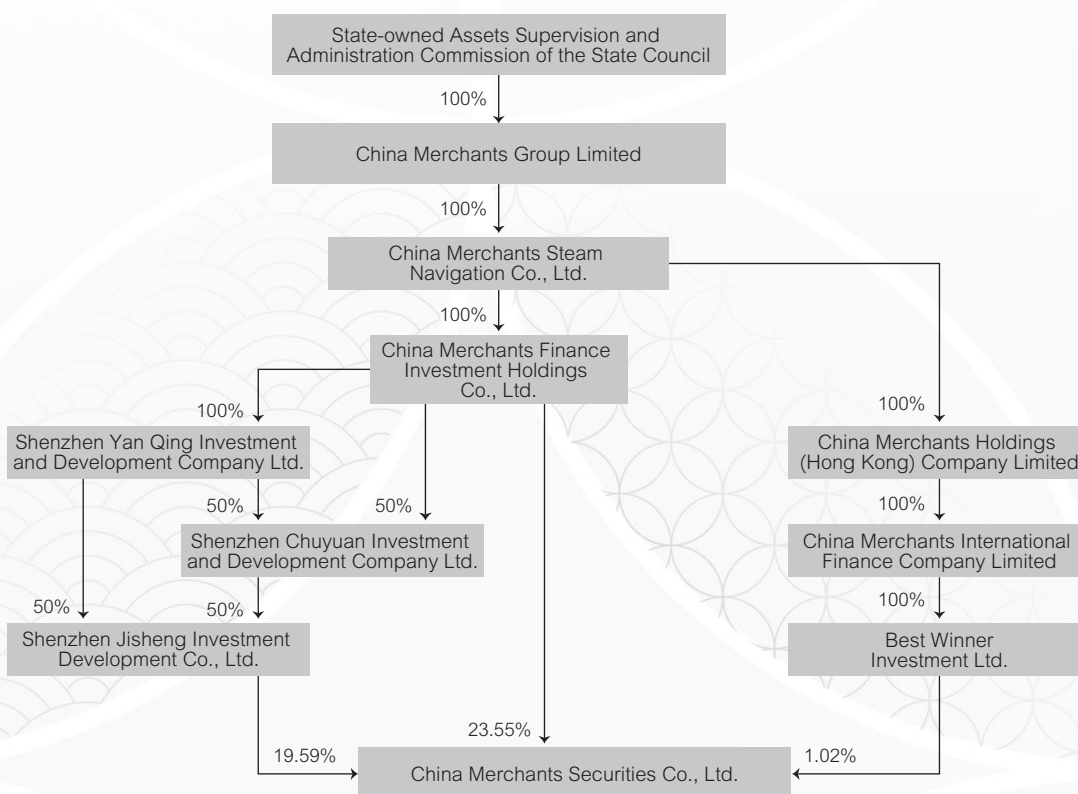
Chapter 6: Changes in Ordinary Shares and Shareholders

2. Change in controlling shareholders during the Reporting Period and the relevant date of change

Due to the subscription of A Rights Shares by CM Finance Investment, a controlling shareholder of the Company, and its subsidiary, Jisheng Investment, as well as the change of total share capital upon the completion of the Company's A+H Shares rights issue, its total shareholding in the Company increased to 3,751,835,387 shares from 2,886,027,221 shares, representing an increase of its share of the Company's total share capital to 43.14% from 43.08%.

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

3. Diagram of the ownership and controlling relationship between the Company and its controlling shareholder



Chapter 6: Changes in Ordinary Shares and Shareholders

(II) Details of De Facto Controller

1. Legal person

Name	China Merchants Group Limited
Person in charge or legal representative	Miao Jianmin (繆建民)
Date of incorporation	October 14, 1986
Principal business	Sea and land transportation and agency of goods, leasing and agency of sea and land transportation tools and equipment, investment in and management of port and warehouse businesses; sea rescue, salvage, towing; manufacturing; building, repair, inspection and sale of vessels and offshore oil drilling equipment; repair and inspection of oil rigs and containers; contracting and construction of and back office services for sea and land construction projects and offshore oil exploitation projects; procurement, supply and sale of sea and land transportation equipment and relevant supplies; import and export transportation businesses; investment in and management of businesses in the financial, insurance, trust, securities and futures industries; investment in and management of businesses in the tourism, hotel, catering and relevant services industries; real estate development and property management and consultancy business; investment in and management of petrochemical business; investment in and operation of transportation infrastructure; operation of offshore assets; development, operation and management of Shekou Industrial Zone in Shenzhen and Zhangzhou Development Zone in Fujian (Market entities may independently select business projects and carry out operating activities in accordance with law; operations that require prior approvals according to laws can only be conducted after obtaining approvals from the relevant authorities; operating activities prohibited and restricted by the industrial policies of the State and the city shall not be engaged).

Chapter 6: Changes in Ordinary Shares and Shareholders

<p>Control and shareholdings in other domestic or overseas listed companies during the Reporting Period</p>	<p>Holding 81.92% interests in China Merchants Port Group Company Limited (招商局港口集團股份有限公司), 78.29% interests in Yingkou Port Liability Co., Ltd., 75.00% interests in Dalian Port (PDA) Company Limited, 74.35% interests in China Merchants Land Limited, 68.72% interests in China Merchants Expressway Network & Technology Holdings Co., Ltd., 63.98% interests in China Merchants Shekou Industrial Zone Holdings Co., Ltd., 57.64% interests in Sinotrans Limited, 54.39% interests in China Merchants Energy Shipping Co., Ltd., 51.16% interests in China Merchants Property Operation & Service Co., Ltd., 42.37% interests in China Merchants Port Holdings Company Limited, 33.50% interests in China Merchants Commercial REIT (REITS); 29.97% interest in China Merchants Bank Co., Ltd., 29.94% interests in Anhui Expressway Company Limited, 27.59% interests in China Merchants China Direct Investments Limited, 27.47% interests in Nanjing Tanker Corporation, 26.55% interests in Shanghai International Port (Group) Co., 24.88% interests in Sichuan Expressway Company Limited, 24.60% interests in China International Marine Containers (Group) Co., Ltd., 19.08% interests in Jinzhou Port Co., Ltd., 17.75% interests in Fujian Expressway Development Co., Ltd. (福建發展高速公路股份有限公司), 16.52% interests in Heilongjiang Transport Development Co., Ltd., 16.32% interests in Hubei Chutian Smart Communication Co., Ltd., 16.29% interests in Shangdong Hi-Speed Company Limited, 15.43% interests in Henan Zhongyuan Expressway Co., Ltd., 14.04% interests in Jilin Expressway Co., Ltd., 13.86% interests in Guangxi Wuzhou Communications Co., Ltd., 12.36% interests in China Greatwall Securities Co., Ltd., 11.69% interests in Jiangsu Expressway Company Limited, 8.04% interests in Modern Investment Co., Ltd. (現代投資股份有限公司), 6.03% interests in S.F. Holding Co., Ltd., 6.68% interests in Shenzhen Expressway Company Limited, 5.00% interests in Ningbo Zhoushan Port Co., Ltd. (寧波舟山港股份有限公司), 2.36% interests in Qingdao Port International Co., Ltd., 1.20% interests in Oriental Times Media Corporation, 1.02% interests in Chang Jiang Shipping Group Phoenix Co., Ltd., 0.53% interests in China Shipbuilding Industry Company Limited, 0.38% interests in Sino-Ocean Group Holding Limited, 0.16% interests in CMMB Vision Holdings Limited, 0.14% interests in SINOPEC Engineering (Group) Co., Ltd., 0.07% interests in HAITONG Securities Company Limited, 0.05% interests in China Energy Engineering Corporation Limited, 0.02% interests in Bank of Tianjin Co., Ltd., 0.01% interests in Shenwan Hongyuan Group Co., Ltd..</p>
<p>Others</p>	<p>Nil</p>

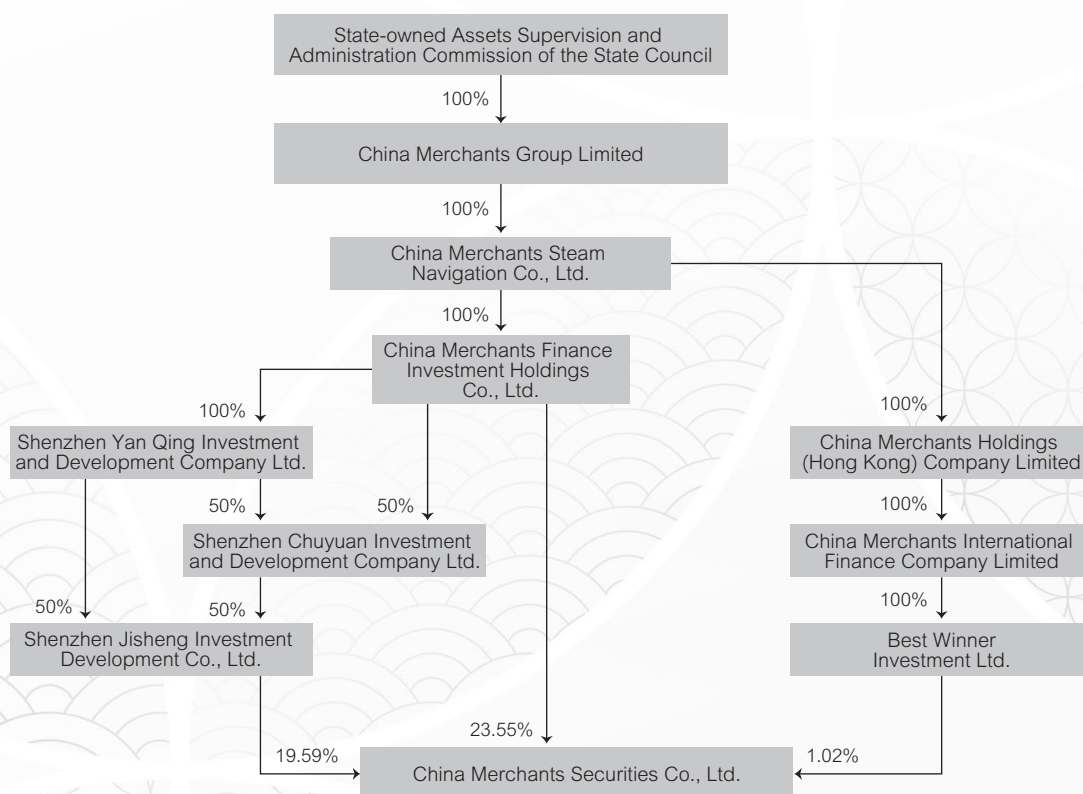
Chapter 6: Changes in Ordinary Shares and Shareholders

2. Change in the de facto controller during the Reporting Period and the date of change

Due to the subscription of A Rights Shares of the Company by CM Finance Investment and Jisheng Investment and the subscription of H Rights Shares of the Company by Best Winner Investment Limited, all of which are subsidiaries of China Merchants Group, as well as the change of total share capital upon the completion of the Company's A+H Shares rights issue, the Company's de facto controller, its total shareholding in the Company increased to 3,840,877,994 shares from 2,953,733,621 shares, representing an increase of its share of the Company's total share capital to 44.17% from 44.09%.

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

3. Diagram of the ownership and controlling relationship between the Company and its de facto controller



The de facto controller of the Company is China Merchants Group. China Merchants Group indirectly holds a total of 44.17% shares of the Company through its subsidiaries, namely China Merchants Finance Investment Holdings Co., Ltd., Shenzhen Jisheng Investment Development Co., Ltd. and Best Winner Investment Ltd..

Chapter 6: Changes in Ordinary Shares and Shareholders

V. Other Corporate Shareholders Interested in 10% or more of the Shares of the Company

Unit: 10,000 Yuan Currency: RMB

Person in charge or legal representative	Person in charge or legal representative	General manager	Date of incorporation	Organisation code	Registered capital	Principal business or operation
Shenzhen Jisheng Investment Development Co., Ltd.	XU Xin (徐鑫)	HU Xiaodong (胡曉東)	December 11, 2001	91440300734146375H	60,000	Investment (projects are separately reported); domestic business, commodity supply and sales (excluding licensed, exclusive or franchised commodities); economic information consultancy (excluding restricted items).
Statement	Jisheng Investment is a subsidiary of China Merchants Group, the controlling shareholder of the Company.					

Chapter 7: Directors, Supervisors, Senior Management and Employees

I. Change in Shareholdings and Remunerations

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

Unit: share

Name	Position (Notes)	Gender	Age	Term commencement date	Term expiration date	No. of shares held at the beginning of the Year	No. of shares held at the end of the Year	Changes (+/-) in shareholdings during the Year	Reason for changes	Total remuneration from the Company during the Reporting Period (before tax) (RMB 10,000)	Remuneration from related parties
HUO Da (霍達)	Chairman of the Board Executive Director	Male	52	May 2017	October 2023	—	—	—	—	517.96	No
SU Jian (栗健)	Non-executive Director	Male	48	June 2017	October 2023	—	—	—	—	—	Yes
XIONG Xianliang (熊賢良)	Non-executive Director	Male	53	December 2014	October 2023	—	—	—	—	—	Yes
SU Min (蘇敏)	Non-executive Director	Female	52	June 2016	October 2023	—	—	—	—	—	Yes
XIONG Jiantao (熊劍濤)	Executive Director President Chief Information Officer	Male	52	May 2017 December 2018 July 2019	October 2023 November 2021 November 2021	—	—	—	—	517.98	No
PENG Lei (彭磊)	Non-executive Director	Female	48	August 2007	October 2023	—	—	—	—	—	Yes
GAO Hong (高宏)	Non-executive Director	Male	52	March 2020	October 2023	—	—	—	—	—	Yes
HUANG Jian (黃堅)	Non-executive Director	Male	51	August 2012	October 2023	—	—	—	—	—	Yes
WANG Daxiong (王大雄)	Non-executive Director	Male	60	September 2016	October 2023	—	—	—	—	—	Yes
WANG Wen (王文)	Non-executive Director	Male	51	July 2019	October 2023	—	—	—	—	—	Yes
XIANG Hua (向華)	Independent Non-executive Director	Male	49	July 2017	July 2023	—	—	—	—	20	Yes
XIAO Houfa (肖厚發)	Independent Non-executive Director	Male	53	July 2017	July 2023	—	—	—	—	20	Yes

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Position (Notes)	Gender	Age	Term commencement date	Term expiration date	No. of shares held at the beginning of the Year	No. of shares held at the end of the Year	Changes (+/-) in shareholdings during the Year	Reason for changes	Total remuneration from the Company during the Reporting Period (before tax) (RMB 10,000)	Remuneration from related parties
XIONG Wei (熊偉)	Independent Non-executive Director	Male	45	August 2017	August 2023	—	—	—	—	20	No
HU Honggao (胡鴻高)	Independent Non-executive Director	Male	66	July 2017	July 2023	—	—	—	—	20	No
WONG Ti (汪熾)	Independent Non-executive Director (Note 1)	Male	62	January 2018	—	—	—	—	—	20	No
ZHOU Linda Lei (周語蕾)	Chairman of the Supervisory Committee	Female	52	July 2014	October 2023	—	—	—	—	415.19	No
LI Xiaofei (李曉飛)	Shareholder Representative Supervisor	Male	50	July 2014	October 2023	—	—	—	—	—	Yes
WANG Zhangwei (王章為)	Shareholder Representative Supervisor	Male	48	June 2017	October 2023	—	—	—	—	—	Yes
MA Yunchun (馬毓春)	Shareholder Representative Supervisor	Male	52	June 2017	October 2023	—	—	—	—	—	Yes
ZHANG Zhen (張震)	Shareholder Representative Supervisor	Male	56	October 2020	October 2023	—	—	—	—	—	No
ZOU Qun (鄒群)	Shareholder Representative Supervisor	Male	54	October 2020	October 2023	—	—	—	—	—	No
YI Hongyan (尹虹艷)	Employee Representative Supervisor	Female	49	August 2007	October 2023	—	—	—	—	223.85	No
HE Min (何敏)	Employee Representative Supervisor	Female	45	July 2009	October 2023	—	—	—	—	201.94	No
SHEN Weihua (沈衛華)	Employee Representative Supervisor	Female	50	October 2020	October 2023	—	—	—	—	34.21	No
DENG Xiaoli (鄧曉力)	Vice President	Female	53	November 2005	November 2021	—	—	—	—	378.03	No
LI Zongjun (李宗軍)	Vice President	Male	55	July 2015	November 2021	—	—	—	—	377.84	No

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Position (Notes)	Gender	Age	Term commencement date	Term expiration date	No. of shares held at the beginning of the Year	No. of shares held at the end of the Year	Changes (+/-) in shareholdings during the Year	Reason for changes	Total remuneration from the Company during the Reporting Period (before tax) (RMB 10,000)	Remuneration from related parties
WU Huifeng (吳慧峰)	Secretary to the Board Vice President	Male	46	December 2014 November 2018	October 2023 November 2021	—	—	—	—	378.00	No
ZHAO Bin (趙斌)	Vice President	Male	51	November 2018	November 2021	—	—	—	—	377.98	No
HU Yu (胡宇)	Chief Risk Officer Chief Compliance Officer	Male	56	December 2018 December 2018	November 2021 November 2021	—	—	—	—	325.62	No
WU Guangyan (吳光焰)	Vice President	Male	52	February 2019	November 2021	—	—	—	—	375.18	No
XIE Jijun (謝繼軍)	Vice President	Male	48	March 2019	November 2021	—	—	—	—	373.01	No
FANG Xiaobing (房小兵)	Shareholder Representative Supervisor (Resigned)	Male	50	July 2011	October 2020	—	—	—	—	—	No
ZHANG Zehong (張澤宏)	Shareholder Representative Supervisor (Resigned)	Male	48	July 2011	October 2020	—	—	—	—	—	Yes
XIONG Zhigang (熊志綱)	Employee Representative Supervisor (Resigned)	Male	43	May 2017	October 2020	—	—	—	—	177.33	No
Total	/	/	/	/	/				/	4,774.12	/

- Notes: 1. In June 2019, our Board of Directors received a written resignation report from an independent director, Mr. WONG Ti. Due to his other work arrangements, Mr. WONG Ti applied to resign from his positions as an independent director of the sixth session of the Board and a member of each of the Audit Committee and the Remuneration and Appraisal Committee of the Board. According to the relevant regulations, including among others, the Guidelines for Introducing Independent Directors to the Board of Directors of Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》) and the Articles of Association of China Merchants Securities Co., Ltd., Mr. WONG Ti will continue to perform his duties until a new independent director is appointed by the Company;
2. No share incentive scheme was implemented during the Reporting Period;
 3. Payment of 40% of the annual performance-based bonus payable to the Directors, chairman of the Supervisory Committee and senior management who worked full time for the Company shall be deferred for a term of 3 years. The deferred payment of remuneration shall be divided equally;
 4. The total remuneration before tax of Directors, chairman of the Supervisory Committee and senior management who worked full time for the Company has not been confirmed yet. Further information will be disclosed upon confirmation;
 5. Certain Directors, Supervisors and senior management of the Company participated in the employee stock ownership scheme in 2020. As of the date of disclosure of this Report, HUO Da, XIONG Jiantao, ZHOU Linda Lei, YIN Hongyan, HE Min, DENG Xiaoli, LI Zongjun, WU Huifeng, ZHAO Bin, HU Yu, WU Guangyan and XIE Jijun held an aggregate of 4,658,302 shares through the employee stock ownership scheme, accounting for 8.95% of the total shares held under the scheme and 0.05% of the total share capital of the Company, respectively.

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
HUO Da (霍達)	<p>Mr. HUO has served as our Chairman of the Board since May 2017, and a member of the Execution Committee of China Merchants Financial Services Business Unit since June 2018. During the period from September 2017 to January 2019, he was a part-time member of the 17th Public Offering Review Committee of the CSRC, and director of China Merchants Securities International Company Limited from January 2019 to October 2020. He served the CSRC as principal staff member, deputy division head and division head, assistant to the head of the Shenzhen office of the CSRC, deputy inspector, deputy division head and division head of the Market Supervision Department of the CSRC, director of the Corporate Bonds Supervision Department of the CSRC, director of the Research Center of the CSRC, head of Beijing Institute of Securities and Futures and head of China Institute of Finance and Capital Markets successively.</p> <p>Mr. HUO Da obtained a bachelor's degree in engineering from Huazhong University of Science and Technology (previously named as Huazhong Institute of Technology), a master's degree in economics from Huazhong University of Science and Technology (previously named as Huazhong Institute of Technology) and a doctoral degree in economics from Chinese Academy of Fiscal Sciences (formerly known as the Research Institute for Fiscal Science of the Ministry of Finance) in July 1989, April 1994 and January 2008, respectively.</p>
SU Jian (粟健)	<p>Mr. SU has served as our non-executive Director since June 2017, chief accountant of China Oil and Foodstuffs Corporation since December 2020, executive director of China Merchants Port Holdings Company Limited (listed on the Hong Kong Stock Exchange, stock code: 0144) since October 2017, non-executive director of Sinotrans Limited (listed on the SSE, stock code: 601598; listed on the Hong Kong Stock Exchange, stock code: 0598) since June 2019, the head of the finance department (property rights department) of China Merchants Group from July 2017 to December 2020, director of China Merchants Expressway Network & Technology Holdings Co., Ltd. (listed on the SZSE, stock code: 001965) from January 2018 to March 2021, director of China Merchants Port Group Co., Ltd. (listed on the SZSE, stock code: 001872) from December 2018 to March 2021. He was director of China Merchants Energy Shipping Co., Ltd. (listed on the SSE, stock code: 601872) from August 2017 to January 2019. He previously served as clerk, head and then financial manager of Guangzhou Merchants International Travel Service Co. Ltd., officer, senior manager, assistant to the head and then deputy head of the finance department of China Merchants Group, senior manager of the finance department of China Merchants Shekou Industrial Zone Company Limited, deputy head of the human resources department of China Merchants Group, deputy general manager of China Merchants Industry Holdings Co., Ltd. and deputy head (as the person in charge at the grade of head) of the finance department (property rights department) of China Merchants Group.</p> <p>Mr. SU Jian obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1993. Mr. SU obtained the qualifications as a non-practising member of the Chinese Institute of Certified Public Accountants and an Intermediate Accountant in 2000 and 2002, respectively.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
XIONG Xianliang (熊賢良)	<p>Mr. XIONG has served as our non-executive Director since December 2014, head of the strategic development department of China Merchants Group since March 2015, executive director of China Merchants Port Holdings Company Limited (listed on the Hong Kong Stock Exchange, stock code: 0144) since June 2018, director of China Merchants Innovation Investment Management Co., Ltd. since August 2018, and non-executive director of Sinotrans Limited (listed on the SSE, stock code: 601598; listed on the Hong Kong Stock Exchange, stock code: 0598) since June 2019. He concurrently acted as head of the security and supervision department of China Merchants Group from February 2017 to October 2018, director of the research and development center of China Merchants Group and dean of China Merchants Technology and Innovation Research and Development Institute (招商局科技創新發展研究院) from August 2018 to November 2020. He used to be researcher and division head of the Development Research Center of the State Council, deputy director of Chongqing Development and Planning Commission, vice leader of the general group of the steering committee office of the Western Region Development of the State Council (國務院西部開發領導小組辦公室綜合組), inspector of the Research Office of the State Council, general manager (head) of the strategic research department of China Merchants Group, non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968), and head of the information management department and research department of China Merchants Group.</p> <p>Mr. XIONG Xianliang obtained a master's degree and a doctoral degree in global economics from Nankai University in June 1991 and December 1993, respectively. Mr. XIONG was granted the title of Researcher by the Development Research Center of the State Council in September 2000.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
SU Min (蘇敏)	<p>Ms. SU has served as our non-executive Director since June 2016, director of China Merchants Finance Holdings since December 2015, general manager of China Merchants Finance Investment Holdings Co., Ltd. since December 2017, standing vice chairman of the Execution Committee of China Merchants Financial Services Business Unit* (招商局金融事業群／平台) since June 2018, non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code 3968) since September 2014, director of Bosera Fund since September 2018, and director of China Great Wall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since October 2020. Ms SU was general manager of China Merchants Finance Holdings Co., Ltd.* (招商局金融集團有限公司) from September 2015 to February 2019. In addition, she served as chief accountant, deputy general manager of Anhui Province Energy Group Co., Ltd., director of Anhui Province Wenergy Company Limited (listed on the SZSE, stock code: 000543), director of Huishang Bank Corporation Limited (listed on the Hong Kong Stock Exchange, stock code: 3698), chief accountant of China Shipping (Group) Company, chairman of the board of China Shipping Finance Co., Ltd., executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (listed on the SSE, stock code: 600026; listed on the Hong Kong Stock Exchange, stock code: 1138), non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 2866), chairman of the board of China Shipping Leasing Co., Ltd, director of China Merchants Innovation Investment Management Co., Ltd. and supervisor of China Merchants Capital Co., Ltd.</p> <p>Ms. SU Min obtained a bachelor's degree in finance from Shanghai University of Finance and Economics in July 1990, and a master's degree in business administration from the University of Science and Technology of China in December 2002. She was granted the qualifications of Certified Public Accountant, Certified Public Valuer and senior accountant in June 1998, June 1999 and June 2008, respectively.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
<p>XIONG Jiantao (熊劍濤)</p>	<p>Mr. XIONG has served as our executive Director since May 2017, our President since December 2018, and Chief Information Officer since July 2019. He used to be our Vice President from December 2005 to December 2018, our Chief Operating Officer from May 2017 to December 2018, chairman of the board of directors of China Merchants Futures from March 2008 to March 2019, chairman of the board of directors of CMS Asset Management from March 2015 to March 2019, and director of CMS International from September 2015 to October 2020. Mr XIONG successively acted as deputy manager of the information center in China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968), manager of our computer department, general manager of our computer center, general manager of our IT center and our technical director (during such period, he was a member of the administrative take-over group of China Southern Securities), and director of Bosera Funds.</p> <p>Mr. XIONG Jiantao obtained a bachelor's degree in engineering majoring in telecommunications engineering from Nanjing University of Posts and Telecommunications (formerly known as Nanjing Institute of Posts and Telecommunications), a master's degree in engineering majoring in automatic instrumentation and installation from Huazhong University of Science and Technology (formerly known as Huazhong Institute of Technology) and a degree for executive master of business management ("EMBA") from Fudan University in July 1989, June 1992 and June 2014, respectively.</p>
<p>PENG Lei (彭磊)</p>	<p>Ms. PENG has served as our non-executive Director since August 2007, a standing member of the Execution Committee of China Merchants Financial Services Business Unit since June 2018, director of China Merchants Commerce Leasing Co.,Ltd. (招商局通商融資租賃有限公司) since August 2018, director of of China Merchants Ping An Asset Management Co. since December 2018, and director of China Great Wall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since June 2011. She was deputy general manager of China Merchants Finance Holdings Co., Ltd. from April 2016 to February 2019, director of Morgan Stanley Huaxin Fund Management Co., Ltd. from March 2015 to August 2019 and director of Bosera Funds from November 2017 to September 2018. She successively served as executive director of Union Asset Management Company, and deputy general manager of the general management department, general manager of the audit department, general manager of the China business department, general manager of the securities department and assistant to the general manager of China Merchants Finance Holdings Co., Ltd.</p> <p>Ms. PENG Lei obtained a bachelor's degree in economics majoring in business management from Southwestern University of Finance and Economics and a master's degree in economics majoring in finance from Peking University in July 1994 and July 2010, respectively.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
GAO Hong (高宏)	<p>Mr. GAO has served as our Director since March 2020, deputy general manager (chief digital officer (CDO)) of China Merchants Life Insurance Company Limited since February 2017, general manager of China Merchants Financial Technology Co., Ltd.* (招商局金融科技有限公司) since November 2017, and standing member of the Execution Committee of China Merchants Financial Services Business Unit* (招商局金融事業群／平台) since February 2019. he acted as the chief digital officer (CDO) of China Merchants Finance Holdings Co., Ltd.* (招商局金融集團有限公司) from February 2017 to February 2019. He was an assistant engineer of the first engineering division of Nanjing No. 724 Research Institute* (南京724研究所), engineer of China Electronics Software Development Co. (中電軟件技術開發公司), engineer and the business officer of the computer department, an engineer of actuary and information department, the officer of software development office and assistant to general manager of computer department under life insurance, and assistant to general manager of the Jilin Branch of China Ping An Insurance Company* (中國平安保險公司), general manager of the computer department in the headquarter of Taiping Life Insurance Co., Ltd., vice general manager (in charge of work) of the information management department and the assistant to general manager of the group shared service centre of China Insurance (Holdings) Company Limited, general manager of the information technology centre, an assistant to general manager, and the general manager of innovation and development department of Funde Sino Life Insurance Co., Ltd.* (富德生命人壽股份有限公司), during which time, he also served as the assistant to general manager of Funde Insurance Holding Co., Ltd.* (富德保險控股股份有限公司).</p> <p>Mr. GAO Hong obtained a bachelor's degree of science in computer software from the Department of Computer Science from Nanjing University in July 1989.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
HUANG Jian (黃堅)	<p>Mr. HUANG has served as our non-executive Director since August 2012, general manager of the capital operation department of China COSCO Shipping Corporation Limited since September 2016, non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 2866) since June 2016, director of Lanhai Medical Investment Co., Ltd. (listed on the SSE, stock code: 600896) since May 2017, director of COSCO SHIPPING Captive Insurance Co., Ltd. since August 2017, and director of Shanghai Rural Commercial Bank Co., Ltd. since June 2018. He was a director of COSCO SHIPPING Technology Co., Ltd. (listed on the SZSE, stock code: 002401) from December 2017 to March 2019. He successively served as the head of the capital management department of finance and capital division of China Ocean Shipping (Group) Company, vice president and general manager of the finance department of COSCO Logistics (Americas), Inc. (中遠物流(美洲)有限公司) (formerly known as Intermodal Bridge Services Inc. (中遠美國內陸運輸公司)), general manager of the finance department and chief financial officer of COSCO Americas Inc., deputy general manager of the finance department of China Ocean Shipping (Group) Company and deputy general manager (person-in-charge) of the capital operation department of China COSCO Shipping Corporation Limited.</p> <p>Mr. HUANG Jian obtained a bachelor's degree in economics majoring in auditing from Capital University of Economics and Business (formerly known as Beijing Institute of Finance and Trade) and a master's degree in business management from Beijing Institute of Technology in July 1992 and March 2002, respectively. Mr. HUANG obtained the qualifications of accountant and senior accountant from the Ministry of Finance in May 1997 and December 2015, respectively.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
<p>WANG Daxiong (王大雄)</p>	<p>Mr. WANG has served as our non-executive Director since September 2016. Mr. WANG has been executive director and chairman of the board of directors of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 2866) since May 2016 and July 2019 respectively, chairman of the board of directors of COSCO SHIPPING Investment Holdings Co., Ltd. (formerly known as COSCO SHIPPING Financial Holdings Co., Ltd.) since March 2014, and non-executive director of China Merchants Bank Co., Ltd. (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968) since November 2016. He was vice chairman of the board of directors of New China COSCO Financial Holdings Limited (新華遠海金融控股有限公司) from March 2017 to January 2020, chairman of the board of directors of COSCO SHIPPING Captive Insurance Co., Ltd. From October 2017 to March 2020, and chief executive officer of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 2866) from March 2016 to April 2020. Mr. WANG acted as division head and office chief of the Finance Office of the Guangzhou Maritime Bureau (廣州海運局財務處), head of the finance department and chief accountant of Guangzhou Maritime Transport (Group) Co., Ltd., chief accountant, vice president and deputy general manager of China Shipping (Group) Company, vice chairman and chairman of the board of directors of Lanhai Medical Investment Co., Ltd. (listed on the SSE, stock code: 600896), non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 2866), executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (listed on the SSE, stock code: 600026; listed on the Hong Kong Stock Exchange, stock code: 1138) and director of CIB Fund Management Co., Ltd.</p> <p>Mr. WANG Daxiong obtained a bachelor's degree majoring in finance and economics from Shanghai Maritime University and an EMBA degree from Shanghai University of Finance and Economics in July 1983 and January 2012, respectively. Mr. WANG also obtained the qualification of senior accountant from the Ministry of Transport of the People's Republic of China in November 1995.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
<p>WANG Wen (王文)</p>	<p>Mr. WANG has served as our non-executive Director since July 2019. Mr. WANG has served as the vice president of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) since July 2017, and chairman of the board of directors of China-US Insurance Advisory CO., LTD. (中美國際保險銷售服務有限責任公司) since May 2017. He was assistant to manager and deputy manager of life insurance department, deputy manager of domestic business department and manager of vehicle insurance department of the Beijing Branch of China Pacific Insurance Co., Ltd., assistant to general manager and deputy general manager of the Beijing Branch of China Pacific Life Insurance Co., LTD. (中國太平洋人壽保險股份有限公司), leader of the preparatory group, deputy general manager (person in charge) and general manager of the Beijing Branch of PICC Life Insurance Company Limited and sales director of PICC Life Insurance Company Limited.</p> <p>Mr. WANG Wen obtained a bachelor's and master's degree in law from Peking University in July 1991 and July 2005, respectively.</p>
<p>XIANG Hua (向華)</p>	<p>Mr. XIANG has served as our independent non-executive Director since July 2017. He has been chief executive officer of Durer Investment Management Co., Ltd. (圖瑞投資管理有限公司) since January 2018. Mr. XIANG successively acted as officer and deputy head of the Balance of Payments Department and General Affairs Department of the State Administration of Foreign Exchange, and head of the Central Foreign Exchange Business Center of the State Administration of Foreign Exchange, general manager of SAFE Investment Company Limited, and chief executive officer and chief operating officer of Deepwater Capital Limited.</p> <p>Mr. XIANG Hua obtained a bachelor's degree in economics from Beijing Normal University and a master's degree in economics from Renmin University of China in July 1994 and September 2001, respectively.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
<p>XIAO Houfa (肖厚發)</p>	<p>Mr. XIAO has served as our independent non-executive Director since July 2017. He has been principal partner of RSM China (special general parnter) (容誠會計師事務所 (特殊普通合夥)) (formerly known as HuaPu TianJian Certified Public Accountants LLP) since January 2014 , the director of Xuzhou Xiaodong Cardiovascular Hospital Co., Ltd. (徐州曉東心血管醫院有限責任公司) since November 2019 and the director of Guohua Kangping Elderly Service Co., Ltd.(國華康平養老服務有限公司) from April 2019 to November 2020. Mr. XIAO used to be founder, deputy chief accountant and chief accountant of Anhui HuaPu Certified Public Accountants (安徽華普會計師事務所), and chief accountant of HuaPu TianJian Certified Public Accountants (Beijing) Co., Ltd. (華普天健會計師事務所(北京)有限公司).</p> <p>Mr. XIAO Houfa obtained a bachelor’s degree in accounting from Shanghai University of Finance and Economics in July 1988. Mr. XIAO has received the title of senior accountant and is a certified public accountant.</p>
<p>XIONG Wei (熊偉)</p>	<p>Mr. XIONG has served as our independent non-executive Director since August 2017. Mr. XIONG has been teaching at Princeton University since July 2000 and has been serving as professor of economics since July 2007, Trumbull-Adams Professor of Finance since July 2014, academic advisor at Hong Kong Institute for Monetary and Financial Research since July 2012, academic dean of the School of Economics and Management at The Chinese University of Hong Kong, Shenzhen since June 2015 and director of Shenzhen Finance Institute, CUHK(SZ) since January 2017.</p> <p>Mr. XIONG Wei obtained a bachelor’s degree in physics from the University of Science and Technology of China, a master’s degree in physics from Columbia University in the United States and a doctoral degree in finance from Duke University in the United States in July 1993, May 1995 and May 2001, respectively.</p>
<p>HU Honggao (胡鴻高)</p>	<p>Mr. HU has served as our independent non-executive Director since July 2017. Mr. HU has been professor of law and doctoral advisor at Fudan University since January 2008, while concurrently serving as independent director of Perfect Group CORP., LTD (倍加潔集團股份有限公司) (listed on the SSE, stock code: 603059) since June 2016, independent director of Shanghai Amarsoft Information & Technology Co., Ltd. (上海安碩信息技術股份有限公司) (listed on the SZSE, stock code: 300380) since March 2017, independent director of Shanghai Huaxin Stock Co., Ltd (上海華鑫股份有限公司) (listed on the SSE, stock code: 600621) since May 2017, and independent director of Shenzhen Pacific Union Precision Manufacturing Company Ltd. since April 2020. He also served as independent director of Shanghai Tofflon Science and Technology Co., Ltd. (上海東富龍科技股份有限公司)(listed on the SZSE, stock code: 300171) from March 2014 to February 2020. Mr. HU was head of faculty of law and vice dean of Fudan Law School at Fudan University.</p> <p>Mr. HU Honggao obtained a bachelor’s degree in law from Peking University in July 1983.</p>

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Name	Major work experience
WONG Ti (汪棣)	<p>Mr. WONG has served as our independent non-executive Director since January 2018. Mr. WONG has been independent director of AsiaPacific Property & Casualty Insurance Co., Ltd. since April 2016, supervisor of Vivasolis Biotechnology Co., Ltd. (中國台灣旭昶生物科技股份有限公司) since August 2016, independent non-executive director of 51 Credit Card Inc. (listed on the Hong Kong Stock Exchange, stock code: 2051) since July 2018, and independent director of China International Fund Management Co., Ltd. since April 2019. From July 2017 to May 2019, he acted as independent director of Fosun United Health Insurance Co., Ltd. (復星聯合健康保險股份有限公司). Mr. WONG was also an auditor of Coopers & Lybrand Los Angeles (中信永道會計師事務所), manager of Coopers & Lybrand China (中信永道會計師事務所) and a partner of Pricewaterhouse Coopers (PwC) China.</p> <p>Mr. WONG Ti obtained a bachelor's degree in accounting from the Department of Business Administration of National Taiwan University in 1982 and a Master of Business Administration (MBA) degree from University of California, Los Angeles in 1986. Mr. WONG obtained a qualification as a certified public accountant in China in October 2002.</p>
ZHOU Linda Lei (周語菡)	<p>Ms. ZHOU has served as our Chairman of the Supervisory Committee since July 2014. Ms. ZHOU has been supervisor and chairman of the supervisory committee of China Merchants Fund Management Co., Ltd. since April and May 2020, respectively. She was supervisor of Industrial Bank Co., Ltd. (listed on the SSE, stock code: 601166), independent director of Jiangxi Selon Industrial Co., Ltd. (listed on the SZSE, stock code: 002748), independent director of China Merchants Fund, managing director of China Merchants China Investment Management Limited and executive director of China Merchants China Direct Investments Limited (listed on the Hong Kong Stock Exchange, stock code: 0133).</p> <p>Ms. ZHOU Linda Lei obtained a bachelor's degree in economics majoring in finance and accounting from Renmin University of China and a master's degree in business administration from Sonoma State University of the California State University in July 1989 and January 1993, respectively.</p>

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Name	Major work experience
<p>LI Xiaofei (李曉霏)</p>	<p>Mr. LI has served as our Supervisor since July 2014. Mr. Li has been a standing member of the Execution Committee of China Merchants Financial Services Business Unit since June 2018, and supervisor of China Greatwall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since July 2015. He was an assistant to general manager of China Merchants Finance Holdings Co., Ltd. from November 2014 to November 2017, and deputy general manager of China Merchants Finance Holdings Co., Ltd. from November 2017 to February 2019. He held such positions as secretary (chief at section level) of the general manager office, deputy manager of the planning and development department and deputy manager of the leasing department of Shenzhen Nanyou (Holdings) Ltd., manager of the administration and human resources department and secretary to the board of directors of Grand Auto Park Company Limited (深圳市平方汽車園區有限公司), senior manager of the human resources department of China Merchants Group, and general manager of the human resources department of China Merchants Finance Holdings Co., Ltd.</p> <p>Mr. LI Xiaofei obtained a master's degree in economics majoring in labour economics from Renmin University of China in January 2004.</p>
<p>WANG Zhangwei (王章為)</p>	<p>Mr. WANG has served as our Supervisor since June 2017. Mr. WANG has been the chief auditor (首席稽核官) of the Execution Committee of China Merchants Financial Services Business Unit since April 2019, supervisor of China Merchants Finance Investment Holdings Co. Ltd. since September 2011, and director of Shenzhen Yan Qing Investment and Development Co. Ltd., Shenzhen Chu Yuan Investment and Development Co., Ltd. and Shenzhen Jisheng Investment Development Co., Ltd. since November 2014. He was general manager of Shenzhen Jisheng Investment Development Co., Ltd. and Shenzhen Chu Yuan Investment and Development Co., Ltd. from November 2014 to July 2018, general manager of Shenzhen Yan Qing Investment and Development Co. Ltd. from November 2014 to August 2018, and assistant to general manager of China Merchants Finance Holdings Co., Ltd. from May 2016 to April 2019. Mr. WANG also acted as manager of the audit department of China Merchants Shekou Holdings Co., Ltd., manager of the finance department of China Merchants Technology Holdings Co., Ltd., senior manager of the audit department of China Merchants Group Limited and general manager of the finance department of China Merchants Finance Holdings Co., Ltd.</p> <p>Mr. WANG Zhangwei obtained a bachelor's degree from Dongbei University of Finance and Economics and an MBA degree from University of South Australia in July 1995 and April 2008, respectively. He is a certified public accountant in the PRC and an international certified internal auditor.</p>

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Name	Major work experience
<p>MA Yunchun (馬蘊春)</p>	<p>Mr. MA has served as our Supervisor since June 2017. Mr. MA has been chairman of the board of directors of Hebei Port Group (Tianjin) Investment Management Co., Ltd. (河北港口集團(天津)投資管理有限公司) since October 2020, and chairman of the board of directors and president of Hebei Port Group Shanghai Investment Management Company since January 2016. Mr. MA served as cadre of the electromechanical division, vice head and head of the lading team, and deputy manager of the Sixth Port Service Branch of Qinghuangdao Port Co., Ltd.(秦皇島港口有限公司第六港務分公司), manager of Logistics Company of Qinhuangdao Port Co., Ltd. (秦皇島港口有限公司物流公司), manager of the First Port Service Branch of Qinhuangdao Port Company Limited (秦皇島港口股份有限公司) (formerly known as Qinhuangdao Port Co., Ltd. (秦皇島港口有限公司)), and general manager of Hebei Port Group (Tianjin) Investment Management Co., Ltd. (河北港口集團(天津)投資管理有限公司) and Hebei Port Group Shanghai Investment Management Company.</p> <p>Mr. MA Yunchun obtained a bachelor's degree and a master's degree in welding from Tianjin University in July 1989 and April 1994, respectively.</p>
<p>Zhang Zhen (張震)</p>	<p>Mr. ZHANG has served as our Supervisor since October 2020. He also serves as general manager of finance capital department of China Communications Construction Company Limited (listed on the SSE, stock code: 601800; listed on the Hong Kong Stock Exchange, stock code: 1800) since January 2020, and supervisor of Jiang Tai Insurance Brokers Co., Ltd. since May 2020. He served as director and chief accountant of CCCC First Highway Engineering Group Co., Ltd. (formerly CCCC First Highway Engineering Bureau Co., Ltd.) from April 2009 to December 2019, deputy general manager (person in charge) of the financial capital department of China Communications Construction Company Ltd. from December 2019 to January 2020. He served as auditor of audit division, chief finance manager of Zaire O-W Project, manager of finance division in charge of reporting accounts, chief accountant of Science Research Institute, chief of finance division, and deputy chief accountant of CCCC First Highway Engineering Co., Ltd.</p> <p>Mr. ZHANG Zhen obtained a bachelor's degree in engineering finance and accounting from Changsha Transportation College Faculty of Management in July 1985; and was awarded with professional qualification of senior accountant from Professional Skill and Qualification Assessment Committee of Ministry of Transportation in August 1997.</p>

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Name	Major work experience
ZOU Qun (鄒群)	<p>Mr. ZOU has served as our Supervisor since October 2020. He also serves as the chief of securities investment department of Shenzhen Huaqiang Asset Management Group Co., Ltd. since December 2018, director of Guangdong Huaqiang Property Co., Ltd. since January 2008, and director of Shenzhen Huaqiang Dingxin Investment Co., Ltd. since January 2015. He served as director of Shenzhen Huaqiang Group Co., Ltd. from September 2012 to December 2017, general manager of Shenzhen Qianhai Huaqiang Xinghe Financial Leasing Development Co., Ltd from January 2016 to September 2017, and general manager of Shenzhen Huaqiang Group Finance Co., Ltd. from September 2017 to November 2018. He served as deputy chief, chief of financial settlement centre and chief of investment management division, and supervisor of Shenzhen Huaqiang Group Co., Ltd., director of Shenzhen Huaqiang Industry Co. Ltd. (listed on the SZSE, stock code: 000062), deputy managing director of Shenzhen Sanyang Huaqiang Laser Electronic Co., Ltd., deputy general manager of Huaqiang Cloud Investment Holding Co., Ltd., general managing director of Shenzhen Huaqiang Laser Electronic Co., Ltd. and general manager of Shenzhen Huaqiang Zhaoyang Energy Co., Ltd.</p> <p>Mr. ZOU Qun obtained his bachelor's degree in magnetic physics and devices from Huazhong University of Science and Technology (formerly known as Huazhong Institute of Technology) in July 1988. He was also awarded with finance professional qualification of intermediate economist by Ministry of Personal Affairs of the People's Republic of China in June 1995, and obtained qualification of senior professional manager in enterprise management from China Professional Manager Qualification Assessment Committee in July 2005.</p>
YIN Hongyan (尹虹艷)	<p>Ms. YIN has served as our employee representative Supervisor since August 2007. Ms. YIN has been our Chief Human Resource Officer since June 2020. She used to be general manager of our Department of Retail Brokerage and Department of Operations and Administration from August 2017 to August 2018, and general manager of our Human Resources Department from August 2018 to May 2020. She served as assistant to manager and head of the customer service department of our Shenzhen Zhenhua Road securities branch, deputy manager of our Shenzhen Fumin Road securities branch, assistant to general manager of our Private Customer Service Department, manager of our Shenzhen Fumin Road securities branch and deputy general manager and later general manager of our Department of Operations and Administration.</p> <p>Ms. YIN Hongyan obtained a doctoral degree in law majoring in sociology from Nankai University in June 2006.</p>

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Name	Major work experience
HE Min (何敏)	<p>Ms. HE has served as our employee representative Supervisor since July 2009 and general manager of our Finance Department since February 2019. Ms. HE has been chairman of the supervisory committee of Bosera Asset Management Co., Limited since April 2019, director of China Merchants Futures Co., Ltd. and China Merchants Zhiyuan Capital Investment Co. Ltd. since May 2019, and director of China Merchants Securities Asset Management Co., Ltd. since July 2019. Ms. HE served as deputy general manager of our Finance Department from April 2009 to February 2019, and assistant to the general manager of our Finance Department.</p> <p>Ms. HE Min obtained a bachelor's degree in economics majoring in accounting and a master's degree in management majoring in accounting, both from Zhongnan University of Economics and Law (formerly known as Zhongnan University of Finance and Economics), in July 1996 and June 1999, respectively. Ms. HE was granted the qualification of Certified Public Accountant in October 1999 by the Chinese Institute of Certified Public Accountants.</p>
SHEN Weihua (沈衛華)	<p>Ms. SHEN has served as our employee representative Supervisor since October 2020. She has been also serving as the general manager of Audit Department of the Company since March 2020, independent director of RAYITEK HI-TECH Film Company Ltd., Shenzhen* (深圳瑞華泰薄膜科技股份有限公司) since May 2020, independent director of Shenzhen New Industries Biomedical Engineering Co., Ltd.* (深圳市新產業生物醫學工程股份有限公司) since June 2020. Ms. SHEN Weihua served as the vice president of the ZTF Securities Limited* (中天國富證券有限責任公司) from July 2017 to April 2019. She once worked in Shenzhen Zhongshen Certified Accounting Firm* (深圳中審會計師事務所), and was an auditing manager of Shenzhen Pengcheng Certified Public Accounting Firm* (深圳鵬程會計師事務所), an internal auditing general manager of Investment Banking Department of the Company, the general manager of China Merchants Zhiyuan Capital Investment Co., Ltd., and the managing director of ZTF Securities Limited.</p> <p>Ms. SHEN Weihua obtained a bachelor's degree in economics and a master's degree in History of Foreign Economic Thoughts from the Economics and Management School of Wuhan University in July 1993 and July 1997, respectively.</p>

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Name	Major work experience
<p>DENG Xiaoli (鄧曉力)</p>	<p>Ms. DENG has served as our Vice President since November 2005. She has been chairman of the board of directors of CMS Zhiyuan since January 2019 and chairman of the board of directors of CMS Asset Management since March 2019. She also served as our Chief Risk Officer from August 2014 to December 2018. From January 2006 to January 2019, she took the position of director of CMS International. She also acted as director and vice chairman of the board of directors of China Merchants Fund from November 2006 and November 2013 respectively to April 2020. She was a senior risk analyst of Providian Financial Corporation, senior analyst in the risk management department of Citigroup Inc., deputy general manager and then general manager of our Risk Management Department (during such period she had been a member of the administrative take-over group of China Southern Securities) and secretary to the Board.</p> <p>Ms. DENG Xiaoli obtained a bachelor's degree in science majoring in management science from Shandong University, a master's degree and a doctoral degree in economics from the State University of New York in July 1989, December 1993 and December 1996, respectively. Ms. DENG was granted the title of Senior Economist (Finance) in December 2013.</p>
<p>LI Zongjun (李宗軍)</p>	<p>Mr. LI has served as our Vice President since July 2015. Mr. LI has been chairman of the board of directors of China Merchants Futures since March 2019, director of E-Capital Transfer Co., Ltd. since January 2019, and vice chairman of the board of directors of Qingdao Assets Management Co., Ltd. (青島市資產管理有限公司) since December 2018. He served as chairman of the board of directors of CMS Zhiyuan from January 2015 to January 2019, and took the positions of assistant to general manager of COSCO Finance Co., Ltd. and general manager of its Beijing securities department, deputy manager of the overseas listing department of COSCO's asset management center, assistant to general manager of China Merchants Holdings (International) Company Limited, deputy general manager of the corporate planning department of China Merchants Group, deputy general manager of China Merchants Capital Investments Co., Ltd., deputy general manager of China Merchants Food Supply Chain Management Co., Ltd.* (招商局食品供應鏈管理有限公司) and assistant to President of the Company.</p> <p>Mr. LI Zongjun obtained a bachelor's degree in economics and a master's degree in economics, both from Nankai University, in July 1987 and April 1990, respectively. Mr. LI was granted the qualification of senior economist by the Ministry of Transport in October 1998.</p>

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Name	Major work experience
<p>WU Huifeng (吳慧峰)</p>	<p>Mr. WU has served as our Vice President since November 2018 and our Secretary to the Board since December 2014. Mr. WU served as head of the settlement center of China Nanshan Development (Group) Co., Ltd., deputy manager of the finance department of Shanghai Nanshan Real Estate Development Co., Ltd. (上海南山房地產開發有限公司) (formerly known as Shanghai Chengnan Real Estate Development Company (上海誠南房地產開發公司)), general manager of the finance and audit department, general manager of the human resources department, assistant to the general manager, and deputy general manager of China Merchants Finance Holdings Co., Ltd. He also worked for our Company as Director, Supervisor, co-general manager of the Board office and assistant to president.</p> <p>Mr. WU Huifeng obtained a bachelor's degree in economics majoring in accounting from the Shanghai University of Finance and Economics and a master's degree in economics majoring in finance from Peking University in June 1996 and January 2012, respectively. Mr. WU was granted the qualification of accountant in May 1998 by the Ministry of Finance of the PRC.</p>
<p>ZHAO Bin (趙斌)</p>	<p>Mr. ZHAO has served as our Vice President since November 2018. He has been working as executive director of CMS Investment since January 2019. He acted as our Chief Compliance Officer from January 2016 to December 2018, chief compliance officer of CMS Asset Management from January 2018 to January 2021, chairman of the supervisory committee of China Merchants Fund from September 2017 to April 2020, director of CMS Asset Management from July 2015 to May 2019, and director of China Merchants Futures from July 2008 to May 2019. He took the position of assistant to manager and manager of our Haikou branch, head of Futian branch, assistant to the general manager of our Brokerage Business Department, deputy manager (person-in-charge) of our Shenzhen Longgang securities branch, manager of our Shenzhen Nanshan Nanyou Road securities branch, general manager of our Private Customer Service Department, general manager of our Channel Management Department, general manager of our Department of Retail Brokerage and our employee representative Supervisor.</p> <p>Mr. ZHAO Bin obtained a bachelor's degree in economics majoring in international finance from Shenzhen University and a master's degree in science majoring in project management from the University of Greenwich in June 1992 and December 2010, respectively.</p>

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Name	Major work experience
HU Yu (胡宇)	<p>Mr. HU has been the chief compliance officer and chief risk officer since December 2018. From August to November 2018, he was the deputy head of capital operation department of China Merchants Group. He served as the member of CPC Committee and the secretary of Disciplinary Committee of Guangdong Bureau of the China Securities Regulatory Commission from November 2016 to July 2018. He was a teacher in Xishan Middle School (西山中學), teacher of the foreign language teaching and research office of Jiangxi Medical College, deputy principal staff member of Department of Policy and Regulations, the principal staff member of Department of Intermediary Supervision, the deputy officer and director of Office of the Party Committee as well as the director of No.1 Inspection Office of Shenzhen Bureau of the CSRC and member of CPC Committee and the secretary of Disciplinary Committee of Hainan Bureau of the China Securities Regulatory Commission.</p> <p>Mr. HU Yu obtained a Bachelor of Arts degree from Jiangxi Normal University (江西師範大學) and a Master's degree in Finance from Graduate School of People's Bank of China in July 1989 and July 1996, respectively.</p>
WU Guangyan (吳光焰)	<p>Mr. WU has served as our Vice President since February 2019, and chairman of the board of directors of CMS International since December 2018. He served as general manager of our Department of International Business from November 2018 to June 2020, assistant to the President from July 2018 to February 2019, and general manager of CMS Asset Management from April 2015 to August 2019. Mr. WU also used to be engineer of Radio Electronics Research Institute in Wuhan City, technology manager of information technology center of the head office of China Merchants Bank, general manager of Technology Department of the Shenzhen branch of China Guangfa Bank, person-in-charge for the operation department for credit card business department of the headquarter of Ping An Bank, deputy general manager (person-in-charge) of our Operations and Administration Department, general manager of our Private Customer Service Department and general manager of our Assets Management Department.</p> <p>Mr. WU Guangyan obtained a bachelor's degree in automatic control majoring in testing technology and instrument (自動控制系檢測技術及儀器專業學士學位) and a master's degree majoring in pattern recognition and intelligent control (模式識別與智能控制專業碩士學位) from Huazhong University of Science and Technology in June 1988 and June 1995, respectively.</p>

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Name	Major work experience
XIE Jijun (謝繼軍)	<p>Mr. XIE has served as our Vice President since March 2019. He acted as the general manager of the Investment banking department from April 2008 to April 2020, and managing director from April 2008 to February 2019. He held the position of officer of the corporate management department of Shenzhen Navigation Group Co., Ltd., senior manager and assistant to general manager of investment banking department of China Southern Securities Limited, and team head, deputy general manager, executive director and executive director (person-in-charge) of the investment banking department.</p> <p>Mr. XIE Jijun obtained a bachelor's degree in Naval Architecture and Ocean Engineering majoring in thermal engineering from South China University of Technology in July 1994, a master's degree in economics majoring in international economics and trade from Nankai University and Flinders University in Australia (澳大利亞弗林德斯大學) in October 2004 and an EMBA degree from China Europe International Business School in September 2011. Mr. XIE was among the first batch of registered sponsor representatives in China in 2004.</p>
FANG Xiaobing (房小兵)	<p>Mr. FANG served as our Supervisor from July 2011 to October 2020. Mr. FANG has been the deputy general manager of China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) since December 2019, chairman of the board of directors of China Reform (Group) Finance Co., Ltd.*(國新集團財務有限責任公司) and executive director of China Reform Capital Co., Ltd.*(國新資本有限公司) since March 2020, supervisor of CNIC Corporation Limited since April 2020 and supervisor of Yellow River Property & Casualty Insurance Co., Ltd. since May 2018. He was general manager of the financial management department of China Communications Construction Company Ltd. (CCCC) (listed on the SSE, stock code: 601800; listed on the Hong Kong Stock Exchange, stock code: 1800) from August 2014 to February 2020. He served as supervisor of Jiang Tai Insurance Brokers Co., Ltd. from October 2015 to December 2019, director of CCCC Finance Company Limited (中交財務有限公司) from March 2016 to December 2019, and director of CCCC Fund Management (Beijing) Co., Ltd. from August 2016 to December 2019. Mr. FANG took the position of director of CCCC Financial Leasing Co., Ltd. from May 2018 to December 2019. Besides, he also worked as deputy general manager of the finance department of China Harbor Construction (Group) Company(中國港灣建設(集團)總公司), executive general manager, chief financial officer and chief accountant of the overseas business department of CCCC, and general manager of the financial funding department of China Communications Construction Group (Limited).</p> <p>Mr. FANG Xiaobing obtained a bachelor's degree in engineering majoring in finance from Changsha University of Science & Technology (formerly known as Changsha College of Transportation), a master's degree in business administration from Fordham University in the U.S. and a doctoral degree in administration from Beijing Jiaotong University in June 1993, February 2006 and June 2016, respectively. Mr. FANG was granted the title of Official Senior Accountant in December 2015 by China Communications Construction Company Limited.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Major work experience
<p>ZHANG Zehong (張澤宏)</p>	<p>Mr. ZHANG served as our Supervisor from July 2011 to October 2020. He has been vice president of Shenzhen Huaqiang Holdings Limited since August 2014, director of Shenzhen Huaqiang Industry Co., Ltd. (listed on the SZSE, stock code: 000062) since June 2012, and holds concurrently the positions of director, general manager and supervisor in various subsidiaries of Shenzhen Huaqiang Holdings Limited, details of which are set out in the below table. Mr ZHANG has been director of Tami Intelligent Technology (Beijing) Co., Ltd. (塔米智能科技(北京)有限公司) since October 2016. He acted successively as the head of the settlement center, finance department, auditing department and assistant to president of Shenzhen Huaqiang Holdings Limited, managing director of Shenzhen Huaqiang Dingxin Investment Co., Ltd. and general manager of Huaqiang Industry.</p> <p>Mr. ZHANG Zehong obtained a bachelor's degree in economics majoring in accounting from Xi'an Shiyou University (formerly known as Xi'an Shiyou College) and a master's degree in economics majoring in accounting from Shaanxi Institute of Finance and Economics (now merged into Xi'an Jiaotong University) in June 1994 and July 1997, respectively. Mr. ZHANG was granted the title of Intermediate Accountant by the Ministry of Finance in May 1999.</p>
<p>XIONG Zhigang (熊志鋼)</p>	<p>Mr. XIONG served as our employee representative supervisor from May 2017 to October 2020. He has served as director and general manager of CMS Asset Management since December 2019. He was general manager of our Audit Department, supervisor of CMS Investment from December 2017 to December 2019, and supervisor of CMS Asset Management from May 2019 to December 2019. Mr. XIONG was financial manager of the financial management department of Huawei Technologies Co., Ltd., officer and deputy head of the CSRC Shenzhen Office, and member of the preparation team, chief compliance officer, chief risk officer and secretary to the board of directors of CMS Asset Management Co., Ltd.</p> <p>Mr. XIONG Zhigang obtained a bachelor's degree in economics majoring in auditing from Nankai University and a master's degree in finance from Peking University in June 2000 and July 2007, respectively. Mr. XIONG was granted the qualifications of Certified Public Accountant by the Chinese Institute of Certified Public Accounts, Internal Auditor by the China Institute of Internal Audit, International Internal Auditor (IIA) by the International Institute of Internal Auditors as well as the title of Intermediate Accountant by the Ministry of Finance of the PRC in December 2004, November 2001, November 2001 and May 2004, respectively.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

II. Positions of Incumbent Directors, Supervisors and Senior Management and Those Resigned during the Reporting Period

(I) Positions in shareholders

Name	Name of shareholder	Position	Date of Appointment	Date of Termination
SU Min (蘇敏)	China Merchants Finance Investment Holdings Co., Ltd.	General manager	December 2017	to date
WANG Wen (王文)	PICC Life Insurance Company Limited	Vice president	July 2017	to date
WANG Zhangwei (王章為)	China Merchants Finance Investment Holdings Co., Ltd.	Supervisor	September 2011	to date
	Shenzhen Jisheng Investment Development Co., Ltd.	Director	November 2014	to date
ZHANG Zhen (張震)	China Communications Construction Company Ltd.	General manager of the financial capital department	January 2020	to date
Statement of positions in shareholders' companies		Nil		

(II) Positions in other companies

Name	Name of company	Position	Date of Appointment	Date of Termination
HUO Da (霍達)	China Merchants Group	Member of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	to date
	CMS International	Director	January 2019	October 2020

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Name of company	Position	Date of Appointment	Date of Termination
SU Jian (粟健)	China Oil and Foodstuff Corporation	Chief accountant	December 2020	to date
	Sinotrans Limited	Non-executive director	June 2019	to date
	China Merchants Port Holdings Company Limited	Executive director	October 2017	to date
	China Merchants Port Group Co., Ltd.	Director	December 2018	March 2021
	China Merchants Expressway Network & Technology Holdings Co., Ltd.	Director	January 2018	March 2021
	China Merchants Group	Head of the finance department (property rights department)	July 2017	December 2020
XIONG Xianliang (熊賢良)	China Merchants Innovation Investment Management Co., Ltd.	Director	August 2018	to date
	China Merchants Group	Head of strategic development department	March 2015	to date
	Sinotrans Limited	Non-executive director	June 2019	to date
	China Merchants Port Holdings Company Limited	Executive director	June 2018	to date
	China Merchants Group	Director of development research center	August 2018	November 2020
	China Merchants Technology and Innovation Development Institute (招商局科技創新發展研究院)	Dean	August 2018	November 2020
SU Min (蘇敏)	China Merchants Group	Standing vice officer of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	to date
	Bosera Funds	Director	September 2018	to date
	China Merchants Finance Holdings Co., Ltd.	Director	December 2015	to date
	China Merchants Bank	Director	September 2014	to date
	China Great Wall Securities Co., Ltd.	Director	October 2020	to date

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Name of company	Position	Date of Appointment	Date of Termination
XIONG Jiantao (熊劍濤)	CMS International	Director	September 2015	October 2020
PENG Lei (彭磊)	China Merchants Group	Standing member of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	to date
	China Merchants Ping An Asset Management Co.	Director	December 2018	to date
	China Merchants Commerce Leasing Co., Ltd	Director	August 2018	to date
	China Great Wall Securities Co., Ltd.	Director	June 2011	to date
GAO Hong (高宏)	China Merchants Group	Standing member of the Execution Committee of China Merchants Financial Services Business Unit	February 2019	to date
	China Merchants Financial Technology Co., Ltd. (招商局金融科技有限公司)	General manager	November 2017	to date
	China Merchants Life Insurance Company Limited	Deputy general manager (Chief Digital Officer (CDO))	February 2017	to date
HUANG Jian (黃堅)	Shanghai Rural Commercial Bank Co., Ltd.	Director	June 2018	to date
	China COSCO Shipping Corporation Limited	General manager of capital operation department	September 2016	to date
	COSCO SHIPPING Captive Insurance Co., Ltd.	Director	August 2017	to date
	Lanhai Medical Investment Co., Ltd.	Director	May 2017	to date
	COSCO SHIPPING Development Co., Ltd.	Non-executive director	June 2016	to date

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Name of company	Position	Date of Appointment	Date of Termination
WANG Daxiong (王大雄)	COSCO SHIPPING Investment Co., Limited	Chairman of the board of directors	March 2014	to date
	COSCO SHIPPING Development Co., Ltd.	Chairman of the board of directors	July 2019	to date
	COSCO SHIPPING Development Co., Ltd.	Executive director	May 2016	to date
	China Merchants Bank	Non-executive director	November 2016	to date
	COSCO SHIPPING Captive Insurance Co., Ltd.	Chairman of the board of directors	October 2017	March 2020
	New China COSCO Financial Holdings Limited	Vice chairman of the board of directors	March 2017	January 2020
	COSCO SHIPPING Development Co., Ltd.	Chief executive officer	May 2016	April 2020
WANG Wen (王文)	China-US Insurance Advisory CO., LTD.	Chairman of the board of directors	May 2017	to date
XIANG Hua (向華)	Durer Investment Management Co., Ltd. (圖瑞投資管理有限公司)	Chief executive officer	January 2018	to date
XIAO Houfa (肖厚發)	RSM China (容誠會計師事務所(特殊普通合伙))	Principal partner	January 2014	to date
	Xuzhou Xiaodong Cardiovascular Hospital Co., Ltd. (徐州曉東心血管醫院有限責任公司)	Director	November 2019	to date
	Beijing Zhongfa Shengxing Management Consulting Co., Ltd. (北京中發晟興管理諮詢有限公司)	Executive director	April 2020	December 2020
	Guohua Kangping Elderly Service Co., Ltd. (國華康平養老服務有限公司)	Director	April 2019	November 2020
XIONG Wei (熊偉)	Princeton University	Professor of Economics	July 2007	to date
	Princeton University	Trumbull-Adams Professor of Finance	July 2014	to date
	Shenzhen Finance Institute, CUHK (SZ)	Director	January 2017	to date
	Chinese University of Hong Kong, Shenzhen	Academic Dean of the School of Economics and Management	June 2015	to date
	Hong Kong Institute for Monetary and Financial Research	Academic adviser	July 2012	to date

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Name of company	Position	Date of Appointment	Date of Termination
HU Honggao (胡鴻高)	Fudan University	Professor of law, doctoral advisor	January 2008	to date
	Shanghai China Fortune Co., Ltd.	Independent director	May 2017	to date
	Shanghai Amarsoft Information & Technology Co., Ltd.	Independent director	March 2017	to date
	Perfect Group Corp., Ltd	Independent director	June 2016	to date
	Shenzhen Pacific Union Precision Manufacturing Company Ltd.	Independent director	April 2020	to date
	Shanghai Tofflon Science and Technology Co., Ltd (上海東富龍科技股份有限公司)	Independent director	March 2014	February 2020
WONG Ti (汪棣)	China International Fund Management Co., Ltd.	Independent director	April 2019	to date
	51 Credit Card Inc.	Independent non-executive director	July 2018	to date
	Asia-Pacific Property & Casualty Insurance Co., Ltd.	Independent director	April 2016	to date
	Vivasolis Biotechnology Co., Ltd. (中國台灣旭昶生物科技股份有限公司)	Supervisor	August 2016	to date
ZHOU Linda Lei (周語菡)	China Merchants Fund Management Co., Ltd.	Supervisor	April 2020	to date
	China Merchants Fund Management Co., Ltd.	Chairman of the supervisory committee	May 2020	to date
LI Xiaofei (李曉霏)	China Merchants Group	Standing member of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	to date
	China Great Wall Securities Co., Ltd.	Supervisor	July 2015	to date
WANG Zhangwei (王章為)	China Merchants Group	Chief auditor of China Merchants Financial Services Business Unit	April 2019	to date
	Shenzhen Yan Qing Investment and Development Company Ltd.	Director	November 2014	to date
	Shenzhen Chuyuan Investment and Development Company Ltd.	Director	November 2014	to date

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Name of company	Position	Date of Appointment	Date of Termination
MA Yunchun (馬蘊春)	Hebei Port Group (Tianjin) Investment Management Co., Ltd. (河北港口集團(天津)投資管理有限公司)	Chairman of the board of directors	October 2020	to date
	Hebei Port Group Shanghai Investment Management Company	Chairman of the board of directors	January 2016	to date
ZHANG Zhen (張震)	Jiang Tai Insurance Brokers Co., Ltd.	Supervisor	May 2020	to date
ZOU Qun (鄒群)	Shenzhen Huaqiang Asset Management Group Co., Ltd.	Director of securities investment department	December 2018	to date
	Shenzhen Huaqiang Dingxin Investment Co., Ltd.	Director	January 2015	to date
	Guangdong Huaqiang Property Co., Ltd. (廣東華強置業有限公司)	Director	January 2008	to date
HE Min (何敏)	CMS Asset Management	Director	July 2019	to date
	China Merchants Futures	Director	May 2019	to date
	CMS Zhiyuan	Director	May 2019	to date
	Bosera Asset Management Co., Limited	Chairman of Supervisory Committee	April 2019	to date
SHEN Weihua (沈衛華)	RAYITEK HI-TECH Film Company Ltd., Shenzhen (深圳瑞華泰薄膜科技股份有限公司)	Independent director	May 2020	to date
	Shenzhen New Industries Biomedical Engineering Co., Ltd. (深圳市新產業生物醫學工程股份有限公司)	Independent director	June 2020	to date
DENG Xiaoli (鄧曉力)	CMS Zhiyuan	Chairman of the board of directors	January 2019	to date
	CMS Asset Management	Chairman of the board of directors	March 2019	to date
	China Merchants Fund	Vice chairman of the board of directors	November 2013	April 2020
	China Merchants Fund	Director	November 2006	April 2020

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Name of company	Position	Date of Appointment	Date of Termination
LI Zongjun (李宗軍)	China Merchants Futures	Chairman of the board of directors	March 2019	to date
	E-Capital Transfer Co., Ltd	Director	January 2019	to date
	Qingdao Assets Management Co., Ltd. (青島市資產管理有限公司)	Vice chairman of the board of directors	December 2018	to date
ZHAO Bin (趙斌)	CMS Investment	Executive director	January 2019	to date
	China Merchants Fund	Chairman of the supervisory committee	September 2017	April 2020
	CMS Asset Management	Chief compliance officer	January 2018	January 2021
WU Guangyan (吳光焰)	China Merchants Securities	Chairman of the board of directors	December 2018	to date
FANG Xiaobing (房小兵)	China Reform Holdings Corporation Ltd.	Deputy general manager	December 2019	to date
	China Reform (Group) Finance Co., Ltd. (國新集團財務有限責任公司)	Chairman of the board of directors	March 2020	to date
	China Reform Capital Co., Ltd. (國新資本有限公司)	Executive director	March 2020	to date
	CNIC Corporation Limited	Supervisor	April 2020	to date
	Yellow River Property & Casualty Insurance Co., Ltd.	Supervisor	August 2017	to date

Chapter 7: Directors, Supervisors, Senior Management and Employees

Name	Name of company	Position	Date of Appointment	Date of Termination
ZHANG Zehong (張澤宏)	Shenzhen Huaqiang Holdings Limited	Vice president	August 2014	to date
	Shenzhen Huaqiang Industry Co., Ltd.	Director	June 2012	to date
	Shenzhen Huaqiang Electronic Commerce Co., Ltd.	Director	April 2013	to date
	Shenzhen Huaqiang Group Finance Limited (深圳華強集團財務有限公司)	Director	May 2012	to date
	Shenzhen Huaqiang Asset Management Group Co., Ltd.	Director, general manager	June 2018	to date
	Shenzhen Qianhai Huaqiang Finance Holding Limited (深圳前海華強金融控股有限公司)	Director, general manager	September 2017	to date
	Huaqiang Venture Capital Co., Ltd (華強創業投資有限責任公司)	Director	May 2017	to date
	Shenzhen Huaqiang Supply Chain Management Co., Ltd.	Director	June 1994	to date
	Fantawild Holdings Inc	Supervisor	April 2016	to date
Tami Intelligent Technology (Beijing) Co., Ltd. (塔米智能科技(北京)有限公司)	Director	October 2016	to date	
XIONG Zhigang (熊志鋼)	CMS Asset Management	Director, general manager	December 2019	to date
Statement of positions in other companies	Nil			

III. Remuneration of Directors, Supervisors and Senior Management

<p>Decision-making procedures of remuneration of Directors, Supervisors and senior management</p>	<p>Non-executive directors and external supervisors of the Company shall not collect remuneration from the Company, and independent non-executive directors shall receive the allowance of independent directors according to the resolutions of the Company's shareholders' general meeting. The Remuneration and Appraisal Committee considers and reviews the remuneration policy, standard and proposal for the Directors, chairman of the Supervisory Committee and senior management who worked full time for the Company, and makes recommendations to the Board on the formulation of official and transparent procedures for determining the remuneration policy. Remuneration of the Directors, chairman of the Supervisory Committee and senior management who worked full time for the Company shall be considered and determined by the Remuneration and Appraisal Committee under the Board.</p>
<p>Basis for determination of remuneration of Directors, Supervisors and senior management</p>	<p>Remuneration of the Directors, chairman of the Supervisory Committee and senior management who worked full time for the Company shall be determined by the Remuneration and Appraisal Committee under the Board with reference to the principal duties of relevant managerial positions, the results of performance assessment as well as the remuneration level in the market, according to the Company's Scheme of Management Methods of the Remuneration of Senior Management.</p>

Chapter 7: Directors, Supervisors, Senior Management and Employees

Remuneration paid to Directors, Supervisors and senior management

In addition to the annual remuneration as determined under Management Method of the Remuneration of Senior Management Staff (《高級管理人員薪酬管理辦法》), the Middle and Long term Cash Retain Plan for Core Employees of the Company (《核心員工中長期現金保留計劃方案》) has been authorized by the Remuneration and Appraisal Committee of the Board for implementation in 2020, pursuant to which, the incentive payment for our core employees would be determined based on the performance appraisal results of the Company and individuals and granted instalments. Incentive payments (before tax) made during the Reporting Period in respect of 2019 were as follows: RMB3.6791 million for HUO Da, RMB3.6791 million for XIONG Jiantao, RMB2.9716 million for ZHOU Linda Lei, RMB2.81 million for DENG Xiaoli, RMB2.6695 million for LI Zongjun, RMB2.81 million for WU Huifeng, RMB2.9505 million for ZHAO Bin, RMB2.81 million for XIE Jijun, RMB2.9505 million for WU Guangyan, RMB2.81 million for HU Yu, RMB1.5292 million for YIN Hongyan, RMB0.6884 million for HU Min, and RMB1.2744 million for XIONG Zhigang.

Aggregate remuneration actually paid to all the Directors, Supervisors and senior management as of the end of the Reporting Period

Remunerations before tax received by Directors, Supervisors and senior management from the Company during the Reporting Period totaled to RMB81.3735 million.

Chapter 7: Directors, Supervisors, Senior Management and Employees

IV. Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Date of Change	Reason
ZHANG Zhen (張震)	Shareholder Representative Supervisor	Elected	October 30, 2020	Elected at the shareholders' meeting
ZOU Qun (鄒群)	Shareholder Representative Supervisor	Elected	October 30, 2020	Elected at the shareholders' meeting
SHEN Weihua (沈衛華)	Employee Representative Supervisor	Elected	October 30, 2020	Elected at the employee representatives' meeting
FANG Xiaobing (房小兵)	Shareholder Representative Supervisor	Resigned	October 30, 2020	Change of session of the Board of Supervisors
ZHANG Zehong (張澤宏)	Shareholder Representative Supervisor	Resigned	October 30, 2020	Change of session of the Board of Supervisors
XIONG Zhigang (熊志鋼)	Employee Representative Supervisor	Resigned	October 30, 2020	Change of session of the Board of Supervisors

The term of the 6th session of Board of Directors and Supervisory Committee of the Company expired during the Reporting Period. The Company convened the second extraordinary general meeting on October 30, 2020 to elect new members of the Board and Supervisory Committee, and three employee representative Supervisors were also elected at our employee representative conference held in the same month. For details, please refer to the relevant announcements published by the Company on the website of Hong Kong Stock Exchange on October 13 and October 30, 2020.

V. Major Changes in Respect of Directors and Supervisors

For details of the changes in appointment of Directors and Supervisors of the Company from 2020 to the disclosure date of this report, please see "II. Positions of Incumbent Directors, Supervisors and Senior Management and Those Resigned during the Reporting Period" in this chapter.

Save as disclosed above, before the disclosure date of this report, there was no other material change in relation to the Directors and Supervisors that is required to be disclosed under Rule 13.51B of the Hong Kong Listing Rules.

VI. Compositions of Special Committees under the Board

The Board of the Company has currently set up five special committees, namely the Strategy Committee, the Risk Management Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee. The composition of each of the committee is as follows:

- (1) Strategy Committee comprises of 7 members: HUO Da, XIONG Xianliang, XIONG Jiantao, GAO Hong (appointed in August 2020), WANG Daxiong, WANG Wen, XIANG Hua, of which, HUO Da acts as the convener.
- (2) Risk Management Committee comprises of 7 members: SU Min, SU Jian, XIONG Jiantao, PENG Lei, WANG Daxiong, WANG Wen, XIANG Hua, of which, SU Min acts as the convener.
- (3) Audit Committee comprises of 5 members: XIAO Houfa, SU Jian, HUANG Jian, HU Honggao, WONG Ti (resigned in June 2019, and continued to perform his duties before a new independent director took office), of which, XIAO Houfa acts as the convener.
- (4) Remuneration and Appraisal Committee comprises of 5 members: XIANG Hua, SU Min, PENG Lei, XIONG Wei, WONG Ti (resigned in June 2019, and continued to perform his duties before a new independent director took office), of which, XIANG Hua acts as the convener.
- (5) Nomination Committee comprises of 5 members: XIONG Wei, HUO Da (appointed in August 2020), PENG Lei, XIAO Houfa, HU Honggao, of which, XIONG Wei acts as the convener.

Chapter 7: Directors, Supervisors, Senior Management and Employees

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

To the best knowledge of the Directors after having made reasonable enquiries, the interests and short positions of the directors and chief executives in the Shares and underlying shares of the Company as of the authorisation date for issue of this report are as follows:

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

VIII. Employees of the Parent Company and Major Subsidiaries

(I) Employees

Number of employees of parent company	8,478
Number of employees of major subsidiaries	752
Total number of employees	9,230
Number of resigned and retired employees with expenses borne by the parent company and major subsidiaries	58
Classification by business function	
Business function	Number
Management and administration	324
Securities and futures brokerage	6,550
Investment banking	821
Investment management	216
Investment and trading	176
Research	149
Legal and compliance, risk management and internal audit	160
IT	536
Finance and accounting	161
Others	137
Total	9,230
Classification by education background	
Education background	Number
Doctor	77
Master	3,074
Bachelor	4,751
Below bachelor's degree	1,328
Total	9,230

Chapter 7: Directors, Supervisors, Senior Management and Employees

(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 indicators of the Company. The management 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 Chairman and the President mainly according to the achievement of key performance indicators of each department, strategic tasks, and objectives in terms of innovation and synergy as well as the market rate.

(III) Training

The Company plans and implements such training programs as classified based on different levels and categories with specific focus by adherence to its strategic planning and annual human resources management objectives. A series of training programs tailored for particular objectives have been carried out to respond to the strategic tasks in the field of technology advancement, digital transformation and process optimization. A mobile learning platform has been set up to diversify training programs throughout the year through online, offline and blended learning methods, ensuring that the training needs necessary for employees' growth and urgently needed for business development are met and thereby promoting the Company's core competitiveness.

1. For new employees, we establish the mode of "independent online learning + concentrated offline training + practice-based post learning" to help them efficiently integrate into us as a whole, master the necessary job skills, establish awareness of compliance and risk management, and strengthen their professional ethics.
2. For existing employees, we conduct various types of business training relating to important laws and regulations, business practical skills and others to consolidate business fundamentals and strengthen professional securities capabilities. In addition, we conduct general training to enhance employees' career quality and capability, in relation to, among others, personal quality, office skills, team management, etc.
3. For our management, we arrange special training relating to macro economy, reform and innovation, strategy execution and digital transformation, expecting to reinforce their strategic thoughts and leadership.

(IV) Outsourced services

Some departments and branches of the headquarter of the Company outsource certain works which are not essential, non-business and supporting in nature. We enter into relevant service contracts with outsourcers and regulate service quality in compliance with related national laws and regulations, such as the Contract Law of the People's Republic of China.

IX. Others

As of December 31, 2020, the Company entered into the securities agency contracts with 1,650 agents. The Company adopted categorized and classified management on its agents. In respect of categorized management, the headquarters of the Company is responsible for formulating centralized systems and regulations on the recruitment, remuneration, performance assessment, training, compliance management and routine code of conduct, while branch companies and branches shall determine their respective systems on recruitment, profit sharing commission rate, training and assessment of the marketing personnel under the framework formulated by the Company. In respect of classified management, the Company classifies its marketing personnel into different grades according to their sales performance, education background, professional qualifications, compliance with laws and regulations and general qualifications. Marketing personnel are assigned with different remuneration package and scope of business according to their grades. In particular, general marketing staff is mainly responsible for soliciting new customers, while those with exceptional performance and higher qualifications is responsible for serving customers with a specific level of assets.

CORPORATE GOVERNANCE

REPORT





Chapter 8: Corporate Governance Report

I. Overview of Corporate Governance

The Company, being a company listed in Hong Kong and the PRC, manages its operation in strict compliance with the laws, regulations and regulative documents of the, domestic and overseas, places where its shares are listed, and strives to protect and enhance its market presence. The Company continues to improve its corporate governance structure in compliance with the Company Law, 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 applicable requirements of the 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 regulated corporate governance and operation. The corporate governance structure is sound and does not deviate from relevant requirements of the regulatory authorities from where the Company's shares are listed.

During the Reporting Period, the Company strictly complied with Corporate Governance Code under Appendix 14 of the Hong Kong Listing Rules and Corporate Governance Report (hereinafter referred to as the "Code and Report"). The Company satisfied all provisions and substantially all the recommended best practices under the Code and Report.

During the Reporting Period, the Company held, five shareholders' general meetings to consider 31 resolutions (double counting for same matters in class shareholders' meeting and non-class shareholders' meeting), among which, one A share class meeting was held to consider two resolutions and one H share class meeting was held to consider two resolutions; 15 Board meetings to consider 56 resolutions and review 9 reports; 17 meetings of committees under the Board to consider 38 resolutions and review 14 reports; as well as 7 meetings of the Supervisory Committee to consider 18 resolutions and review 4 reports.

(I) Shareholders and shareholders' general meetings

The shareholders' general meeting is the highest institution of authority of the Company which allows shareholders to exercise their powers. The Company convenes and holds shareholders' general meetings in strict compliance with the relevant rules, including the Articles of Association and the Rules of Procedures for Shareholders' General Meetings to ensure all the shareholders, especially the minority shareholders, are treated fairly to fully exercise their rights.

The de facto controller of the Company exercises its rights according to the applicable laws, regulations and the Articles of Association, and does not interfere directly or indirectly in the decision-making or operating activities of the Company beyond the authority of the shareholders' general meeting, occupy the funds of the Company or request the provision of any guarantee from the Company in favour of itself or other parties. The controlling shareholder of the Company is not involved in the personnel, assets, finance, organisations and business of the Company.

(II) Directors and the Board

The appointment and replacement of Directors of the Company are in strict compliance with the Articles of Association, and the number of Directors and composition of the Board fulfil the requirement of laws and regulations. The Board refines its rules of procedures from time to time and the convention, holding and voting procedures of the Board meetings are legal and effective. The Board has set up five committees, including the Strategy Committee, the Risk Management Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, and formulated rules, clear division of authorities of each committee, decision procedures and rules of procedures. The Company has set up a work system of independent directors, which can protect the interests of the Company and shareholders independently and objectively and ensure effective checks and balances during the decision-making process of the Board. In addition, the Company has set up a system of secretary to the Board. The Secretary to the Board is responsible for the preparation of shareholders' general meetings, Board meetings and meetings of committees under the Board, the filing of minutes and documents of the meetings, information disclosure and management of investor relations.

The Company believes the diversified composition of the Board is the key factor in achieving its strategic targets and sustainable development, and has formulated the Policy of Diversified Composition of the Board (《董事會成員多元化政策》) which provides that the composition of the Board shall be diversified in terms of gender, age, culture and education background, professional experiences, skill, knowledge and term of office. The nomination of the members of the Board shall be carried out in accordance with the principle of merit, and shall fully consider the diversity of the composition of the Board. The Nomination Committee reports the diversity of the composition of the Board in each annual report. It is also responsible for supervising the implementation of the Policy of Diversified Composition of the Board, and review the same when necessary to ensure its effectiveness. The Nomination Committee will discuss any necessary amendments to the Policy of Diversified Composition of the Board and the proposed amendments will be considered and approved by the Board.

Chapter 8: Corporate Governance Report

1. Composition of the Board

The Company has a board of directors accountable to the shareholders' general meeting. According to the Articles of Association, the Board consists of 15 directors. During the Reporting Period, re-election of the Board has taken place. As of the date of this report, the Board of the Company consists of 15 directors, two of whom are executive Directors, eight of whom are non-executive Directors and five of whom are independent non-executive Directors (among whom, Mr. WONG Ti (汪棣), an independent non-executive Director, has resigned on June 10, 2019, and continued to perform his duties until a new independent non-executive director be appointed in the general meeting of the Company). The Company attaches great importance to Board diversity. The Board of the Company consists of two female members. In terms of academic qualifications, there are eight members with a master's degree and three members with a doctorate degree. In terms of professions, the executive Directors have long been engaged in the securities industry and have extensive management experience and professional capabilities. The non-executive Directors have held important positions in companies in the financial, transportation, insurance and other industries. The independent non-executive Directors have extensive experience in finance, economics, auditing, law and other fields, thus can provide professional advice to the Company in respect of different fields. The Directors are elected at the shareholders' general meetings and served for a term of three years. Directors are eligible for re-elections upon the expiry of their terms of office. Independent non-executive Directors shall not hold office for more than six consecutive years. Please see "Change in Shareholdings and Remunerations" in "Chapter 7 Directors, Supervisors, Senior Management and Employees" of this report for the composition of the Board and the biographies of the Directors of the Company.

The Board complies the requirement of the Hong Kong Listing Rules that the board of directors shall comprise at least three independent non-executive directors, representing at least one-third of the board of directors. The qualifications of the five independent non-executive Directors of the Company fully comply with the requirements under Rules 3.10(1) and (2) and 3.10(A) of the Hong Kong Listing Rules. In addition, the Company has received annual confirmation letters from each of the independent non-executive Directors prepared according to Rule 3.13 of the Hong Kong Listing Rules with regard to their independence. Therefore, the Company confirms that all independent non-executive Directors of the Company have fulfilled the independence requirement under the Hong Kong Listing Rules.

2. *Duties and responsibilities of the Board*

The Board is the decision-making body of the Company and shall be accountable to the shareholders' general meeting. According to the Articles of Association, the Board shall exercise the following major functions and powers: to convene shareholders' general meetings and to report to the shareholders' general meetings; to implement the resolutions of the shareholders' general meetings; to determine business operation plans and investment plans of the Company; to formulate annual preliminary and final financial budgets of the Company; to formulate the profit distribution plans and plans for recovery of losses of the Company; to formulate proposals of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing; to formulate plans for any substantial acquisition by the Company, repurchase of shares or merger, division, dissolution and change of form of the Company; to determine the repurchase of the Company's share in accordance with the circumstances stated in Article 31(III),(V) and (VI) of the Articles of Association; to decide on matters relating to the Company's external investments, acquisitions or disposal of assets, mortgage of assets, external guarantees, entrusted wealth management and connected/related party transactions as authorized by the shareholders' general meetings; to decide on the establishment of the Company's internal management structure; to appoint or dismiss the Company's general manager and secretary to the Board; based on the nominations of general manager, to appoint or dismiss deputy general manager, Chief Finance Officer, Chief Compliance Officer, Chief Risk Officer, Chief Information Officer and other senior management and to determine their remuneration, rewards and penalties; to formulate the basic management policies of the Company; to formulate proposals for any amendments to the Articles of Association; to manage the disclosure of information of the Company; to propose to the shareholders' general meetings the adjustment of the size and composition of the Board; to propose to the shareholders' general meetings the appointment or change of the accounting firm acting as the auditors of the Company; to listen to the work report of the general manager of the Company and examine on the general manager's work; to determine the compliance management objectives of the Company and assume responsibility for the effectiveness of compliance management; to examine and approve the basic system of compliance management; to examine and approve the annual compliance report; to ensure the independence of the Chief Compliance Officer, establish a direct communication mechanism with the Chief Compliance Officer and safeguard the smooth reporting between the Chief Compliance Officer and the regulatory authority; to evaluate the effectiveness of compliance management and urge to solve the problems existing in compliance management; to assume the ultimate responsibility for overall risk management, promote the construction of risk culture, review and approve the basic system of overall risk management, risk appetite, risk tolerance and major risk limits of the Company, review regular risk assessment report of the Company, and establish a direct communication mechanism with the Chief Risk Officer. The Board may authorize its risk management related professional committees to perform part of its overall risk management responsibilities; to review information technology management objectives of the Company and assume the responsibility for the effectiveness of information technology management; to review the information technology strategy and ensure it is consistent with the growth strategy, risk management strategy and capital strength of the Company; to establish a manpower and capital guarantee plan for information technology; to evaluate the overall effectiveness and efficiency of the annual information technology management work; other duties and powers granted by the laws, administrative rules, departmental regulations and the Articles of Association.

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(III) Supervisors and the Supervisory Committee

The appointment and replacement of Supervisors of the Company are in strict compliance with the Articles of Association, and the number of Supervisors and composition of the Supervisory Committee fulfils the requirement of laws and regulations. The Supervisory Committee constantly improves its Rules of Procedure, and the convening, holding and voting procedures of the Supervisory Committee are legal and effective. The Supervisory Committee shall report to the shareholders' general meeting and is accountable to all shareholders. It is responsible for maintaining effective supervision on the finance of the Company as well as the compliance of duty performance of the Board and management. The Supervisory Committee shall perform their duties, including attending the meetings of the Supervisory Committee, observing the meetings of the Board, reporting their work at the shareholders' general meeting and submitting the report of the Supervisory Committee, in accordance with the relevant requirements.

The Supervisory Committee consists of nine Supervisors, including six shareholder representative Supervisors and three employee representative Supervisors. During the Reporting Period, re-election of Supervisory Committee has taken place. The shareholder representative Supervisors and the employee representative Supervisors are democratically elected at the shareholders' general meetings and by employee representatives, respectively, for a term of three years and are eligible for re-election upon expiry of their terms of office. For details of the composition of the Supervisory Committee and the biographies of the Supervisors, see "Change in Shareholdings and Remunerations" in "Chapter 7 Directors, Supervisors, Senior Management and Employees" of this report.

(IV) Senior management

The Company strictly complies with the Articles of Association in relation to the appointment and replacement of senior management. The senior management of the Company shall be appointed based on the procedures in compliance with the Company Law and Articles of Association. The general manager of the Company shall be accountable to the Board. The Strategy Execution Committee, the Risk Management Committee, the IT Management Committee, the Innovative Development Committee, the Investment Banking Business Committee, Synergy Committee and the Confidentiality Committee set up under the Operating Management of the Company to enhance the professionalism, compliance and scientificity of the decision-making ability of the management.

According to the Articles of Association, the Operating Management consists of the general manager, the deputy general managers, the Secretary to the Board, the Chief Financial Officer, the Chief Compliance Officer, the Chief Risk Officer, the Chief Information Officer and other personnel approved by the resolutions of the Board as senior management. The general manager is in charge of the business management, and shall be accountable to the Board and perform the following duties: to be in charge of the operation and management of the Company, organize the execution of the resolutions of the Board and report his/her work to the Board; to prepare and implement the annual operation plan and investment plan of the Company; to formulate the internal management structure of the Company; to formulate the basic management system of the Company; to formulate rules and regulations for the Company; to propose to the Board the appointment or dismissal of the deputy general managers, Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer, the Chief Information Officer and other senior management (other than the Secretary to the Board); to appoint or dismiss management members other than those required to be appointed or dismissed by the Board; to perform other duties delegated by the Articles of Association or the Board.

(V) Chairman and general manager

For the purpose of balancing power and authority, the roles of Chairman and general manager of the Company shall be separated to enhance the independence of their duties, accountability, balanced division of power and authority, and to fully exercise the decision makers' extensive supervision and control over the executive officers. There is a clear division between the roles of Chairman and the general manager. According to the Articles of Association, the Chairman shall be the legal representative of the Company who is responsible for managing the operation of the Board to ensure that the Directors act in the best interests of the Company. The Chairman shall also ensure the effectiveness and the performance of the duties of the Board, and that the Board discusses all significant and appropriate matters such that the Directors can obtain accurate, timely and clear information. The general manager shall be in charge of the daily work of the Company, observe Board meetings, report to the Board, and exercise his power pursuant to the scope of authorization of the general manager.

(VI) Liability insurances for Directors, Supervisors and senior management of the Company

As authorized in the sixth extraordinary general meeting of the Company for 2015, the Company has maintained the liability insurance for the Directors, Supervisors and senior management and other relevant personnel. Insurance coverage has been provided for the Directors, Supervisors and senior management of the Company against potential liabilities to reasonably avoid management and legal risks faced by the Directors, Supervisors and senior management of the Company and to facilitate the full discharge of duties by the Directors, Supervisors and senior management.

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(VII) Party Committee

The Company has established a Party Committee. The Party Committee shall perform the leadership functions to provide directions, manage overall situations and ensure implementation. The Party Committee consists of one secretary, one vice secretary and other several members. The chairman of the Board of Directors shall serve as the Party Committee secretary. Eligible Party Committee members may be appointed as members of the Board of Directors, the Supervisory Committee and the management team of the Company through legal procedures, while eligible Party members from the Board of Directors, the Supervisory Committee and the management team of the Company may be appointed as members of the Party Committee pursuant to relevant requirements and procedures. The Company has also established a Discipline Inspection Commission in accordance with relevant regulations. The Company has established the working organs of the Party, equipped them with sufficient staff to deal with Party affairs and provided them with sufficient funds to operate the Party organization. The organic combination between the Party's leadership and the governance of the Company has promoted the scientific decision-making and high-quality development of the Company.

(VIII) Information disclosure and transparency

The Company has formulated several information disclosure systems, including Information Disclosure System (《信息披露制度》), Material Information Internal Report System (《重大信息內部報告制度》), Confidentiality System of Inside Information (《內幕信息保密制度》), Registration System for Persons with Inside Information (《內幕信息知情人登記制度》), Investor Relations Management System (《投資者關係管理制度》), Accountability System for Major Mistakes Disclosed in Annual Reports (《年報信息披露重大差錯責任追究制度》), Annual Report Work System for the Independent Directors (《獨立董事年報工作制度》) and Annual Report Work Procedures for the Audit Committee Under the Board (《董事會審計委員會年報工作規程》). The Secretary to the Board is responsible for the information disclosure and investor relations. The Company discloses information truthfully, accurately, completely and promptly and ensures all shareholders can have equal opportunities for obtaining information in accordance with the requirements of the laws, regulations and the Articles of Association. The Company discloses the information of the substantial shareholders and the changes in shareholding according to the related requirements. Other than the information disclosure channels required by the laws, the Company mainly communicates with investors by phone, email, internet platform, reception of visitors and participating in investor meetings.

(IX) Stakeholders

The Company fully respects and protects the rights and interests of the creditors, customers, employees and other stakeholders. Efforts are also made to ensure the sustainable and healthy development of the Company in pursuit of a win-win situation between the Company and its stakeholders as well as to maximise the effectiveness of its social contribution.

II. Shareholders' General Meetings

Meeting	Date of meeting	Websites designated for the disclosure of resolutions	Poll Results	Disclosure date of resolutions
First 2020 Extraordinary General Meeting	January 15, 2020	Hong Kong Stock Exchange website	Passed	January 15, 2020
2019 Annual General Meeting	May 19, 2020	Hong Kong Stock Exchange website	Passed	May 19, 2020
First 2020 A shareholders class meeting	May 19, 2020	SSE website	Passed	May 20, 2020
First 2020 H shareholders class meeting	May 19, 2020	Hong Kong Stock Exchange website	Passed	May 19, 2020
Second 2020 Extraordinary General Meeting	October 30, 2020	Hong Kong Stock Exchange website	Passed	October 30, 2020

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III. Duty Performance of Directors

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

Name of Director	Whether an independent Director	Attendance of Board meeting						Attendance of shareholders' general meeting
		Number of Board meetings requiring attendance	Attendance in person (times)	Attendance through correspondence (times)	Attendance by proxy (times)	Absence (times)	Whether not attending in person for two consecutive meetings	Attendance of shareholders' general meeting (times)
HUO Da (霍達)	No	15	14	9	1	0	No	5
SU Jian (粟健)	No	15	13	15	2	0	Yes	4
XIONG Xianliang (熊賢良)	No	15	15	15	0	0	No	5
SU Min (蘇敏)	No	15	15	15	0	0	No	5
XIONG Jiantao (熊劍濤)	No	15	15	9	0	0	No	5
PENG Lei (彭磊)	No	15	15	15	0	0	No	5
GAO Hong (高宏)	No	15	15	15	0	0	No	4
HUANG Jian (黃堅)	No	15	15	15	0	0	No	5
WANG Daxiong (王大雄)	No	15	15	15	0	0	No	5
WANG Wen (王文)	No	15	15	15	0	0	No	5
XIANG Hua (向華)	Yes	15	15	15	0	0	No	5
XIAO Houfa (肖厚發)	Yes	15	15	15	0	0	No	5
XIONG Wei (熊偉)	Yes	15	15	15	0	0	No	5
HU Honggao (胡鴻高)	Yes	15	15	15	0	0	No	5
WONG Ti (汪楦)	Yes	15	15	15	0	0	No	5

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Explanation of not attending in person for two consecutive Board meetings

SU Jian (粟健) (Director) appointed SU Min (蘇敏) (Director) to attend and vote on his behalf for two consecutive Board meetings due to official affairs.

Number of Board meetings convened in the year	15
Of which: number of onsite meetings	0
Number of meetings convened by way of correspondence	9
Number of meetings convened onsite and by way of correspondence	6

(II) Convening of Board meetings

No.	Meeting	Date of Meeting	Resolutions	Voting results
1	29th meeting of the sixth session of the Board	March 27, 2020	Resolutions regarding the working report of the Board for 2019; work report of the Audit Committee under the Board for 2019; operational report of the Company for 2019; 2019 annual report of the Company; 2019 final financial report of the Company; annual profit distribution of the Company for 2019; 2019 Corporate Social Responsibility Report and Environmental, Social and Governance Report of the Company; internal control assessment report of the Company for 2019; internal control audit report of the Company for 2019; report on the deposit and usage of proceeds from the issuance of H Shares of the Company in 2019; compliance report of the Company for 2019; amendments to the "Compliance Management System of China Merchants Securities Co., Ltd."; amendments to the Articles of Association of China Merchants Securities Co., Ltd.; amendments to the "Rules of Procedures for the Shareholders' General Meetings of China Merchants Securities Co., Ltd."; amendments to the "Rules of Procedures for Board meetings of China Merchants Securities Co., Ltd."; financial budget report of the Company for 2020; appointment of auditing firm of the Company for 2020; budget for the proprietary investment of the Company for 2020; contemplated ordinary related party transactions of the Company for 2020; authentication report on related party transactions of the Company for 2019; general mandates for further issuances of H Shares of the Company; general mandates for issuances of debt financing instruments of the Company; provision of guarantee by China Merchants Securities International Company Limited in favour of its wholly-owned subsidiaries; extension of the validity of the Resolution in respect of the Public Offering of Rights Issue for 2019; proposing to the shareholders' general meeting to authorize the Board to handle all matters relating to Rights Issue; determination of the date of the shareholders' general meeting; 2020-2022 information technology development strategy of the Company	Passed

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No.	Meeting	Date of Meeting	Resolutions	Voting results
2	30th meeting of the sixth session of the Board	April 17, 2020	Resolutions regarding the increase of capital contribution to China Merchants Securities Investment Co., Ltd (a wholly-owned subsidiary of the Company); use of proceeds from last share issuance; authority of two directors to execute the prospectus related to the rights issue and to handle registration and filing related issues on behalf of the Company	Passed
3	31th meeting of the sixth session of the Board	April 28, 2020	First quarterly report of the Company for 2020	Passed
4	32th meeting of the sixth session of the Board	May 18, 2020	Money laundering risk management report of the Company for 2019	Passed
5	33th meeting of the sixth session of the Board	July 3, 2020	Resolutions regarding the pricing of the public offering of rights issue of the Company; prospectus related to H shares rights issue and other documents, and arrangements in relation to H shares rights issue	Passed
6	34th meeting of the sixth session of the Board	August 25, 2020	Resolutions regarding the election for members of special committees under the sixth session of the Board	Passed
7	35th meeting of the sixth session of the Board	August 28, 2020	Resolution regarding the interim profit distribution of the Company for 2020; 2020 interim operational report of the Company; 2020 interim report of the Company and its summary; amendments to Administrative Procurement Framework Agreement between the Company and China Merchants Group; consideration of the internal audit system of China Merchants Securities; convening of the Second 2020 Extraordinary General Meeting	Passed
8	36th meeting of the sixth session of the Board	September 7, 2020	Resolution regarding the replacement of pre-invested self-raised funds by funds raised by the rights offering	Passed
9	37th meeting of the sixth session of the Board	September 28, 2020	Resolution regarding the nomination of non-independent director candidates of the seventh session of the Board of the Company; the nomination of independent director candidates of the seventh session of the Board of the Company; the increase of capital contribution to China Merchants Securities International Company Limited	Passed

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No.	Meeting	Date of Meeting	Resolutions	Voting results
10	38th meeting of the sixth session of the Board	October 23, 2020	Resolution regarding the increase of capital contribution to China Merchants Futures Co., Ltd.	Passed
11	39th meeting of the sixth session of the Board	October 29, 2020	Third quarterly report of the Company for 2020; Measures for the Administration of Clean Practicing of China Merchants Securities Co., Ltd.	Passed
12	1st meeting of the seventh session of the Board	October 30, 2020	Resolution regarding the election for the Chairman of the seventh session of the Board; the election for members of special committees under the seventh session of the Board; the appointment of the Secretary to the Board; the appointment of the Representative of Securities Affairs	Passed
13	2nd meeting of the seventh session of the Board	December 3, 2020	Resolution regarding the transfer of its 30% interests in Qingdao Asset Management (青島資管) by CMS Investment (a wholly-owned subsidiary of the Company)	Passed
14	3rd meeting of the seventh session of the Board	December 14, 2020	Resolution regarding the change of registered capital and the amendments to the Articles of Association	Passed
15	4th meeting of the seventh session of the Board	December 30, 2020	The self-inspection report of the implement the principal responsibility, improvement the level of governance and achievement high-quality development; 2021 Securities and Financial Products, Transactions and Services Framework Agreement between the Company and China COSCO Shipping Corporation Limited	Passed

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(III) Duty performance of independent Directors

For details of the duty performance of independent Directors of the Company, please see the Annual Duty Report of Independent Directors of China Merchants Securities Co., Ltd. for 2020 (《招商證券股份有限公司獨立董事2020年度述職報告》) published on the SSE website and the Hong Kong Stock Exchange website for the same period of this report.

(IV) Others

1. *Directors' training*

The Company places high emphasis on the continuous training of the Directors, persistently improves internal workflow and builds up multi-layers information communication system so as to provide information security for the duty performance of the Directors, and to ensure that the Directors have a proper understanding of the operation and business of the Company, as well as the duties and responsibilities as conferred by the CSRC, the Shanghai Securities Exchange, The Stock Exchange of Hong Kong Limited, the Articles of Association and relevant laws and regulations. During the Reporting Period, through the "Correspondences to the Directors and Supervisors" (《董監事通訊》), the Directors actively participated in regular training organized by regulatory authorities and self-regulatory organizations and the business studies arranged by the Company to keep abreast of the latest policies and regulations, industry dynamics and the operation of the Company, update their expertise and skills and further enhance their performance of obligations.

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During the Reporting Period, the specific time and content of training attended by the Directors of the Company are as follows:

Name	Position	Time, means and content of the training
HUO Da (霍達)	Chairman of the Board, Executive Director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; attended the training on comprehensive risk management and consolidated statement supervision of securities companies in the jurisdiction organized by Shenzhen Securities Association in May 2020; joined the semiconductor topic training of "2020 Science and Technology Masters" organized by the Company and the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau in November 2020; read the Monthly Correspondences to the Directors and Supervisors
SU Jian (粟健)	Non-executive director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; attended the first and second annual training for directors and supervisors of listed companies within the territory of Beijing in May and June 2020, respectively; read the Monthly Correspondences to the Directors and Supervisors
XIONG Xianliang (熊賢良)	Non-executive director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; attended the 4th session of 2020 Board and Supervisor Training organized by Beijing Association of Listed Companies in July 2020; joined the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau in November 2020; read the Monthly Correspondences to the Directors and Supervisors
SU Min (蘇敏)	Non-executive director	She had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; attended the video training on safety production for cadres of China Merchants Group in June 2020; joined the live webcast course of "Interpretation of the Key Points of the New Securities Law on Investor Protection" organized by the Securities Association of China in October 2020; joined the financial business management training of central enterprises of SASAC and the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau in November 2020; participated in the training on the standardized operation of listed companies and the responsibility of directors, supervisors and senior management in December 2020; read the Monthly Correspondences to the Directors and Supervisors

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Name	Position	Time, means and content of the training
XIONG Jiantao (熊劍濤)	Executive Director, President, Chief Information Officer	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; joined the webcast training of "Interpretation of the Key Points of the New Securities Law" organized by the Securities Association of China in September 2020; joined the semiconductor topic training of "2020 Science and Technology Masters" organized by the Company and the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau in November 2020; read the Monthly Correspondences to the Directors and Supervisors
PENG Lei (彭磊)	Non-executive director	She had attended the online specialized thematic courses of facilitating high-quality development of state-owned enterprise held by China E-learning Academy for Leadership in February 2020; participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; joined the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau and the specialized thematic of "Brief History of State-owned Enterprises" organized by China E-learning Academy for Leadership in November 2020; read the Monthly Correspondences to the Directors and Supervisors
GAO Hong (高宏)	Non-executive director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; joined the 2020 Shenzhen financial leading talents training course organized by Shenzhen Local Financial Supervision Administration in October 2020; joined the financial business management training of central enterprises of SASAC and the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau in November 2020; read the Monthly Correspondences to the Directors and Supervisors
HUANG Jian (黃堅)	Non-executive director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; joined the training of Interpretation of the Key Points of the new securities law organized by the Securities Association of China in September 2020; joined the training of Interpretation of the Key Points of the New Securities Law on Civil Liability for Illegal Acts in the Securities Market and the training of Interpretation of the Key Points of the New Securities Law on Investor Protection organized by the Securities Association of China in October 2020; joined the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau and the training of Interpretation of the Key Points of the New Securities Law on Information Disclosure in November 2020; joined the training of Interpretation of the Key Points of the New Securities Law on Securities Issuance System organized by the Securities Association of China in December 2020; read the Monthly Correspondences to the Directors and Supervisors

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Name	Position	Time, means and content of the training
WANG Daxiong (王大雄)	Non-executive director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; joined the training of Interpretation of the Key Points of the New Securities Law on Civil Liability for Illegal Acts in the Securities Market and the training of Interpretation of the Key Points of the New Securities on Investor Protection Law organized by the Securities Association of China in October 2020; joined the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau and the specialized thematic of "Brief History of State-owned Enterprises" organized by China E-learning Academy for Leadership in November 2020; read the Monthly Correspondences to the Directors and Supervisors
WANG Wen (王文)	Non-executive director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; attended the remote training course on fund operation and management of insurance institutions in May 2020; joined the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau in November 2020; read the Monthly Correspondences to the Directors and Supervisors
XIANG Hua (向華)	Independent non-executive director	He had participated in the Goldman Sachs Global Macro Symposium organized by Goldman Sachs Asia Pacific in January 2020; participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; joined the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau in November 2020; read the Monthly Correspondences to the Directors and Supervisors
XIAO Houfa (肖厚發)	Independent non-executive director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; attended the seventh session of Tsinghua PBCSF course for scientific entrepreneur organised by the PBC School of Finance, Tsinghua University in October and December 2020; joined the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau, the forum on continuously improving the audit quality of accounting firms organized by the Ministry of Finance and the training of Interpretation of the Key Points of the New Securities Law on Information Disclosure in November 2020; read the Monthly Correspondences to the Directors and Supervisors

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Name	Position	Time, means and content of the training
XIONG Wei (熊偉)	Independent non-executive director	He had participated in the training on listed company governance organized by the annual meeting of the Institute of Finance of America in January 2020; attended the Seminar on China's Economic Outlook organized by the Institute of Geneva, Switzerland in February 2020; joined the Symposium on China's Economy and Financial Markets organized by the National Bureau of Economic Research and the Shenzhen Advanced Institute of Finance in December 2020; read the Monthly Correspondences to the Directors and Supervisors
HU Honggao (胡鴻高)	Independent non-executive director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; joined the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau in November 2020; read the Monthly Correspondences to the Directors and Supervisors
WONG Ti (汪棣)	Independent non-executive director	He had participated in a series of training on the new securities law organized by Shenzhen Securities Regulatory Bureau in April 2020; joined the conference on improving the quality of listed companies in the jurisdiction organized by Shenzhen Securities Regulatory Bureau in November 2020; read the Monthly Correspondences to the Directors and Supervisors

2. Term of office of non-executive Directors

As at the end of the Reporting Period, there were eight non-executive Directors (SU Jian, XIONG Xianliang, SU Min, PENG Lei, GAO Hong, HUANG Jian, WANG Daxiong, WANG Wen) and five independent non-executive Directors (XIANG Hua, XIAO Houfa, XIONG Wei, HU Honggao, WONG Ti). For details of their terms of office, see "Change in Shareholdings and Remunerations" in "Chapter 7 Directors, Supervisors, Senior Management and Employees" of this report.

3. Diversity policy

(1) Purpose

This policy aims to set out the approach to achieve diversity on the Board of the Company.

(2) Statements

- ① The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Company. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive Directors (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. Non-executive Directors should be of sufficient caliber and number for their views to carry weight.
- ② When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, cultural and educational background, races, expertise, skills, know-how and length of services. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

(3) Measurable objectives

Selection of candidates for Board membership will be based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, races, expertise, skills, know-how and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age, educational background, professional experience, length of service, etc.) will be disclosed in the Corporate Governance Report annually (Note: Corporate Governance Report is included in the annual result announcement and the annual report prepared and reported by the Company in accordance with the H share standard. The content of the Corporate Governance Report is the same as the "Corporate Governance" section in the Annual Report prepared and reported by the Company in accordance with the A share standard, same for below).

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(4) Monitoring and reporting

The Nomination Committee will disclose the composition of the Board in terms of diversity annually in the Corporate Governance Report of the Company and monitor the implementation of this policy.

(5) Review of this policy

The Nomination Committee will review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

(6) Disclosure of this policy

- ① This Policy will be published on the Company's website for public information.
- ② A summary of this Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.

4. *Nomination policy*

The Nomination Committee shall study the conditions, selection procedures and term of office of the directors and senior management of the Company in accordance with applicable laws and regulations, the Hong Kong Listing Rules and the Articles of Association as well as the actual circumstances of the Company, and submit its decisions to the board of directors for approval.

Directors and senior management shall be elected through the following procedures:

- (1) the Nomination Committee shall study the needs of the Company for directors and senior management and record the same into written documents;
- (2) the Nomination Committee may identify to a wide extent the candidates of directors and senior management within the Company, its subsidiaries and the talent market;
- (3) the Nomination Committee shall collect the information about the candidates in respect of the profession, education, job title, detailed work experience and part-time jobs and record the same into written documents;
- (4) the Nomination Committee shall obtain consent from the candidates on the nomination before they are proposed as candidates of directors or senior management;
- (5) the Nomination Committee shall convene a meeting to examine the qualifications of candidates in accordance with the job requirements of directors and senior management;
- (6) the Nomination Committee shall provide relevant materials of the candidates of director and senior management for the appointment before such appointment and shall submit its recommendation of the removal of directors and senior management in accordance with the procedures of shareholders' meetings and the meetings of the board of directors;
- (7) the Nomination Committee shall carry out subsequent work based on the decisions and feedbacks of the board of directors.

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IV. Significant Opinions and Recommendations Proposed by the Special Committees under the Board in Performing Their Duties during the Reporting Period, Details Should be Disclosed If There Were Disagreements

The Company has established five committees under the Board, namely the Strategy Committee, the Risk Management Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee in accordance with relevant PRC laws, regulations, the Articles of Association and the corporate governance practice prescribed in the Hong Kong Listing Rules. The committees are accountable to the Board and perform duties under the authorization of the Board. The decision-making procedures of the Board are further refined by a clear division of duties, powers and responsibilities and high operation efficiency of the committees. The committees provide advice on the decisions of the Board and have made favourable contributions when the Board makes major decisions for the Company.

For details of the composition of the committees as at the end of the Reporting Period, see “Compositions of Special Committees under the Board” under “Chapter 7 Directors, Supervisors, Senior Management and Employees” of this report.

During the Reporting Period, the special committees under the Board performed their duties earnestly and actively put forward various opinions and recommendations on the corporate strategy, risk management, internal and external audit and internal control. During the Reporting Period, the special committees under the Board did not have any disagreement.

(I) Strategy Committee

The main duties of the Strategy Committee of the Company include analysing, planning and providing recommendations on the mid-and long-term development strategies of the Company; analysing and giving suggestions on major investment projects which are required to obtain approval of the Board according to the Articles of Association; analysing and providing recommendations on major strategic investments decision and mergers and acquisitions of the Company; analysing and providing recommendations on major strategic investment decisions and mergers and acquisitions of the Company which are required to obtain approval of the Board according to the Articles of Association; analysing and providing recommendations on other major matters affecting the development of the Company; organizing expert review committee(s) for the above matters; monitoring the implementation of the above matters; and performing other duties as authorized by the Board.

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During the Reporting Period, the Strategy Committee held a total of two meetings. The Strategy Committee gained a comprehensive understanding of the management of fintech innovation fund, strategy implementation and optimization construction of strategic dynamic of the Company through reviewing the Company's amendments on management methods of fintech innovation fund and listening to the report on the Company's strategy implementation review and optimization construction of strategic dynamic, so as to promote the implementation of the corporate strategy.

No.	Session	Date	Proposal	Report
1	The fifth meeting of the Strategy Committee of the sixth session of the Board	April 24, 2020	Amendment on management methods of fintech innovation fund of China Merchants Securities Co., Ltd."	—
2	The sixth meeting of the Strategy Committee of the sixth session of the Board	August 27, 2020	—	The Report on the Company's 2019 Strategy Implementation Review and Optimization Construction of Strategic Dynamic

During the Reporting Period, the attendance of meetings of the Strategy Committee is as follows:

No.	Name	Number of meetings attended/Number of meetings held
1	HUO Da (霍達)	2/2
2	XIONG Xianliang (熊賢良)	2/2
3	XIONG Jiantao (熊劍濤)	2/2
4	GAO Hong (高宏)	1/1
5	WANG Daxiong (王大雄)	2/2
6	WANG Wen (王文)	2/2
7	XIANG Hua (向華)	2/2

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(II) Risk Management Committee`

The main duties of the Risk Management Committee of the Company include reviewing and providing recommendations on the general goals and basic policies of risk management and compliance management of the Company; reviewing and discussing with the management on the risk management system of the Company to ensure that the management has fulfilled its duties and set up an efficient risk management system; discussing issues such as the adequacy of resources, the experience of employees, the sufficiency of training programmes for employees and relevant budget in respect of risk management; reviewing and providing recommendations on the organizational deployment and the duties of risk management and compliance management of the Company; evaluating and providing recommendations on the risks involved in major decisions and the proposals in resolving the major risks; reviewing and providing recommendations on the regular risk evaluation reports, compliance reports and economic capital management proposals; analysing the results of major investigations and the response of the management on such investigations in respect of risk management issues on its own or as designated by the Board; and handling other matters required to be resolved by regulatory authorities or as authorized by the Board.

During the Reporting Period, the Risk Management Committee held a total of five meetings. The Risk Management Committee gained a comprehensive understanding of the risk and compliance situation of the Company through reviewing its quarterly and annual compliance reports and risk evaluation reports. It also conducted an assessment of the risk profile and risk control capability of the Company on a regular basis. The cooperation between various departments of the Company, such as compliance and risk management departments, was enhanced to facilitate the establishment of a comprehensive risk prevention system of the Company.

No.	Session	Date	Proposal	Report
1	The thirteenth meeting of the Risk Management Committee of the sixth session of the Board	March 26, 2020	Budget for the proprietary investment of the Company for 2020; risk evaluation report of the Company for the fourth quarter of 2019; risk appetite statement and allocation of the economic capital report for 2020; report on an all-inclusive budget arrangement for the proprietary investment of the Company for 2020; report on achievement of net capital and risk control indicators of the Company for 2019; compliance report of the Company for 2019	Risk analysis report of COVID-19 epidemic

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No.	Session	Date	Proposal	Report
2	The fourteenth meeting of the Risk Management Committee of the sixth session of the Board	April 14, 2020	—	Report on the excess standard of risk preference index of “the loss of the proprietary investment portfolio of CMS International ”
3	The fifteenth meeting of the Risk Management Committee of the sixth session of the Board	May 25, 2020	Risk evaluation report of the Company for the first quarter of 2020; compliance report of the Company for the first quarter of 2020	—
4	The sixteenth meeting of the Risk Management Committee of the sixth session of the Board	August 27, 2020	Risk evaluation report of the Company for the second quarter of 2020; compliance report of the Company for the second quarter of 2020; report on continuous achievement of risk control indicators (such as net capital) of the Company	—
5	The first meeting of the Risk Management Committee of the seventh session of the Board	December 1, 2020	Risk evaluation report of the Company for the third quarter of 2020; compliance report of the Company for the third quarter of 2020; adjustment to risk appetite statement of China Merchants Securities	—

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During the Reporting Period, the attendance of meetings of the Risk Management Committee is as follows:

No.	Name	Number of meetings attended/Number of meetings held
1	SU Min (蘇敏) (Convener)	5/5
2	SU Jian (粟健)	5/5
3	XIONG Jiantao (熊劍濤)	5/5
4	PENG Lei (彭磊)	5/5
5	WANG Daxiong (王大雄)	5/5
6	WANG Wen (王文)	5/5
7	XIANG Hua (向華)	5/5

(III) Audit Committee

The main duties of the Audit Committee of the Company include providing recommendations on engaging or changing external auditors, supervising and assessing the performance of external auditors; guiding internal auditing and supervising the internal audit system of the Company and its implementation; coordinating the communication of the management, internal auditors and relevant departments with the external auditors, and performing the role as a major representative of the Company to liaise with the external auditors and supervise their relationships; supervising the internal control procedures and assessing their effectiveness; reviewing the internal control of the Company and conducting daily monitoring and examination of the responsible parties. The Audit Committee shall also be responsible for conducting prior guidance, supervision throughout the whole process and subsequent review on the responsible parties of the Company to strengthen the internal control system; and supervising and reviewing the performance, incidents and implementation regarding compliance and risk control obligations of all departments and positions on a daily basis and report to the Board regularly. The Audit Committee shall be responsible for keeping track of the performance of compliance obligations of the senior management through regular meetings with the compliance officers and other efficient methods; overseeing the financial reporting system of the Company, reviewing its financial reports and giving opinions thereon; conducting an audit on major related party transactions; and ensuring and reviewing the arrangements of the Company which enables its employees to be the whistle-blower in the event of any possible misconduct in financial reporting, internal control or other aspects of the Company. The Audit Committee shall be responsible for ensuring that proper arrangements are made for the Company to conduct a fair and independent investigation on such matters and take appropriate actions; dealing with other matters as delegated by the Board; considering other topics as identified by the Board; and performing other duties required by the listing rules or laws and regulations of the places where the Company is listed.

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During the Reporting Period, the Audit Committee held a total of six meetings. The Audit Committee convened meetings, considered and made decisions on the relevant issues pursuant to the Working Rules of the Audit Committee of the Board (《董事會審計委員會工作規則》) of the Company so as to enhance work efficiency and reasonable decision-making. In accordance with the Annual Report Work Procedures for the Audit Committee under the Board (《董事會審計委員會年報工作規程》), the Audit Committee performed its duties in a prudent manner by participating in the preparation of the annual financial report, auditing and disclosure. It also strived to uphold its audit independence. Its audit quality was also enhanced to safeguard the interests of the Company and shareholders as a whole.

In accordance with the requirements of relevant laws and regulations, the Audit Committee and its members fully discharged its audit and supervision obligations. Its diligent efforts were indispensable to the optimization of the corporate governance structure and the audit quality.

After carrying out prudent audit and supervision on the financial position of the Company and reviewing the financial statement prepared by the Company, the Audit Committee believes that the Company has a stable financial system and satisfactory financial position. In addition, the Board is satisfied with the adequacy of resources, staff qualification and experience for performing accounting and financial functions as well as the sufficiency of staff training and relevant budget after conducting reviews through the Audit Committee.

No.	Session	Date	Proposal	Report
1	The seventeenth meeting of the Audit Committee of the sixth session of the board	March 26, 2020	2019 report on deposit and use of proceeds from the issuance of H Shares of the Company; 2019 annual report of the Company; final financial report of the Company for 2019; appointment of the auditing firm for 2020; 2019 internal audit report and 2020 internal audit program of the Company; the internal control evaluation report of the Company for 2019; the contemplated ordinary related party transactions of the Company for 2020; authentication report on related party transactions of the Company for 2019; 2019 audit report on internal control of the Company; 2019 work report of Audit Committee of the Board of the Company	Report on audit work for the 2019 annual report of the Company
2	The eighteenth meeting of the Audit Committee of the sixth session of the board	April 28, 2020	First quarterly report of the Company for 2020	—

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No.	Session	Date	Proposal	Report
3	The nineteenth meeting of the Audit Committee of the sixth session of the board	August 27, 2020	2020 interim internal audit report of the Company; 2019 special audit report on major related party transactions of the Company; 2020 interim report of the Company;	—
4	The twentieth meeting of the Audit Committee of the sixth session of the board	September 14, 2020	2020 self-assessment program on internal control	—
5	The twenty-first meeting of the Audit Committee of the sixth session of the board	October 29, 2020	2020 third quarterly report of the Company	Report on 2020 working schedule on audit
6	The first meeting of the Audit Committee of the seventh session of the board	November 17, 2020	2020 third quarterly internal audit report of the Company	—

During the Reporting Period, the attendance of meetings of the Audit Committee is as follows:

No.	Name	Number of meetings attended/Number of meetings held
1	XIAO Houfa (肖厚發) (Convener)	6/6
2	SU Jian (粟健)	6/6
3	HUANG Jian (黃堅)	6/6
4	HU Honggao (胡鴻高)	6/6
5	WONG Ti (汪棣)	6/6

(IV) Remuneration and Appraisal Committee

The main duties of the Remuneration and Appraisal Committee include: considering, reviewing and providing recommendations on the remuneration policy, standard and proposal of the Directors and senior management of the Company with reference to the principal scope of authorization, duties and importance of the Directors and senior management as well as the remuneration package for similar positions of comparable companies; making recommendations to the Board on the overall remuneration policy and structure of the Directors and senior management of the Company and the formulation of official and transparent procedures for determining the remuneration policy. The remuneration standard and proposal include but are not limited to appraisal standards and procedures, major evaluation systems, reward and penalty proposals and systems. The Remuneration and Appraisal Committee is also responsible for reviewing and approving the remuneration proposal for the management in accordance with the corporate missions and targets determined by the Board; reviewing the overall remuneration policy of the Company and the total amount of annual remuneration and examining the remuneration policy and the execution of annual remuneration; making recommendation to the Board on the remuneration of executive Directors and senior management (including salary, pension and compensation (including the compensation as to the loss or termination of office or appointment)), as well as the remuneration of non-executive Directors; considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions of other positions of the Company; reviewing and approving compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the terms of the employment contracts or is otherwise fair and reasonable; reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the terms of the employment contracts or are otherwise reasonable and appropriate; ensuring that no Director or any of his associates is involved in deciding his own remuneration; examining the appraisal standards of the Directors and senior management of the Company; reviewing and examining the performance of the duties of the Directors and senior management, conducting annual performance assessment and providing recommendations; overseeing the implementation of remuneration system of the Company; performing other duties as authorized by the Board; and performing other duties as required by the listing rules or laws and regulations of the places where the Company is listed.

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During the Reporting Period, the Remuneration and Appraisal Committee held a total of two meetings, at which review and appraise on the performance of the senior management, special assessment on the compliance of the Chief Compliance Officer of the Company, and review on the implementation of the mid-long term cash retention plan for core employees and the payment of the bonus of the mid-long term cash retention plan for core employees of 2019.

No.	Session	Date	Proposal	Report
1	The tenth meeting of the Remuneration and Appraisal Committee of the sixth session of the Board	March 26, 2020	2019 assessment report on compliance officer of the Company; the implementation of the mid-long term cash retention plan	Work debriefing of nine senior management members, HUO Da (霍達) (the Chairman), XIONG Jiantao (熊劍濤) (President and Chief Information Officer), DENG Xiaoli (鄧曉力) (Vice President), LI Zongjun (李宗軍) (Vice President), WU Huifeng (吳慧峰) (Vice President and Secretary to the Board), ZHAO Bin (趙斌) (Vice President), HU Yu (胡宇) (Chief Compliance Officer and Chief Risk Officer), WU Guangyan (吳光焰) (Vice President) and XIE Jijun (謝繼軍) (Vice President)
2	The eleventh meeting of the Remuneration and Appraisal Committee of the sixth session of the Board	September 9, 2020	The payment of the bonus of the mid-long term cash retention plan for core employees of 2019	—

During the Reporting Period, the attendance of meetings of the Remuneration and Appraisal Committee is as follows:

No.	Name	Number of meetings attended/Number of meetings held
1	XIANG Hua (向華) (Convener)	2/2
2	SU Min (蘇敏)	2/2
3	PENG Lei (彭磊)	2/2
4	XIONG Wei (熊偉)	2/2
5	WONG Ti (汪棣)	2/2

(V) Nomination Committee

The main duties of the Nomination Committee of the Company include: reviewing the structure, number of members and composition (including skills, knowledge and experience) of the Board at least once a year and making recommendations to any intended change to the Board in line with the strategies of the Company; making recommendations to the Board as to its scale and composition based on the business operations, asset scale and share structure of the Company; considering and formulating criteria and procedures for selection of Directors and senior management to be approved by the Board; identifying qualified candidates for Directors and senior management and giving opinions to the Board; assessing the independence of independent non-executive Directors; reviewing and providing recommendations on the appointment and dismissal of Directors and senior management; making recommendations to the Board on the appointment or re-appointment of Directors, as well as the succession plan of Directors (particularly the Chairman and the Chief Executive Officer); performing other duties as authorized by the Board; and performing other duties as required by the listing rules or laws and regulations of the places where the Company is listed.

During the Reporting Period, the Nomination Committee held a total of two meetings, at which review the structure of the Board of the Company (including the diversity of directors) and the qualifications of candidates for the re-election of Board.

No.	Session	Date	Resolution	Report
1	The eighth meeting of the Nomination Committee of the sixth session of the Board	March 26, 2020	Report on review of 2019 Board Structure of the Company	—
2	The ninth meeting of the Nomination Committee of the sixth session of the Board	September 28, 2020	The nomination of candidates for non-independent directors of the seventh session of the Board of the Company; the nomination of candidates for independent directors of the seventh session of the Board of the Company	—

During the Reporting Period, the attendance of meetings of the Nomination Committee is as follows:

No.	Name	Number of meetings attended/Number of meetings held
1	XIONG Wei (熊偉) (Convener)	2/2
2	HUO Da (霍達) (appointed in August 2020)	1/1
3	PENG Lei (彭磊)	2/2
4	XIAO Houfa (肖厚發)	2/2
5	HU Honggao (胡鴻高)	2/2

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V. Duty Performance of Supervisors

During the Reporting Period, the Supervisory Committee of the Company fully performed its duties in corporate governance in accordance with the relevant laws and regulations such as the Company Law and Securities Law and the related provisions regarding the responsibilities of the Supervisory Committee in the Articles of Association. The Supervisory Committee supervised the Board and senior management in respect of their implementation of resolutions of the shareholders' general meetings, inspected the daily operation and financial position of the Company, monitored the risk control and compliance of the Company and safeguarded the legal interests of the Company, its shareholders and all investors and ensured regulated operation of the Company.

(I) Participation of Supervisors in the Supervisory Committee meetings and the shareholders' general meetings

Name of Supervisor	Position	Attendance of meetings of the Supervisory Committee						Attendance of shareholders' general meetings
		Number of meetings of the Supervisory Committee held during the year	Attendance in person (times)	Attendance through correspondence (times)	Attendance by proxy (times)	Absence (times)	Whether not attending in person in two consecutive meetings	Attendance of shareholders' general meeting (times)
ZHOU Linda Lei (周語菡)	Chairman of the Supervisory Committee	7	7	5	0	0	No	5
LI Xiaofei (李曉霏)	Shareholder Representative Supervisor	7	7	7	0	0	No	5
WANG Zhangwei (王章為)	Shareholder Representative Supervisor	7	7	7	0	0	No	5
MA Yunchun (馬蘊春)	Shareholder Representative Supervisor	7	7	7	0	0	No	5
ZHANG Zhen (張震)	Shareholder Representative Supervisor (held office at October 30, 2020)	1	1	1	0	0	No	1

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Name of Supervisor	Position	Attendance of meetings of the Supervisory Committee						Attendance of shareholders' general meetings
		Number of meetings of the Supervisory Committee held during the year	Attendance in person (times)	Attendance through correspondence (times)	Attendance by proxy (times)	Absence (times)	Whether not attending in person in two consecutive meetings	Attendance of shareholders' general meeting (times)
ZUO qun (鄒群)	Shareholder Representative Supervisor (appointed on October 30, 2020)	1	1	1	0	0	No	1
YIN Hongyan (尹虹艷)	Employee Representative Supervisor	7	7	6	0	0	No	5
HE Min (何敏)	Employee Representative Supervisor	7	7	5	0	0	No	5
SHEN Weihua (沈衛華)	Employee Representative Supervisor (appointed on October 30, 2020)	1	1	1	0	0	No	1
FANG Xiaobing (房小兵)	Shareholder Representative Supervisor (resigned on October 30, 2020)	6	6	6	0	0	No	5
ZHANG Zehong (張澤宏)	Shareholder Representative Supervisor (resigned on October 30, 2020)	6	6	5	0	0	No	5
XIONG Zhigang (熊志綱)	Employee Representative Supervisor (resigned on October 30, 2020)	6	6	5	0	0	No	5

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Number of meetings of the Supervisory Committee convened	7
Of which: Number of onsite meetings	0
Number of meetings convened by way of correspondence	5
Number of meetings convened onsite and by way of correspondence	2

(II) Convening of the meetings of the Supervisory Committee

In 2020, the Supervisory Committee convened a total of seven meetings, details of which are set out as follows:

No.	Session	Date of meeting	Proposal	Voting results
1	The eighteenth meeting of the sixth session of the Supervisory Committee	March 26, 2020	Work report of the Supervisory Committee of the Company for 2019; assessment report on the effectiveness of the Company's compliance management for 2019; 2019 annual report of the Company; 2019 operational report of the Company; the internal control evaluation report of the Company for 2019; compliance report of the Company for 2019; 2019 Corporate Social Responsibility and Environmental, Social and Governance Report; 2019 report on the deposit and use of proceeds from the issuance of H Shares; amendments on the Rules of Procedure of the Supervisory Committee of China Merchants Securities Co., Ltd.	Passed
2	The nineteenth meeting of the sixth session of the Supervisory Committee	April 28, 2020	2020 first quarterly report of the Company	Passed
3	The twentieth meeting of the sixth session of the Supervisory Committee	August 27, 2020	2020 interim report of the Company and its summary; 2020 interim operational report of the Company; amendments on the Work Rules of the Supervisory Committee of China Merchants Securities Co., Ltd.; amendments on the performance appraisal measures for Supervisors of China Merchants Securities Co., Ltd.	Passed
4	The twenty-first meeting of the sixth session of the Supervisory Committee	September 7, 2020	The replacement of pre-invested self-raised funds by funds raised by the rights offering	Passed

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No.	Session	Date of meeting	Proposal	Voting results
5	The twenty-second meeting of the sixth session of the Supervisory Committee	September 28, 2020	The nomination of candidates for Shareholder Representative Supervisor of the seventh session of the Supervisory Committee of the Company	Passed
6	The twenty-third meeting of the sixth session of the Supervisory Committee	October 29, 2020	2020 third quarterly report of the Company	Passed
7	The first meeting of the seventh session of the Supervisory Committee	October 30, 2020	The election of Chairman of the Seventh session of Supervisory Committee	Passed

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(III) Independent opinions of the Supervisory Committee

In 2020, in accordance with the relevant laws and regulations such as the Company Law and Securities Law and the relevant requirements of the Articles of Association, the Supervisory Committee duly performed its duties with an aim to protect the interests of the Company and all shareholders. The Supervisory Committee supervised and inspected the legal operation, major decisions and financial conditions as well as related party transactions of the Company, and provided the following independent opinions:

1. Legal operation of the Company

In 2020, the Board and the management of the Company were able to operate legally in accordance with the Company Law, Securities Law, Articles of Association, and other applicable laws, regulations and rules. As an A+H listed Company, the Company was able to maintain regulated operations in respect of corporate governance, information disclosure and investor relations by adhering to the regulatory policies in both Mainland China and Hong Kong. The major operational decision-making procedures of the Company were lawful and effective. The Company has continuously improved its risk management, compliance management and internal control systems. All internal management systems were effectively implemented. The Supervisory Committee has not identified any behaviour of the Directors and senior management during their performance of duties that violated the relevant laws, regulations and the Articles of Association or was detrimental to the interests of the Shareholders and the Company.

2. Inspection of the financial position of the Company

In 2020, the Supervisory Committee duly reviewed the financial statements and financial information of the Company. The Supervisory Committee was of the view that the preparation of the financial statements of the Company complied the relevant requirements of the Accounting Standards for Enterprises and IFRSs. The 2020 financial statements of the Company were able to reflect the financial position, results of operation and cash flows of the Company. The audit opinions contained in the standard unqualified auditor's report issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu were objective and fair.

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

In 2020, the Supervisory Committee monitored the implementation of resolutions of the shareholders' general meetings. The Supervisory Committee was of the view that the Board was able to duly enforce the resolutions of the shareholders' general meetings and had no such behaviours that were detrimental to the interests of shareholders, in particular the minority shareholders.

4. Related party transactions

In 2020, the review, voting, disclosure and implementation of the relevant related party transactions of the Company were in compliance with the applicable laws, regulations and the provisions and requirements of the internal management systems of the Company. The pricing of such transactions was fair and reasonable. The Supervisory Committee has not identified any circumstances that were detrimental to the interests of the Company.

5. Review of relevant reports

The Supervisory Committee reviewed the 2020 Annual Report of the Company (《公司2020年度報告》), 2020 Operational Report of the Company (《公司2020年度經營工作報告》), Report on the use of fund raised from the rights issue of the Company in 2020 (《公司2020年度配股募集資金使用情況專項報告》), Internal Control Assessment Report of the Company for 2020 (《公司2020年度內部控制評價報告》), Compliance Report of the Company for 2020 (《公司2020年度合規報告》) and 2020 Corporate Social Responsibility and Environmental, Social and Governance Report (《公司2020年度社會責任報告暨環境、社會及管治報告》), and had no objection to such reports.

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

The Company has formulated the Registration System for Persons with Inside Information of China Merchants Securities Co., Ltd. (《招商證券股份有限公司內幕信息知情人登記制度》) in accordance with relevant laws and regulations. In 2020, the Supervisory Committee supervised the enforcement of the Registration System for Persons with Inside Information. The Supervisory Committee has not identified any violation of such policy.

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

The Supervisory Committee of the Company convened the second meeting of the seventh session on March 25, 2021 to assess the performance evaluation of all Directors and senior management of the Company in 2020.

The content of the performance evaluation of the Directors by the Supervisory Committee included the attendance of meetings, making recommendations, participating training, maintaining the business confidentiality of the Company, faithfully reporting connected transactions and timely declaring shareholdings of the Company, etc. The Supervisors at the meeting concurred that in 2020, the Board of the Company has maintained strategic focus, advocated technology to lead finance, actively explored innovation and transformation, adhered to the bottom-line thinking of risk, constantly strengthened the construction of compliance culture, and thus has further improved the level of corporate governance. All the Directors of the Company actively attended Board meetings and special committee meetings, seriously studied and reviewed various resolutions and provided advice and propositions, paid close attention to the business and compliance operation of the Company, keeping business confidentiality of the Company and faithful declaration of conditions of connected transactions, so that quality professional opinions and suggestions were provided to the board of directors of the Company for decision making. All the Directors strictly abided by the relevant laws and regulations and the Articles of Association of the Company, faithfully exercised the rights of directors and fulfilled the duties of directors thoroughly and diligently.

The content of the performance evaluation of the management team of the Company by the Supervisory Committees included the attendance of meetings, respective management of various business segments, commitments to the corporate strategy, compliance management, integrity and self-discipline. The Supervisors at the meeting concurred that in 2020, all the senior management have carried out various work around the Company's development strategy deployment, and have achieved remarkable operating results. Revenue and profit of the Company have both increased significantly. The transformation and reform of the Company have been pushed forward in-depth, and the momentum of development has continued to strengthen. Meanwhile, the Company continued to maintain steady compliance operations. There was no significant event regarding risk compliance throughout the year while losses of various kinds of risk were maintained at a relatively low level, and therefore, the "AA" grade of Type A regulatory rating was maintained for the 13th consecutive years. All the senior management strictly abided by the relevant laws and regulations and the Articles of Association of the Company, seriously implemented the resolutions of the Board, accepted the supervision from the Supervisory Committee and fulfilled the duties thoroughly and diligently.

The Supervisory Committee had high accreditation to the performance of the Directors and senior management of the Company during 2020.

During the Reporting Period, the Supervisory Committee had no objections to the matters under supervision.

VI. Appraisal System of Senior Management and the Establishment and Implementation of Incentive Mechanism during the Reporting Period

The remuneration of the senior management of the Company is determined based on their position and performance. An annual performance bonus incentives system has been set up under the current management framework, and the payment of performance-based bonuses is determined by the Board with reference to the operating results of the Company. The Chairman and senior management of the Company are entitled to an individual performance bonus based on the annual appraisal results. The distribution proposal shall be confirmed after the Remuneration and Appraisal Committee under the Board issues written opinions thereon.

VII. Remuneration of the Directors, Supervisors and Senior Management

For the remunerations of the Directors, Supervisors and senior management of the Company, please see “Change in Shareholdings and Remunerations” under “Chapter 7 Directors, Supervisors, Senior Management and Employees” of this report.

VIII. Disclosure of Self-Assessment Report of Internal Control

For details of the self-assessment report of internal control of the Company, please refer to the 2020 Internal Control Assessment Report of China Merchants Securities Co., Ltd (《招商證券股份有限公司2020年度內部控制評價報告》) which will be published on the SSE website and the Hong Kong Stock Exchange website for the same period of this report.

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IX. Relevant Issues Based on the Audit Report on Internal Control

For details of the audit report on internal control of the Company, please refer to the 2020 Audit Report on Internal Control of China Merchants Securities Co., Ltd. (《招商證券股份有限公司2020年度內部控制審計報告》) which will be published on the SSE website on the same date of this report.

Whether or not to disclose the audit report on internal control: Yes

Type of opinion on the credit report on internal control: Standard unqualified opinion.

X. Responsibility Statement on Internal Control and Development of Internal Control System

(I) Responsibility statement on internal control

The Board of the Company shall be responsible for establishing appropriate and effective internal control based on the regulations of the corporate internal control system, assessing its effectiveness and truthfully disclosing the internal control assessment report. The Supervisory Committee shall supervise the internal control established and implemented by the Board. The operation management shall be responsible for coordinating and guiding the daily operation of internal control of the Company.

Internal control of the Company is designed to reasonably ensure the lawful operation and management, the security of assets and the authenticity and completeness of financial reports and relevant information, and to improve the efficiency and results of operation so as to realise the development strategy. Due to inherent limitations, internal control of the Company may only provide reasonable assurance for the above objectives. In addition, due to changes in conditions, internal control may become inappropriate or the control policies and procedures are less abided, the forecast on the effectiveness of future internal control based on the internal control assessment results is subject to certain risks.

Based on the assessment on the internal control of the Company, the Board believes that the Company has maintained an effective internal control on financial reporting in all material aspects pursuant to the regulations of the corporate internal control system and relevant requirement. As of the date of the internal control assessment report (December 31, 2020), the Company was not aware of any material deficiency in the internal control for financial reporting and non-financial reporting aspects.

(II) Basis for development of internal control for financial reporting

Pursuant to the General Regulations for Corporate Internal Control (《企業內部控制基本規範》) and Supplementary Guidelines for Corporate Internal Control (《企業內部控制配套指引》) jointly issued by the Ministry of Finance of the PRC, CSRC, the National Audit Office, and China Banking and Insurance Regulatory Commission (formerly known as China Banking Regulatory Commission and China Insurance Regulatory Commission), the Guidelines for the Internal Control of Securities Companies (《證券公司內部控制指引》) issued by the CSRC and the Guidelines for Internal Control of Listed Companies on the Shanghai Securities Exchange (《上海證券交易所上市公司內部控制指引》) issued by the SSE, the Company has set up an appropriate and effective internal control for financial reporting based on its actual condition.

(III) Development of internal control system

The Company is committed to further improving the internal regulations, rules and management systems. According to the corporate governance requirement, the Company has refined the top-down systems to strengthen control over all business lines and management procedures. A series of comprehensive internal control systems are implemented effectively. The Company promotes its internal control throughout the whole process of operation and development, and ensures the sustainable and sound growth of the Company by improving and strengthening the implementation of systems with effective supervision and evaluation.

XI. Development of Compliance Management System of the Company

(I) Development of compliance management system of the Company

In 2020, under its five-level compliance management structure comprising the Board, Senior Management, Chief Compliance Officer, Legal and Compliance Department, and other departments, branches and subsidiaries at all levels, and the three-line of compliance management framework consisting of the shareholders' general meeting, the Board and management, the Company duly performed its compliance management duties and maintained proper compliance level.

The Company continued to promote the construction of a compliance management system, further organized the implementation of new regulatory rules and properly conducted regulatory communication. It also carried out compliance management supervision such as compliance review, compliance training promotion, compliance inspection, compliance risk treatment, daily compliance monitoring, anti-money laundering, etc., in accordance with the laws and regulations as well as rules of the Company. Meanwhile, the Company strengthened the prevention and identification of compliance risks, and improved the compliance risk control mechanism. It followed up and interpreted laws, regulations and standards in a timely manner, and actively organized relevant departments to timely revise internal rules and regulations, in order to embed the new regulations into various business processes and sessions, and enhance the Company's internal control management. In addition, the Company newly formulated or revised nine compliance management policies, namely "Measures for the Monitoring and Administration of Anti-Money Laundering List" (《反洗錢名單監測管理辦法》), "Measures for the Administration of Financial Marketing and Promotion of China Merchants Securities Co., Ltd." (《招商證券股份有限金融營銷宣傳管理辦法》), "Compliance Management System of China Merchants Securities Co., Ltd." (《招商證券股份有限公司合規管理制度》), "Management Measures of Report on Large Transaction and Suspicious Transaction" (《大額交易和可疑交易報告管理辦法》), etc. It continuously improved the compliance management system, fully implemented the "Management Measures of Subsidiaries for Compliance" (《子公司合規管理辦法》), comprehensively standardized the principle of compliance management, the procedures and the responsibilities of each responsible entity, strictly implemented the "Accountability Regulations for cadre and staff of China Merchants Securities Co., Ltd." (《招商證券股份有限公司幹部員工問責管理規定》) applicable to major and important violations and general violations, and established a sound compliance accountability system.

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(II) Compliance check during the Reporting Period

In 2020, the legal and compliance department of the Company stepped up its compliance check, actively carried out proactive prevention and risk-triggered compliance inspections which focused on major regulatory concerns, high-risk areas, and new businesses, and comprehensively identified the compliance risk and supervised the rectification. A total of 28 compliance inspections were carried out throughout the year, which ensured the smooth execution of the business regulations.

XII. Progress of Audit

During the Reporting Period, the Company actively responded to the COVID-19 epidemic and thus has turned the crisis into opportunities. It vigorously promoted the off-site audit standardization, normalization, and adhered to dual emphasis on “risk prevention” and “value-adding”. Firstly, it strengthened the depth of issues and precision of risk, so as to supervise, implement and improve the institutional system and operation mechanism anchoring by elaboration, feasible and reasonable opinion and suggestion; secondly, it dug out violations and hidden risks to promote standardized operation; thirdly, focusing on the implementation of the strategy and key tasks, it analyzed the background, identified the current situation, looked forward to the future and discussed the improvement, in order to promote the improvement of management efficiency.

During the Reporting Period, the Company completed a total of 141 audit and inspection items of various types, in which 26 were related to audit and assessment of the headquarters and subsidiaries, comprehensively covering the anti-money laundering, liquidity risk management, information technology security management, bond financing business of investment bank, customer suitability management for wealth management business, derivatives investment business, private equity investment fund business (subsidiary), alternative investment business (subsidiary) and other business or management area; 114 items of compulsory departure audit and termination audit of the officers of branches (securities business department and branch offices); leading the completion of the effective self-assessment of the Company’s internal control project.

Through these internal audits and evaluation, the Company inspected the internal control systems of the audit targets and the completeness and effectiveness thereof, and issued reminders on major risks, which significantly supported the improvement of compliance and risk prevention awareness of the audit targets as well as the enhancement of internal control of the Company.

XIII. Miscellaneous

(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 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 inquiry, all Directors, Supervisors and senior management have confirmed 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 “Change in Shareholdings and Remunerations” under “Chapter 7 Directors, Supervisors, Senior Management and Employees” of this report.

(II) Responsibilities of Directors for financial statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the certified public accountants included in the audit report of this report, while each responsibility statement shall be interpreted separately.

The Board of the Company has confirmed that it took responsibility for the preparation of the annual report for the year ended December 31, 2020 of the Group.

The Board of the Company is responsible for presenting a clear and well-defined assessment on the interim and annual reports, stock price sensitive information, and other matters that need to be disclosed according to the Hong Kong Listing Rules and other regulatory provisions. The management has provided relevant and necessary explanations and information for the Board so that the Board could make an informed assessment on the financial data and position of the Group for examination and approval.

To the knowledge of our Directors, the Company does not face any events or situations of significant uncertainty likely to give rise to the significant doubt of the Company’s capability of sustained operations. In addition, the Company has arranged appropriate insurance cover for the legal actions and liabilities to which the Directors, Supervisors and senior management may be exposed.

(III) Joint company secretaries

Mr. WU Huifeng and Ms. KWONG Yin Ping Yvonne are the joint company secretaries of the Company, whose appointments were made in July 2015 and April 2016, respectively, and became effective in October 2016. Mr. WU Huifeng is the secretary to the Board and the main contact person within the Company. Ms. KWONG Yin Ping Yvonne is a vice president of SWCS Corporate Services Group (Hong Kong) Limited. According to Rule 3.29 of the Hong Kong Listing Rules, as of December 31, 2020, both Mr. WU Huifeng and Ms. KWONG Yin Ping Yvonne have received over 15 hours of relevant professional training.

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(IV) Interests of Shareholders

The shareholders' general meeting is the organ of the highest authority of the Company, and the shareholders exercise their rights through the shareholders' general meeting. The Company convenes and holds shareholders' general meetings in strict compliance with the relevant provisions of the Articles of Association and the Rules of Procedures for the Shareholders' General Meetings to ensure the equal status of all shareholders, in particular the minority shareholders, and enable them to exercise their rights completely.

The Company pays high attention to the shareholders' opinions and advice, actively and regularly carries out various investor relations activities to keep communication with shareholders and fulfil their reasonable requests timely. The Company has formulated a series of thorough rules and regulations such as the Administrative System Regarding Investor Relationship (《投資者關係管理制度》), to manage investor relationship in accordance with the standards, systems and procedures. The Company has formed a good interaction and communication with the investors through various channels, such as investor service hotlines, the special column for investor relations in the Company's website and reception of on-site researchers.

The Board of the Company welcomes the shareholders' advice and encourages shareholders to attend the shareholders' general meetings to ask the Board or management directly about any doubts they may hold. Shareholders may convene and hold extraordinary general meetings and submit temporary proposals to general meetings according to the procedures set out in the Articles of Association, which has been published on the websites of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong as well as the Company's website. The Company will arrange for the Board and the Management to answer shareholders' questions in its general meeting.

(V) Auditor's remuneration

For details of the auditor's remuneration of the Company, please refer to "Appointment and Removal of Accounting Firms" of "Chapter 5 Major Events" of this report.

(VI) Relationship with investors

The Company attaches great importance to the investor relations management, actively carries out the management of investor relations, continuously enhances the transparency of the Company, comprehensively introduces the business development advantages of the Company, so as to enable investors to have a better understanding of the Company. The Company has formulated the Standards for the Work of the Secretary to the Board (《董事會秘書工作規範》), Information Disclosure Management System (《信息披露事務管理制度》), and the Administrative System Regarding Investor Relationship (《投資者關係管理制度》), and has defined the relevant working mechanisms. Other than the information disclosure channels required by the laws, the Company mainly communicates with investors by shareholders' general meetings, investor briefing sessions, phone, email, internet platform, reception of visitors and participating in investor meetings.

In 2020, the Company in-depth communicated with investors on major issues such as industry trends, corporate strategies, business development, risk management, rights offering and employee stock ownership through various means, with a total of more than 1,300 person-times. Based on the good fundamentals of the Company, and through continuous and effective communication with investors, the market value of the Company ranked fourth in the industry by the end of 2020.

(VII) Risk management

For details of the risk management of the Company, please refer to the relevant content of “Potential risks and relevant measures” under “Chapter 4 Report of the Board of Directors” of this report.

For details of the internal control of the Company, please refer to the “2020 Internal Control Assessment Report of China Merchants Securities Co., Ltd.” (《招商證券股份有限公司2020年度內部控制評價報告》) which will be published on the SSE website and the “Responsibility Statement on Internal Control and Development of Internal Control System”, “Development of Compliance Management System of the Company” and “Progress of Audit” under this Chapter on the same date of this report.

(VIII) Management of inside information

The Company has formulated certain management systems for information disclosure and relevant inside information and established an operating mechanism for managing inside information in accordance with regulatory requirements. The confidentiality and registration of inside information are regulated based on the Confidentiality System of Inside Information (《內幕信息保密制度》) and the Registration System for Persons with Inside Information (《內幕信息知情人登記制度》) to enhance the level of confidentiality and the management of insiders. According to the Information Disclosure System (《信息披露制度》) and the Material Information Internal Report System (《重大信息內部報告制度》), the content, procedure, management and responsibility of information disclosure are clarified, internal collection and management of major information are refined through the appointment of contact persons for internal reporting of major information at each of the departments, branches and subsidiaries and timely collection and standard management of the Company’s significant inside information is safeguarded. According to Investor Relations Management System (《投資者關係管理制度》), information disclosure shall be made on a fair basis. The operating mechanism for managing inside information covers all key aspects of controlling inside information including the collection, circulation, verification, confidentiality and fair disclosure. The Company ensures the effectiveness of such mechanism by enhancing the training system, defining the duty requirements, upholding accountability and improving the awareness of information disclosure.

(IX) Amendments to the Articles of Association

On May 19, 2020, the resolution regarding the amendments to the Articles of Association of China Merchants Securities Co., Ltd. was considered and approved at the 2019 annual general meeting. On December 14, 2020, the resolution regarding the change of the Company’s registered capital and the amendments to the Articles of Association of China Merchants Securities Co., Ltd. was considered and approved at the third meeting of the seventh session of the Board of the Company. On December 24, 2020, the Company has completed procedures of the industrial and commercial registration for the change of registered capital and the filing and registration of the Articles of Association.

For details, please refer to the relevant announcements dated March 29, April 28, May 19, May 20, December 14 and December 24, 2020 published on the Hong Kong Stock Exchange website.

Chapter 9: Corporate Bonds

I. General Information of Corporate Bonds

As at the date of approval of this report, the details of the outstanding corporate bonds are as follows:

Unit: Hundred million Yuan Currency: RMB

Name	Abbreviation	Code	Date of issue completed	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.SH	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招商債)	122374.SH	May 26, 2015	May 26, 2025	55.00	5.08	Annual payment of interest	SSE	Nil	Offering to 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.SH	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.SH	July 18, 2018	July 18, 2021	25.00	4.38	Annual payment of interest	SSE	Nil	Offering to qualified 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.SH	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.SH	September 7, 2018	September 7, 2021	18.00	4.23	Annual payment of interest	SSE	Nil	Offering to qualified 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.SH	March 8, 2019	March 8, 2022	15.00	3.59	Annual payment of interest	SSE	Nil	Offering to qualified 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.SH	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.SH	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
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 Securities G2 (20招商G2)	163924.SH	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 Securities G3 (20招商G3)	163925.SH	August 13, 2020	August 13, 2023	30.00	3.50	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2020 Type One Corporate Bonds (third 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(第三期)(品種一))	20 China Merchants Securities G4 (20招商G4)	175174.SH	September 21, 2020	September 21, 2022	29.00	3.55	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2020 Type Two Corporate Bonds (third 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(第三期)(品種二))	20 China Merchants Securities G5 (20招商G5)	175175.SH	September 21, 2020	September 21, 2023	29.00	3.78	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2020 Type One Corporate Bonds (fourth 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(第四期)(品種一))	20 China Merchants Securities G6 (20招商G6)	175292.SH	October 26, 2020	October 26, 2022	30.00	3.43	Annual payment of interest	SSE	Nil	Offering to professional investors

Name	Abbreviation	Code	Date of issue completed	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 Two Corporate Bonds (fourth 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(第四期)(品種二))	20 China Merchants Securities G7 (20招證G7)	175293.SH	October 26, 2020	October 26, 2023	10.00	3.63	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2021 Type One 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2021年公司債券(第一期)(品種一))	21 China Merchants Securities G1 (21招證G1)	175637.SH	January 18, 2021	January 18, 2023	15.00	3.24	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2021 Type Two 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2021年公司債券(第一期)(品種二))	21 China Merchants Securities G2 (21招證G2)	175638.SH	January 18, 2021	January 18, 2024	45.00	3.53	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2021 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2021年公司債券(第二期))	21 China Merchants Securities G3 (21招證G3)	175715.SH	January 28, 2021	January 28, 2024	14.00	3.58	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2021 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2021年面向專業投資者公開發行短期公司債券(第一期))	21 China Merchants Securities S1 (21招證S1)	163865.SH	February 3, 2021	January 19, 2022	42.00	3.25	One-off payment of principal and interest upon expiry	SSE	Nil	Offering to professional 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.HK	January 21, 2020	January 21, 2023	USD 300 million	2.625	Payment of interest every half year	Hong Kong Stock Exchange	Nil	Offering to qualified 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))	17 China Merchants Y1 (17招商Y1)	145340.SH	February 17, 2017	February 17, 2022	40.00	5.18	Annual payment of interest	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))	17 China Merchants Y2 (17招商Y2)	145371.SH	March 3, 2017	March 3, 2022	50.00	5.15	Annual payment of interest	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))	17 China Merchants Y3 (17招商Y3)	145545.SH	May 22, 2017	May 22, 2022	37.00	5.65	Annual payment of interest	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))	17 China Merchants Y4 (17招商Y4)	145579.SH	June 19, 2017	June 19, 2022	23.00	5.58	Annual payment of interest	SSE		Offering to qualified institutional investors
The 2020 Type One Subordinated 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次級債券(第一期)(品種一))	20 China Merchants Securities C1 (20招證C1)	175515.SH	December 3, 2020	June 3, 2023	44.30	4.38	Annual payment of interest	SSE	Nil	Offering to professional institutional investors
The 2020 Type Two Subordinated 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次級債券(第一期)(品種二))	20 China Merchants Securities C2 (20招證C2)	175516.SH	December 3, 2020	December 3, 2023	10.70	4.43	Annual payment of interest	SSE	Nil	Offering to professional institutional investors
The 2021 Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第一期))	21 China Merchants Securities C1 (21招證C1)	175705.SH	January 27, 2021	January 27, 2024	48.00	3.95	Annual payment of interest	SSE	Nil	Offering to professional investors
The 2021 Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第二期))	21 China Merchants Securities C2 (21招證C2)	175813.SH	March 9, 2021	March 9, 2024	60.00	3.95	Annual payment of interest	SSE	Nil	Offering to Professional institutional investors

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Name	Abbreviation	Code	Date of issue completed	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 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.SH	December 5, 2018	December 5, 2021	25.00	4.15	Annual payment of interest	SSE	Nil	Offering to qualified institutional 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.SH	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.SH	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.SH	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.SH	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.SH	May 29, 2019	May 29, 2021	40.00	3.78	Annual payment of interest	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.SH	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.SH	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.SH	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.SH	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.SH	June 11, 2020	June 11, 2022	40.00	3.15	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors
The 2021 Type One Corporate Bonds (first tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2021年非公開發行公司債券(第一期)(品種一))	21 China Merchants Securities F1 (21招商F1)	177972.SH	February 26, 2021	August 26, 2022	25.00	3.55	Annual payment of interest	SSE	Nil	Offering to qualified institutional investors
The 2021 Type Two Corporate Bonds (first tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2021年非公開發行公司債券(第一期)(品種二))	21 China Merchants Securities F2 (21招商F2)	177973.SH	February 26, 2021	August 26, 2023	75.00	3.85	Annual payment of interest	SSE	Nil	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.

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.SH	March 5, 2013	March 5, 2023	55	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.SH	May 26, 2015	May 26, 2025	55	Payment of interest in full as scheduled
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.SH	October 23, 2017	October 23, 2020	10.6	Payment of interest in full as scheduled
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.SH	October 31, 2017	October 31, 2020	10	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.SH	February 5, 2018	February 5, 2021	19.4	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.SH	June 12, 2018	June 12, 2020	20	Payment of interest 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.SH	June 12, 2018	June 12, 2021	10	Payment of interest in full as scheduled
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.SH	July 18, 2018	July 18, 2021	25	Payment of interest in full as scheduled
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.SH	August 8, 2018	August 8, 2021	30	Payment of interest in full as scheduled
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.SH	September 7, 2018	September 7, 2021	18	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.SH	March 8, 2019	March 8, 2022	15.00	Payment of interest in full as scheduled

Chapter 9: 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 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F10)	150930.SH	December 5, 2018	December 5, 2021	25.00	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.SH	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.SH	April 10, 2019	April 10, 2022	36.00	Payment of interest in full as scheduled
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.SH	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.SH	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.SH	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.SH	January 12, 2018	January 12, 2020	16.4	Payment of interest 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.SH	January 22, 2018	January 22, 2020	51.5	Payment of interest 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.SH	February 17, 2017	February 17, 2022	40	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.SH	March 3, 2017	March 3, 2022	50	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.SH	May 22, 2017	May 22, 2022	37	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.SH	June 19, 2017	June 19, 2022	23	Payment of interest in full as scheduled
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.HK	January 21, 2020	January 21, 2023	USD 0.3 billion	Payment of interest in full as scheduled

Details of the issuance of other 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)) from the Shanghai Stock Exchange, pursuant to which the Shanghai Stock Exchange 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 privately issued a total of five tranches of corporate bonds pursuant to the No Objection Letter and raised proceeds of RMB25.5 billion.

In July 2020, the Company received the Approval on Registration for Public Offering of 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)) from the CSRC, pursuant to which the CSRC approved the Company's public offering of corporate bonds to professional investors with total face value of no more than RMB25.0 billion under terms over one year, and approved its public offering of short-term corporate bonds with face value balance of no more than RMB10.0 billion. From 2020 to the date of approval for the publication of this report, the Company had issued a total of six tranches of corporate bonds with terms over one year with proceeds of RMB25.0 billion, and two tranches of short-term corporate bonds with proceeds of RMB6.3 billion pursuant to the above Approval.

In November 2020, the Company received the Approval on Registration for Public Offering of Subordinated Corporate Bonds by China Merchants Securities Co., Ltd. To Professional Investors (Zheng Jian Xu Ke [2020] No. 3138) (《關於同意招商證券股份有限公司向專業投資者公開發行次級公司債券註冊的批覆》(證監許可[2020] 3138號)) from the CSRC, pursuant to which the CSRC approved the Company's public offering of subordinated corporate bonds to professional investors with total face value of no more than RMB30.0 billion. From 2020 to the date of approval for the publication of this report, the Company had issued a total of three tranches of subordinated corporate bonds with proceeds of RMB16.3 billion pursuant to the above Approval.

Chapter 9: Corporate Bonds

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

As at the date of approval of this report, the contact person and contact details of the Trustees in corporate bonds and contact details of the credit rating agencies are as follows:

Trustee	Name	Huatai United Securities Co., Ltd.
	Office address	26/F, CTS Tower, 4011 Shennan Road, Futian District, Shenzhen, the PRC
	Contact person	XU Shengcheng (徐晟程)
	Contact number	0755-82492010
	Bonds under trust	12 China Merchants 03
Trustees	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, the PRC
	Contact person	XUE Jiang (薛江), HUANG Liang (黄亮), XING Yiwei (邢一唯)
	Contact number	021-52523222, 021-52523023
	Bonds under trust	14 China Merchants Bonds, 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 Securities G2, 20 China Merchants Securities G3, 20 China Merchants Securities G4, 20 China Merchants Securities G5, 20 China Merchants Securities G6, 20 China Merchants Securities G7, 21 China Merchants Securities G1, 21 China Merchants Securities G2, 21 China Merchants Securities G3, 21 China Merchants Securities S1
Trustees	Name	Essence Securities Co., Ltd.
	Office address	9/F, Tower 1, China Phoenix Building, 2008 Shennan Road, Shenzhen, the PRC
	Contact person	XU Yingjie (徐英傑)
	Contact number	0755-82558264
	Bonds under trust	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 F3, 20 China Merchants F4, 20 China Merchants F5, 20 China Merchants F6, 20 China Merchants F7, 21 China Merchants Securities F1, 21 China Merchants Securities F2

Trustees	Name	China Galaxy Securities Co., Ltd.
	Office address	11/F, Qinghai Finance Building, No. 8 Ying Street, Fengtai District, Beijing, the PRC
	Contact person	XU Jinjun (許進軍)
	Contact number	010-80927270
	Bonds under trust	17 China Merchants Y1, 17 China Merchants Y2, 17 China Merchants Y3, 17 China Merchants Y4
Trustees	Name	CITIC Securities Company Limited
	Office address	North Tower, Excellence Times Plaza II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong, the PRC
	Contact person	FENG Yuan (馮源)
	Contact number	0755-23835062
	Bonds under trust	20 China Merchants Securities C1, 20 China Merchants Securities C2, 21 China Merchants Securities C1, 21 China Merchants Securities C2
Credit rating agency	Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
	Office address	13/F, Huasheng Building, No. 398 Hankou Road, Shanghai
	Bonds rated	12 China Merchants 03, 14 China Merchants Bonds
Credit rating agency	Name	China Chengxin International Credit Rating Co., Ltd.
	Office address	Building 6, Galaxy SOHO, No. 2 Nanzhugan Hutong, Chaoyangmennei Street, Dongcheng District, Beijing, the PRC
	Bonds rated	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 Securities G2, 20 China Merchants Securities G3, 20 China Merchants Securities G4, 20 China Merchants Securities G5, 20 China Merchants Securities G6, 20 China Merchants Securities G7, 21 China Merchants Securities G1, 21 China Merchants Securities G2, 21 China Merchants Securities G3, 20 China Merchants Securities C1, 20 China Merchants Securities C2, 21 China Merchants Securities C1, 21 China Merchants Securities C2, 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 F3, 20 China Merchants F4, 20 China Merchants F5, 20 China Merchants F6, 20 China Merchants F7, 21 China Merchants Securities F1, 21 China Merchants Securities F2, 17 China Merchants Y1, 17 China Merchants Y2, 17 China Merchants Y3, 17 China Merchants Y4

Others:

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

Chapter 9: Corporate Bonds

The original rating agency of the publicly issued corporate bonds “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 has no significant impact on the Company’s solvency and the payment of principal and interest on the relevant 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 prospectus. 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 prospectus, 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 prospectus;
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

As of the date of approval for publication of this annual report, all proceeds from the issuance of perpetual 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:

Proceeds from the public issuance of corporate bonds, namely "12 China Merchants 03" and "14 China Merchants Bonds", have been used in full for replenishment of the Company's working capital as per the relevant agreement under the prospectuses.

Proceeds from the public issuance of corporate bonds by the Company to qualified investors (namely "18 China Merchants G3", "18 China Merchants G5", "18 China Merchants G6", "18 China Merchants G8" and "19 China Merchants G1"), and the public issuance of corporate bonds to professional investors (namely "20 China Merchants G1", "20 China Merchants Securities G2", "20 China Merchants Securities G3", "20 China Merchants Securities G4", "20 China Merchants Securities G5", "20 China Merchants Securities G6", "20 China Merchants Securities G7", "21 China Merchants Securities G1", "21 China Merchants Securities G2" and "21 China Merchants Securities G3") have been used in full for replenishment of the Company's liquidity as per the relevant agreement under the prospectuses. The special account set for proceeds from issuance of corporate bonds has been under normal operation.

Proceeds from public issuance of short-term corporate bonds by the Company to professional investors, namely "20 China Merchants S2" and "21 China Merchants Securities S1", have been used in full for repayment of debts in due as per the relevant agreement under the prospectuses, and the special account set for such proceeds has been under normal operation.

Proceeds from public issuance of subordinated bonds by the Company to professional investors, namely "20 China Merchants Securities C1", "20 China Merchants Securities C2", "21 China Merchants Securities C1" and "21 China Merchants Securities C2", have been used in full for replenishment of the Company's liquidity as per the relevant agreement under the prospectuses, and the special account set for such proceeds has been under normal operation.

Proceeds from private issuance of perpetual subordinated bonds by the Company, namely "17 China Merchants Y1", "17 China Merchants Y2", "17 China Merchants Y3" and "17 China Merchants Y4", have been used in full for replenishment of the working capital as per the relevant agreement under the prospectuses, and the special account set for such proceeds has been under normal operation.

Proceeds from private issuance of corporate bonds by the Company, namely "18 China Merchants F10", have been used in full for replenishment of the Company's liquidity as per the relevant agreement under the prospectus, and the special account set for such proceeds has been under normal operation.

Proceeds from private issuance of corporate bonds 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 F3", "20 China Merchants F4", "20 China Merchants F5", "20 China Merchants F6"; "20 China Merchants F7" "21 China Merchants Securities F1" and "21 China Merchants Securities F2", have been used in full for repayment of corporate bonds and other debt financing instruments in due as per the relevant agreement under the prospectuses, and the special account set for such proceeds has been under normal operation.

Chapter 9: 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 domestic market unanimously, and no difference exists between the rating results. None of credit rating agencies conducted any irregular follow-up rating in respect of the Company and its 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. As set out in the report, the overall credit rating of the Company remained at AAA with stable outlook, and 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 on Public Issuance of Corporate Bonds by China Merchants Securities Co., Ltd. to Qualified Investors in 2017, 2018 and 2019 (2020). As set out in the report, the overall credit rating of the Company remained at AAA with stable outlook, and the debt 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 on Perpetual Subordinated Bonds and Private Issuance of Corporate Bonds by China Merchants Securities Co., Ltd. for 2020. As set out in the report, the overall credit rating of the Company remained at AAA with stable outlook, the debt credit ratings of "17 China Merchants Y1", "17 China Merchants Y2", "17 China Merchants Y3" and "17 China Merchants Y4" remained at AA+, and the debt credit rating 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.

During the subsistence period of our corporate bonds, credit rating agencies will complete the regular follow-up rating for the year within two months upon release of relevant annual reports by the bond issuer and bond guarantor (if any). Corresponding follow-up rating reports will be published on the website of SSE. Investors are advised to pay attention.

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 were issued without any guarantees. According to the repayment plans, bonds with original maturity over one and a half year (including thereof) 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 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 exchange 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.

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

Everbright Securities issued the 2019 Trust Reports on the 2014 Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. in April 2020, and issued the 2019 Trust Reports 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 Reports 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 Reports on the Corporate Bonds Privately Issued by China Merchants Securities Co., Ltd.

In June 2020, China Galaxy issued the 2019 Trust Reports on the Perpetual Subordinated Bonds Issued by China Merchants Securities Co., Ltd.

Furthermore, trustees in the bonds, namely Huatai United Securities, Everbright Securities, Essence Securities, China Galaxy and CITIC Securities, have issued the provisional trust reports according to the requirements of relevant laws and regulations, as well as the provisions of the Bond Trusteeship Management Agreement. For details, please see the relevant announcement made by the Company on the website of Shanghai Stock Exchange.

Chapter 9: Corporate Bonds

VII. Accounting Data and Financial Indicators for the Last Two Years as at the End of the Reporting Period

Unit: hundred million; currency; RMB

Key indicators	2020	2019	Change (%)	Reasons for the change
EBITDA	187.67	155.11	21.00	—
Current ratio	1.54	1.63	-5.24	—
Quick ratio	1.54	1.63	-5.24	—
Gearing ratio (%)	74.46	73.40	increased by 1.06 percentage points	—
EBITDA/debt ratio	6.62	6.97	-5.01	—
Interest coverage ratio	2.65	2.41	9.65	—
Cash interest coverage ratio	-4.32	0.81	N/A	Attributable to the decline in net cash flow resulting from operating activities
EBITDA/interest coverage ratio	2.73	2.50	9.35	—
Loan repayment ratio (%)	100.00	100.00	—	—
Interest payment ratio (%)	100.00	100.00	—	—

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 financing bonds, financial bonds, asset-backed special program and principal of structured notes, of which all principals and interests were settled on schedule. For details, please refer to “Short-term Debt Instruments” and “Bonds Payable” under “Notes to the Consolidated Financial Statements” in “Chapter 10 Financial Report” as set out in the annual report.

IX. Bank Credits of the Company during the Reporting Period

As at December 31, 2020, the Company had available credit lines from its major lending banks amounting to RMB276.2 billion, of which RMB97.7 billion were utilized in respect of debt financing instruments.

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 principal and 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 corporate bonds. The Company had a sound operation and favourable profitability, and hence had not identified any risks which might give rise to its inability to fulfill future payments on time.

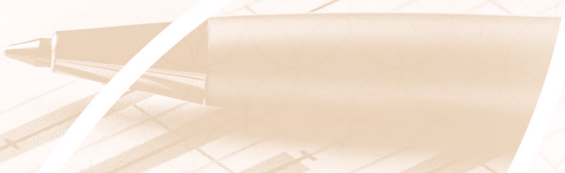
XI. Material Incidents of the Company and Their Effects on our Operation and Solvency

As at August 31, 2020, total cumulative new borrowings for the year of the Company were RMB26.346 billion, representing 30.95% (over 20%) of the net assets as at the end of last year. As at October 31, 2020, total cumulative new borrowings for the year of the Company were RMB51.589 billion, representing 60.60% (over 60%) of the net assets as at the end of last year. For details, please refer to the relevant announcements published by the Company on the website of the Hong Kong Stock Exchange on September 7, 2020 and November 6, 2020, respectively.

For details of other material incidents of the Company, please refer to the sections of “Proposal on Profit Distribution per Ordinary Shares or Conversion of Capital Reserve” “Material Litigations or Arbitrations” and “Punishment and Remedial Measures on the Listed Company, Its Directors, Supervisors, Senior Management, Controlling Shareholders, De Facto Controller and Acquirer” under “Chapter 5: Major Events” of this report, “Chapter 6: Changes in Ordinary Shares and Shareholders” of the report and the section of “Changes in Directors, Supervisors and Senior Management” under “Chapter 7: Directors, Supervisors, Senior Management and Employees” of this report.

The Company had stable business operations, good profitability, and it had paid principals and interests concerning all of its debts as scheduled. The said matters will not exert adverse effect on the operation and solvency of the Company. Save as described above, during the Reporting Period, the material incidents stated in Clause 54 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》) (CSRC Order No.180) had not occurred, and the Company had favorable business operations, strong overall solvency and low financial risks.

FINANCIAL REPORT





Chapter 10: Financial Report

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA MERCHANTS SECURITIES CO., LTD.

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

Opinion

We have audited the consolidated financial statements of China Merchants Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 238 to 390, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>1. Determination of consolidation scope of structured entities</i></p>	
<p>We identified the determination of consolidation scope of structured entities as a key audit matter due to the significant judgment applied by the management in determining whether a structured entity was required to be consolidated by the Group and the significance of the impact arising from consolidating these structured entities to the Group's consolidated financial statements as a whole.</p> <p>The Group held a number of interests in structured entities including investment funds, collective asset management schemes, trust schemes and limited partnerships where the Group was involved as investment manager. As disclosed in note 4 to the consolidated financial statements, the management applied judgment in determining whether these investments should be consolidated in accordance with International Financial Reporting Standard 10: Consolidated Financial Statements ("IFRS 10") by determining (i) whether the Group had power over these investees, and (ii) whether the combination of investments it held, if any, together with its remuneration and credit enhancement created exposure to variability of returns from the activities of the asset management schemes, investment funds and limited partnerships that was of such significance that it indicated that the Group had control.</p> <p>As disclosed in notes 21 and 23, as at December 31, 2020, the total assets of the consolidated structured entities amounted to RMB7,964.2 million and the total assets of the unconsolidated structured entities sponsored by the Group amounted to RMB567,078.2 million, respectively.</p>	<p>Our procedures in relation to the determination of consolidation scope of structured entities included:</p> <ul style="list-style-type: none"> • Understanding the key controls of management in determining the consolidation scope as set out in IFRS 10 of interests in structured entities and evaluating the effectiveness of these controls; • Examining, on a sample basis, the related significant investment contracts and other related service agreements of significant structured entities to determine whether management's conclusion as to whether or not a structured entity was required to be consolidated by the Group was in accordance with IFRS 10; • Checking, on a sample basis, the accuracy of management's calculations of the Group's exposure or right to variable returns from its involvement with the structured entities and examining the data used in these calculations by reference to the related contracts.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="172 405 1385 470"><i>2. Measurement of expected credit losses (“ECL”) for advances to customers and stock-pledged repurchase agreements under financial assets held under resale agreements</i></p> <p data-bbox="172 491 762 808">We identified the measurement of ECL for the Group’s financial assets of credit business (advances to customers and stock-pledged repurchase agreements under financial assets held under resale agreements) as a key audit matter due to the significance of these assets to the Group’s consolidated financial statements and the significant management estimates and judgment required in the measurement.</p> <p data-bbox="172 830 762 965">As set out in note 62(2) to the consolidated financial statements, the measurement involved significant management estimates and judgment in the following key areas:</p> <ul data-bbox="172 987 762 1181" style="list-style-type: none"> • Determination of the criteria for significant increase in credit risk (“SICR”) and financial assets that are credit impaired; • Use of models and assumptions; • Determination of loss rate. <p data-bbox="172 1203 762 1412">The high degree of estimation uncertainty of the ECL had a significant impact on the carrying values of these assets, which in aggregate amounted to RMB101,429.1 million and constituted appropriately 20.30% of the total assets of the Group as at December 31, 2020.</p> <p data-bbox="172 1433 762 1636">As at December 31, 2020, the Group recognized expected credit losses of RMB107.2 million for advances to customers; RMB463.1 million for stock-pledged repurchase agreements; as disclosed in notes 29 and 26 to the consolidated financial statements, respectively.</p>	<p data-bbox="799 491 1385 556">Our procedures in relation to the measurement of ECL for financial assets of credit business included:</p> <ul data-bbox="799 577 1385 1591" style="list-style-type: none"> • Understanding the key controls relating to the measurement of ECL for advances to customers and stock-pledged repurchase agreements and evaluating the effectiveness of these controls; • Evaluating the appropriateness of the ECL model and the critical assumptions and parameters used in the model, in particular, loss rate, with the involvement of our internal experts; • Evaluating the appropriateness of the criteria of SICR and financial assets that are credit impaired determined by management and, on a sample basis, testing the application of criteria of SICR and financial assets that are credit impaired to individual advances to customers and stock-pledged repurchase agreements; • Examining the correctness of major inputs to the ECL model for selected samples, including exposure at default and loss rate; • For credit-impaired financial assets, on a sample basis, assessing the reasonableness of expected credit losses made by management based on the estimated future cash flows by reference to the latest collateral valuations, as appropriate.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="209 405 1150 433"><i>3. Valuations of financial assets classified under the fair value hierarchy as Level 3</i></p> <p data-bbox="209 459 798 664">We identified the valuations of financial assets classified under the fair value hierarchy as Level 3 (“Level 3 financial assets”) as a key audit matter due to the significant management estimates and judgments arising from the involvement of significant unobservable inputs in their valuations.</p> <p data-bbox="209 685 798 998">As disclosed in note 63 to the consolidated financial statements, the fair value of the Group’s Level 3 financial assets amounted to RMB12,211.9 million as at December 31, 2020. Level 3 financial assets were measured using valuation models that involved a number of inputs; some of significant inputs were not based on observable market data, including volatility and discount for lack of marketability, etc.</p>	<p data-bbox="836 459 1422 519">Our procedures in relation to the valuations of Level 3 financial assets included:</p> <ul data-bbox="836 541 1422 1407" style="list-style-type: none"> <li data-bbox="836 541 1422 674">• Understanding the key controls over the valuation process for Level 3 financial assets and evaluating the effectiveness of these controls; <li data-bbox="836 696 1422 830">• Evaluating the appropriateness of the valuation models used by the management for Level 3 financial assets, based on our knowledge of current industry practice; <li data-bbox="836 851 1422 1019">• Reading the investment agreements, on a sample basis, to understand the relevant investment terms and identifying any conditions that were relevant to the valuations of these financial assets; <li data-bbox="836 1041 1422 1209">• Evaluating, on a sample basis, the appropriateness of the unobservable and observable inputs which are significant, used for measuring the fair value of Level 3 financial assets; <li data-bbox="836 1231 1422 1407">• Performing independent valuations of Level 3 financial assets, on a sample basis, and comparing these valuations with the Group’s valuations, with the involvement of our valuation experts, as appropriate.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Chapter 10: Financial Report

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal controls as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Man Kai Sze.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 26, 2021

The independent auditor's report and the accompanying 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.

Consolidated Statement of Profit or Loss

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended December 31,	
		2020	2019
Fee and commission income	7	12,798,077	8,858,493
Interest income	8	9,716,966	8,288,799
Investment gains or losses, net	9	6,783,213	6,159,670
Other income and gains or losses	10	3,171,060	2,352,139
Total revenue, gains and other income		32,469,316	25,659,101
Depreciation and amortization	11	(591,279)	(530,908)
Staff costs	12	(7,498,108)	(5,559,394)
Fee and commission expenses	13	(2,101,235)	(1,422,798)
Interest expenses	14	(7,118,053)	(6,393,610)
Tax and surcharges		(140,492)	(94,364)
Other operating expenses	15	(4,598,325)	(3,670,815)
Impairment losses under expected credit loss model, net of reversal	16	(155,575)	(92,027)
Other impairment losses, net		(18)	(3,556)
Total expenses		(22,203,085)	(17,767,472)
Share of profits of associates		1,042,638	882,008
Profit before income tax		11,308,869	8,773,637
Income tax expenses	17	(1,805,002)	(1,460,354)
Profit for the year		9,503,867	7,313,283
Attributable to:			
Shareholders of the Company and holders of other equity instruments		9,491,639	7,282,381
Non-controlling interests		12,228	30,902
		9,503,867	7,313,283
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)	18		
— Basic (Restated for 2019)		1.06	0.82

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,	
	2020	2019
Profit for the year	9,503,867	7,313,283
Other comprehensive income (expense):		
Items that will not be reclassified subsequently to profit or loss:		
Equity instruments designated as at fair value through other comprehensive income		
Net fair value changes during the year	163,467	335,203
Income tax impact	(40,867)	(83,801)
Sub-total	122,600	251,402
Share of other comprehensive income of associates	(22,095)	—
Items that may be reclassified subsequently to profit or loss:		
Debt instruments at fair value through other comprehensive income:		
Net fair value changes during the year	(160,799)	153,397
Reclassification adjustment to profit or loss	(316,546)	(183,740)
Impairment losses under expected credit loss model, net of reversal	9,511	3,314
Income tax impact	120,974	7,178
Sub-total	(346,860)	(19,851)
Share of other comprehensive income of associates	(7,648)	12,008
Exchange differences arising from translation of foreign operations	(321,880)	106,710
Other comprehensive (expense) income for the period (net of tax)	(575,883)	350,269
Total comprehensive income for the period (net of tax)	8,927,984	7,663,552
Attributable to:		
Shareholders of the Company and holders of other equity instruments	8,915,756	7,632,650
Non-controlling interests	12,228	30,902
	8,927,984	7,663,552

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

Consolidated Statement of Financial Position

As at December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at December 31,	
		2020	2019
Non-current assets			
Property and equipment	19	1,547,029	1,540,746
Right-of-use assets	20	1,608,964	1,610,549
Goodwill		9,671	9,671
Other intangible assets		19,988	15,855
Interests in associates	22	9,508,149	8,833,586
Equity instruments at fair value through other comprehensive income	24	7,420,580	7,057,809
Debt instruments at amortized cost	25	921,389	1,424,662
Financial assets held under resale agreements	26	1,362,032	2,170,301
Financial assets at fair value through profit or loss	32	7,565,032	2,708,857
Deferred tax assets	27	1,818,424	826,872
Other non-current assets	28	1,132,319	817,565
Total non-current assets		32,913,577	27,016,473
Current assets			
Advances to customers	29	81,754,350	55,224,619
Current tax assets		106,799	180,145
Accounts and other receivables	30	6,429,522	3,213,572
Debt instruments at fair value through other comprehensive income	31	44,614,600	45,734,307
Debt instruments at amortized cost	25	818,001	469,974
Financial assets held under resale agreements	26	50,898,293	33,509,524
Financial assets at fair value through profit or loss	32	166,030,032	135,437,211
Derivative financial assets	33	1,726,339	1,805,819
Deposits with exchanges and non-bank financial institutions	34	9,067,233	4,780,890
Clearing settlement funds	35	22,529,340	12,471,616
Cash and bank balances	36	82,838,593	61,927,739
Total current assets		466,813,102	354,755,416
Total assets		499,726,679	381,771,889

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

Consolidated Statement of Financial Position (Continued)

As at December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at December 31,	
		2020	2019
Current liabilities			
Short-term borrowings	38	3,290,295	3,103,673
Short-term debt instruments	39	36,216,758	33,098,616
Placements from banks and other financial institutions	40	11,002,762	7,013,199
Accounts payable to brokerage clients	41	85,441,243	61,724,220
Accrued staff costs	42	6,759,837	5,042,877
Other payables and accrued charges	43	18,451,855	6,847,972
Current tax liabilities		249,546	57,064
Financial liabilities at fair value through profit or loss	44	11,249,844	7,918,509
Derivative financial liabilities	33	3,071,802	2,183,222
Financial assets sold under repurchase agreements	45	119,258,195	97,706,686
Lease liabilities	46	294,159	267,627
Provisions		377	—
Long-term borrowings due within one year	51	253,004	1,144,880
Bonds payable due within one year	53	36,939,761	15,478,614
Total current liabilities		332,479,438	241,587,159
Net current assets		134,333,664	113,168,257
Total assets less current liabilities		167,247,241	140,184,730
Equity			
Share capital	47	8,696,526	6,699,409
Other equity instruments	48	15,000,000	15,000,000
Capital reserve		40,361,022	27,533,939
Less: Treasury stock	47	—	663,954
Investment revaluation reserve of financial assets at fair value through other comprehensive income	49	288,626	542,629
Foreign currency translation reserve		(43,094)	278,786
General reserves	50	18,514,639	16,401,426
Retained profits		22,919,086	19,256,086
Equity attributable to shareholders of the Company		105,736,805	85,048,321
Non-controlling interests		87,908	79,530
Total equity		105,824,713	85,127,851

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

Consolidated Statement of Financial Position (Continued)

As at December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at December 31,	
		2020	2019
Non-current liabilities			
Accrued staff costs	42	395,360	525,040
Deferred tax liabilities	27	790,161	485,282
Financial liabilities at fair value through profit or loss	44	2,692,207	2,157,877
Deferred income		119,340	122,537
Lease liabilities	46	966,240	984,520
Long-term borrowings	52	418,353	268,735
Bonds payable	54	56,040,867	50,512,888
Total non-current liabilities		61,422,528	55,056,879
Total equity and non-current liabilities		167,247,241	140,184,730

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

The consolidated financial statements on pages 238 to 390 were approved and authorized for issue by the board of directors on March 26, 2021 and are signed on its behalf by:

HUO Da

Executive Director, Chairman

XIONG Jiantao

Executive Director, President

Consolidated Statement of Changes in Equity

For the year ended December 31, 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	Translation reserve	General reserves	Retained profits	Sub-total		
	(Note 47)	(Note 48)		(Note 47)	(Note 49)		(Note 50)				
At January 1, 2019	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 year	—	—	—	—	—	—	—	7,282,381	7,282,381	30,902	7,313,283
Other comprehensive income for the year	—	—	—	—	243,559	106,710	—	—	350,269	—	350,269
Total comprehensive income for the year	—	—	—	—	243,559	106,710	—	7,282,381	7,632,650	30,902	7,663,552
Appropriation to general reserves	—	—	—	—	—	—	1,944,678	(1,944,678)	—	—	—
Distribution to holders of other equity instruments (note 55)	—	—	—	—	—	—	—	(802,090)	(802,090)	—	(802,090)
Dividends recognized as distribution (note 55)	—	—	—	—	—	—	—	(1,768,644)	(1,768,644)	(20,880)	(1,789,524)
Repurchase of ordinary shares	—	—	—	(663,954)	—	—	—	—	(663,954)	—	(663,954)
Others	—	—	—	—	—	—	591,785	(591,785)	—	—	—
At December 31, 2019	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
At January 1, 2020	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 year	—	—	—	—	—	—	—	9,491,639	9,491,639	12,228	9,503,867
Other comprehensive expense for the year	—	—	—	—	(254,003)	(321,880)	—	—	(575,883)	—	(575,883)
Total comprehensive (expense) income for the year	—	—	—	—	(254,003)	(321,880)	—	9,491,639	8,915,756	12,228	8,927,984
Appropriation to general reserves	—	—	—	—	—	—	2,113,213	(2,113,213)	—	—	—
Distribution to holders of other equity instruments (note 55)	—	—	—	—	—	—	—	(802,090)	(802,090)	—	(802,090)
Dividends recognized as distribution (note 55)	—	—	—	—	—	—	—	(2,913,336)	(2,913,336)	(3,850)	(2,917,186)
Settlement of treasury stocks (note 47)	—	—	—	663,954	—	—	—	—	663,954	—	663,954
Issuance of shares	1,997,117	—	12,827,083	—	—	—	—	—	14,824,200	—	14,824,200
At December 31, 2020	8,696,526	15,000,000	40,361,022	—	288,626	(43,094)	18,514,639	22,919,086	105,736,805	87,908	105,824,713

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31	
	2020	2019
Operating activities		
Profit before income tax	11,308,869	8,773,637
Adjustments for:		
Interest expenses	7,118,053	6,393,610
Share of profits of associates	(1,042,638)	(882,008)
Depreciation and amortization	591,279	530,908
Impairment losses, net	155,592	95,583
Losses on disposal of property and equipment, other intangible assets and other non-current assets, net	3,940	2,754
Foreign exchange losses, net	(17,803)	(30,189)
Net realized gains from disposal of financial assets at fair value through other comprehensive income	(316,546)	(183,740)
Dividend income and interest income on financial assets at fair value through other comprehensive income and debt instrument at amortized cost	(1,678,936)	(2,167,290)
Unrealized fair value changes in financial instruments at fair value through profit or loss	(1,596,412)	(2,089,290)
Unrealized fair value change in derivative financial instruments	113,657	66,027
Operating cash flows before movements in working capital	14,639,055	10,510,002
Increase in advances to customers	(26,441,460)	(12,096,676)
Increase in other current assets	(3,614,028)	(666,807)
Increase in financial assets held under resale agreements	(16,698,305)	(2,788,974)
Increase in financial instruments at fair value through profit or loss, net	(29,106,776)	(34,895,689)
Increase in deposits with exchanges and non-bank financial institutions	(4,286,343)	(3,349,470)
Increase in pledged and restricted bank deposits	(1,614,522)	—
(Increase) decrease in clearing settlement funds	(5,853,305)	1,757,796
Increase in cash held on behalf of customers	(17,684,846)	(12,895,839)
Increase in accounts payable to brokerage clients	23,743,508	12,679,565
Increase in accrued staff costs	1,587,280	1,126,242
Increase in other current liabilities	11,520,666	3,312,085
Increase in financial assets sold under repurchase agreements	21,484,880	36,364,189
Increase in placements from banks and other financial institutions	4,000,000	3,500,000
Cash (used in) from operation	(28,324,196)	2,556,424
Income taxes paid	(2,145,894)	(1,381,980)
Interest paid	(2,873,405)	(2,323,934)
Net cash used in operating activities	(33,343,495)	(1,149,490)

Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31	
	2020	2019
Investing activities		
Dividends and interest received from investments	2,040,425	2,422,525
Purchase of property and equipment, other intangible assets and other non-current assets	(373,714)	(241,338)
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets	1,011	1,793
Proceeds on disposal of interest in an associate	14,400	—
Net purchase or proceeds from disposal or purchases of debt instruments at fair value through other comprehensive income	675,565	(3,934,246)
Net purchase or proceeds from disposal or purchases of debt instruments at amortized cost	163,298	(47,832)
Net cash from (used in) investing activities	2,520,985	(1,799,098)
Financing activities		
Dividends paid to shareholders and other equity instrument holders	(3,719,276)	(2,591,614)
Interest payment of bonds and short-term debt instruments	(3,858,452)	(4,265,247)
Interest payment of borrowings	(103,297)	(115,555)
Interest payment of lease liabilities	(38,191)	(37,418)
Repayment of bonds and short-term debt instruments	(122,528,154)	(98,020,130)
Repayment of lease liabilities	(290,263)	(278,287)
Proceeds from bonds and short-term debt instruments	152,633,222	109,284,840
Net repayment or proceeds from short-term borrowings	409,477	1,447,534
Repayment of long-term borrowings	(673,250)	—
Repurchase of ordinary shares	—	(663,954)
Proceeds from issuance of shares	14,824,200	—
Proceeds from settlement of treasury stocks	663,954	—
Net cash from financing activities	37,319,970	4,760,169
Net increase in cash and cash equivalents	6,497,460	1,811,581
Cash and cash equivalents at the beginning of the year	13,173,740	11,143,119
Effect of foreign exchange rate changes	(227,212)	219,040
Cash and cash equivalents at the end of the year	19,443,988	13,173,740
Net cash flows from operating activities include interest received	7,982,977	6,282,046

Notes to the Consolidated Financial Statements

For the year ended December 31, 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 Co., Ltd.. On August 1, 1993, with the approval of People’s Bank of China (Shenzhen branch) and Shenzhen Administration for Industry and Commerce, the Company was duly established as the Securities Department of China Merchants Bank Co., Ltd. (招商銀行證券業務部). On August 26, 1994, the Securities Department of China Merchants Bank Co., Ltd. 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 the 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”).

On July 20, 2020 and August 20, 2020, with the approval by China Securities Regulatory Commission ([2019] No. 1946 and [2020] No. 723), the Company completed the rights issue of A Share and H Share by issuing RMB1,702,997,123 A Shares and RMB294,120,354 H Shares, which were listed on the Shanghai Stock Exchange and the Main Board of The Hong Kong Stock Exchanges, respectively.

As at December 31, 2020, the Company’s registered capital was RMB8,696,526,806 and the Company has a total of 8,696,526,806 issued shares of RMB1 each.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION (Continued)

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 referred to as 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 company, agency sales of financial products, insurance agency, securities investment management and stock options market-making business.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, 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 (the “IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the 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 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 year had no material impact on the Group’s financial positions and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective.

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 ³
Amendments IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statements 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 ²

¹ Effective for annual periods beginning on or after January 1, 2023

² Effective for annual periods beginning on or after January 1, 2022

³ Effective for annual periods beginning on or after January 1, 2021

⁴ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statement in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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;
- Level 3: Inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- (a) has power over the investee;
- (b) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (c) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Investments in subsidiaries are stated at cost less accumulated impairment loss, if any, in the Company's statement of financial position. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or losses from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments (“IFRS 9”) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Structured entities

The Group serves as the manager of collective asset management schemes, funds and partnerships. These collective asset management schemes, funds and partnerships invest mainly in equities, debt securities, cash and cash equivalents and securities-backed lending under resales agreements. The Group’s proportion of ownership in these structured entities can fluctuate from day to day according to the Group’s and third-party participation in them. Where the Group is deemed to control such collective asset management schemes, funds and partnerships, with control determined based on an analysis of the guidance in IFRS 10 Consolidated financial statements, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such collective asset management schemes, funds and partnerships for cash. These are presented as “Financial liabilities at fair value through profit or loss” in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- (1) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- (2) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-Based Payment* at the acquisition date;
- (3) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- (4) lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

When the Company receives capital in foreign currencies from investors, the capital is translated to functional currency at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to functional currency at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the “People’s Bank of China”, the State Administrative of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current year.

Monetary items denominated in foreign currencies are translated to functional currency at the spot exchange rate at the end of the year. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to functional currency using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate on the date the fair value is determined; the resulting exchange differences are recognized in profit or loss.

The assets and liabilities of foreign operation are translated to presentation currency at the spot exchange rate at the end of reporting period. The equity items, excluding “retained profits”, are translated to presentation currency at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to presentation currency at the rates that approximate the spot exchange rates. The resulting translation differences are recognized in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Company’s interests in subsidiaries and associates.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group’s previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree’s identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associates is described below.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, unless it is classified as held for sale. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exist, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal or partial disposal of the Group's interest in an associate in which the Group lost significant influence and discontinued the use of equity method, any retained interest that is within the scope of IFRS 9 is measured at fair value on that date, the difference between the carrying amount of the associate at the date, and the proceeds from disposing of such interest (or partial interest) in the associate and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in their comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related asset or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

When an investment in an associate is held by, or is held indirectly through, a group entity that is a venture capital organization and similar entities, the Group may elect to measure investments in those associates at fair value through profit or loss in accordance with IFRS 9.

Property and equipment and other non-current assets

Property and equipment including buildings, motor vehicles, electronic and communication equipment and others, and other non-current assets including leasehold improvement and deferred expenses for use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation/amortization and subsequent accumulated impairment losses, if any.

Depreciation/amortization is recognized so as to write off their costs, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation/amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment and other non-current assets (Continued)

Construction in progress is carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories when completed and ready for intended use. Depreciation/amortization of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment and other non-current assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

If an item of property and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, the cost and accumulated depreciation of that item at the date of transfer are transferred to investment property for subsequent measurement and disclosure purposes.

The estimated residual value rates and useful lives of each class of property and equipment and other non-current assets are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	5%	30-50 years
Motor vehicles	5%	5 years
Electronic and communication equipment	5%	5 years
Office equipment	5%	5 years

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

(i) *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment on non-financial assets other than goodwill below).

The estimated useful lives of each class of intangible assets with finite useful life are as follows:

Classes	Useful lives
Trading rights	10 years
Others	5 years

(ii) *Intangible assets acquired in a business combination*

The intangible assets acquired in the business combination shall be separately recognized from the goodwill, and shall be initially recognized based on the fair value at the acquisition date (as the cost of the intangible assets).

After the initial recognition, the intangible assets with limited useful lives obtained in the business combination shall be presented on the same basis as the intangible assets obtained separately, and shall be presented according to the cost minus accumulated amortization and any accumulated impairment losses. Intangible assets with indefinite useful lives obtained in a business combination are stated at cost less any subsequent accumulated impairment losses. (Please refer to the accounting policy related to the impairment on non-financial assets other than goodwill below).

An intangible asset is derecognized when it is disposed of or it is expected that its use or disposal will no longer generate future economic benefits. The gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss on derecognition of the asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on non-financial assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, investment property, intangible assets with finite useful lives, and other non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) The Group as lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) The Group as lessee (Continued)

Lease modifications

Except for Covid-19-related rent concession in which the Group applied the practice expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(iii) The Group as lessors

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

If the construction of qualifying assets have been suspended under abnormal circumstances, the corresponding capitalization of the borrowing cost should be suspended accordingly.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income and gains or losses".

Employee benefits

(i) Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

(ii) Contributions to retirement benefits scheme

The Group participates in Central Provident Fund Scheme for its employees in the PRC organized by the municipal governments of the relevant provinces. The Group also participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") for its employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognized in profit or loss.

(iii) Other social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognized in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

(iv) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

(ii) *Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and when they relate to taxes levied by the same tax authority and the Group intend to settle current tax liabilities and assets on a net basis.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(i) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognized in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortized over the remaining term. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

(ii) Classification of financial assets

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(ii) Classification of financial assets (Continued)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income as stated above. However the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

(iii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(iv) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. An embedded derivative and its host contract form a hybrid contract.

If a hybrid contract contains a host that is an asset within the scope of IFRS 9, the Group shall not separate an embedded derivative from the host, but shall apply the requirements of IFRS 9 to the entire hybrid contract.

(v) Reclassification of financial instruments

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets. The Group shall not reclassify any financial liability.

If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

- If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.
- If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
- If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
- If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss at the reclassification date.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(v) *Reclassification of financial instruments (Continued)*

- If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortized cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.
- If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When reclassifying the financial assets, the Group determines effective interest rate based on the fair value of the financial assets at the reclassification date.

(vi) *Measurement of financial instruments*

The Group initially recognizes a financial asset or financial liability at its fair value. Fair value is the transaction price of a financial asset or financial liability. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

After initial recognition, the Group subsequently measure a financial asset at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

After initial recognition, the Group subsequently measure a financial liability at amortized cost or fair value through profit or loss.

Interest income is calculated by using the effective interest method.

(vii) *Impairment of financial instruments*

The Group recognize a loss allowance for expected credit losses ("ECL") for the following items:

- financial assets that are measured at amortized cost or debt instruments measured at fair value through other comprehensive;
- lease receivables;
- contract assets;
- loan commitments that are not measured at fair value through profit or loss.

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(vii) Impairment of financial instruments (Continued)

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

- The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. An impairment loss (gain) is recognized in profit or loss for the amount of ECL (or reversal) needed to adjust the loss allowance at the reporting date to the required amount.
- The Group always recognizes lifetime ECL for accounts receivable recognized under IFRS 15. The ECL is assessed individually for debtors with significant balances and/or collectively using a provision matrix with aging groupings.
- Except for accounts receivable recognized under IFRS 15, the Group measure the loss allowance for a financial instrument at an amount equal to the 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition. An impairment loss (gain) is recognized in profit or loss for the amount of ECL (or reversal) needed to adjust the loss allowance at the reporting date to the required amount.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(viii) Profit of loss

A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognized in profit or loss unless:

- it is a non-held for trading investment in an equity instrument that is designated as at fair value through other comprehensive income based on “3. Financial Instruments (ii) Classification of financial assets”. When the financial asset is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment;
- it is a financial liability designated as at fair value through profit or loss and the entity is required to present the effects of changes in the liability’s credit risk in other comprehensive income and other changes in the fair value of the financial liabilities are included in the profit and loss. When the financial liability is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings as a reclassification adjustment;
- it is a financial asset measured at fair value through other comprehensive income based on “3. Financial Instruments (ii) Classification of financial assets” and the entity is required to recognize fair value changes in other comprehensive income except for impairment gains or losses and foreign exchange gains and losses. Interest calculated using the effective interest method is recognised in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging is recognized in profit or loss when the financial asset is derecognized, reclassified, during the amortization process or in order to recognize impairment or losses. A gain or loss on a financial liability that is measured at amortized cost and is not part of a hedging is recognized in profit or loss when the financial liability is derecognized and through the amortization process.

(ix) Estimation of fair value

If there is a principal market for the asset or liability, the fair value measurement represents the price in that market.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include market approach, income approach and cost approach. Unobservable inputs are acceptable in valuation technique only when observable inputs are not available.

The fair value of a liability reflects the effect of non-performance risk. Non-performance risk includes, but may not be limited to, an entity’s own credit risk. Non-performance risk is assumed to be the same before and after the transfer of the liability.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(x) Transfer and derecognize of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition) and
- the consideration received and the related fair value change previously recognized in other comprehensive income are recognized in profit or loss.

If a part of a financial asset is transferred and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between:

- the carrying amount (measured at the date of derecognition) allocated to the part derecognized and
- the consideration received for the part derecognized and the related fair value change previously recognized in other comprehensive income are recognized in profit or loss.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the entity shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received.

For continuing involvement in transfer of financial assets, the group continues to recognise the transferred asset to the extent of its continuing involvement and an associated liability.

(xi) Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedging instrument are recognized in profit or loss.

All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

(xii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realizing the asset and settling the liability simultaneously.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

An entity shall account for a contract with a customer that is within the scope of this Standard only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party’s rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity’s future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

When a contract with a customer does not meet the criteria stated above and an entity receives consideration from the customer, the entity shall recognize the consideration received as revenue only when either of the following events has occurred: the entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable, otherwise the consideration received from a customer should be considered as a contract liability.

Revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service. The Group shall consider indicators of the transfer of control, which include, but are not limited to, the following:

- The Group has a present right to payment for the asset and a customer is presently obliged to pay for an asset.
- The group has transferred the significant risks and rewards of ownership of the asset and the customer has the significant risks and rewards of ownership of the asset.
- The group has transferred the legal title of the asset and the customer has legal title of the asset.
- The Group has transferred physical possession of the asset and the customer has obtained physical possession of an asset.
- The customer has accepted the good for service.
- Other indicators of the transfer of control of the good or service to the customer.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Details of the recognition criteria of major types of revenue of the Group are set out below:

(i) Fee and commission income

- Brokerage commission income is recognized at a point in time on a trade date basis at a certain percentage of the transaction value of the trades executed.
- Handling and settlement fee income arising from brokerage business is recognized at a point in time when the related services are rendered.
- Commission income of the agency custody of securities business is recognized over time as the customers simultaneously receive benefits provided by the Group.
- Underwriting and sponsoring fees are recognised when the Group has fulfilled its obligations under the underwriting and sponsoring contract.
- Asset and fund management fee income is recognized as a performance obligation satisfied over time as the customers simultaneously receive benefits provided by the Group.
- Depending on the nature of the services and the contract terms, financial advisory are recognised in profit or loss over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

(ii) Interest income

Interest income from a financial asset is recognised on an accrual basis using the effective interest method.

(iii) Other income

Other income is recognized when contracts are due for settlement or services are provided. It mainly comes from the bulk commodities trading of the Group's commodities trading subsidiaries. The revenue is recognized at a point in time when the Group fulfills its performance obligations in the contract and the customer obtains the control of relevant bulk commodity goods.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably measured.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system. 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.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Financial performance is regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which consolidated financial statements regarding financial position, financial performance and cash flows is available.

Inter segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group include, but are not limited to:

- the Company's parent/ultimate controlling company;
- the Company's subsidiaries;
- enterprises that are controlled by the Company's parent;
- investors that have joint control or exercise significant influence over the Group;
- enterprises if a party has control or joint control over both the enterprises and the Group;
- joint ventures of the Group, including subsidiaries of joint ventures;
- associates of the Group, including subsidiaries of associates;
- principal individual investors of the Group and close family members of such individuals;
- key management personnel of the Group and close family members of such individuals;
- key management personnel of the Company's parent;
- close family members of key management personnel of the Company's parent;
- other enterprises that are controlled or jointly controlled by the principal individual investors, key management personnel of the Group, and close family members of such individuals; and
- a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized and disclosures made in the consolidated financial statements.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor and/or as an investment manager, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes, investment funds and limited partnerships where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes, investment funds and limited partnerships that is of such significance that it indicates that the Group is a principal. The collective asset management schemes, investment funds and limited partnerships are consolidated if the Group has control.

Classification of financial assets

The classification and measurement of financial assets depend on contractual cash flow test and business model test. The Group will consider all the relevant evidences in the business model test, including the way the performance of financial assets are evaluated and reported to the key management, the risk affected the performance of financial asset and how the risk are managed, as well as how the management are paid. The Group also needs to judge whether the contractual cash flow generated by financial assets is only the payment of the principal and interest based on the principal outstanding.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of ECL

Significant increase in credit risk

Under ECL model, impairment provision equal to 12-month ECL is recognized for stage 1 financial assets and impairment provision equal to lifetime ECL is recognized for stage 2 and stage 3 financial assets. The Group will consider quantitative and qualitative forward-looking information with reasonable basis to assess the credit risk increase.

Establishment of assets group with similar risk characteristics

When the expected credit loss is measured on group basis, the financial instruments are grouped by similar characteristics of risk. The Group continuously assesses whether these financial instruments continue to maintain similar credit risk characteristics, so as to ensure that once the characteristics of credit risk change, the financial instruments will be appropriately reclassified. This may result in new assets group or reclassification of assets to certain existing assets group, so as to better reflect the similar credit risk characteristics of which category of assets.

Use of model and assumption

The Group adopts different models and assumptions to assess the fair value and expected credit loss of financial assets. The Group determines the applicable model for each category of financial assets using judgment so as to determine the assumptions used by such models, including assumptions relating to the key drivers of credit risk.

Forward-looking information

In assessing the expected credit loss, the Group used reasonable forward-looking information. Such information is based on the assumption of future trend of different economic driving factors, and the assumption of how these economic driving factors affect each other.

Probability of default

The probability is key input of expected credit risk. The probability of default is the estimates of possibility of default in certain period of time. The calculation involves historical information, assumption and expectation of future conditions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Measurement of ECL (Continued)

Loss given default

Loss given default is the estimate of loss arising from default. It is based on the difference between contractual cash flows and the cash flows expected to be received by the borrower, and also considered the cash flows from pledge assets and overall credit enhancement.

Details of above significant judgment and estimation on ECL are set out in note 62(2) and note 63.

Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques use observable inputs and data of the market. When the market observable inputs are not available, the Group make estimate on the significant unobservable inputs and data. Details of fair value measurement are set out in note 63.

Income taxes and deferred tax assets

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realization of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognized in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 27 to consolidated financial statements. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rates
Value added tax	Based on taxable revenue	3%, 6%
City maintenance and construction tax	Based on value added tax accrued	7%
Enterprise income tax	Based on taxable profits	15%, 16.5%, 20%, 25%
Education surcharge	Based on value added tax accrued	2%–3%

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

Under the Law of the PRC on Enterprise Income Tax ("EIT") and implementation regulation of the EIT Law, the tax rate of the Company and its subsidiaries established in the PRC is 25% during the year, except for as mentioned below.

Upon the approval of the Regulation on the EIT Preferential Policies for the Development of Western China by Ganzhou City (Trial) (《贛州市執行西部大開發企業所得稅優惠政策管理辦法(試行)》), from January 1, 2012 to December 31, 2020, qualified companies are subject to a tax rate of 15%. The subsidiaries of the Group incorporated in Ganzhou namely, Ganzhou China Merchants Zhiyuan No. 1 Fund Management Co., Ltd. is subject to the above preferential tax rate of 15% from January 1, 2012 to December 31, 2020.

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces a two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime and will continue to be taxed at a flat rate of 16.5%.

According to the Enterprise Income Tax Law of the People's Republic of China and relevant regulation on the implementation, and the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13, hereinafter referred to as the "Notice") and other regulations, during the period from January 1, 2019 to December 31, 2021, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%. Seven subsidiaries of China Merchants Zhiyuan Capital Investment Co., Ltd., which is the subsidiary of the Company, enjoy the above-mentioned preferential tax policies.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

6. SEGMENT INFORMATION

(1) Operating segments

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:

- (i) 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.
- (ii) Investment banking segment provides investment banking services to the Group's institutional clients, including financial advisory, equity underwriting, debt underwriting and sponsorship.
- (iii) 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.
- (iv) Investment and trading segment engages in trading equity securities, fixed-income securities, derivatives, other financial products and market maker service.
- (v) 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.

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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

(1) Operating segments (Continued)

The operating and reportable segment information provided to the chief operating decision maker (hereinafter refer as “CODM”) for the years ended December 31, 2020 and 2019 are as follows:

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
For the year ended December 31, 2020							
Segment revenue and results							
Segment revenue	16,764,078	2,205,580	1,586,255	8,463,977	327,005	(48,639)	29,298,256
Segment other income and gains or losses	13,583	181	2,817	1	3,154,478	—	3,171,060
Segment revenue and other income	16,777,661	2,205,761	1,589,072	8,463,978	3,481,483	(48,639)	32,469,316
Segment expenses	(11,125,551)	(1,024,669)	(462,933)	(5,638,679)	(3,999,892)	48,639	(22,203,085)
Segment result	5,652,110	1,181,092	1,126,139	2,825,299	(518,409)	—	10,266,231
Share of results of associates ⁽ⁱ⁾	—	—	1,080	23,420	1,018,138	—	1,042,638
Profit before income tax	5,652,110	1,181,092	1,127,219	2,848,719	499,729	—	11,308,869
As at December 31, 2020							
Segment assets and liabilities							
Segment assets	200,419,102	2,040,296	11,861,871	269,177,708	24,148,203	(7,920,501)	499,726,679
Segment liabilities	(145,020,219)	(2,446,707)	(5,440,336)	(231,330,767)	(17,584,438)	7,920,501	(393,901,966)
For the year ended December 31, 2020							
Other segment information							
Amounts included in the measurement of segment profit or loss or segment assets:							
Interest income	7,323,284	—	73,497	2,041,819	327,005	(48,639)	9,716,966
Interest expenses	(3,134,000)	(77,895)	(74,510)	(3,866,381)	(13,906)	48,639	(7,118,053)
Capital expenditure	(196,218)	(20,684)	(932)	(17,673)	(138,207)	—	(373,714)
Depreciation and amortization	(333,707)	(51,576)	(9,011)	(27,275)	(169,710)	—	(591,279)
Impairment losses	(146,307)	—	—	(9,286)	—	—	(155,593)

- (i) The interests in associates recorded in Investment management segment, Investment and trading segment and others segment amounted to RMB10,929 thousand, 1,023,519 thousand and 8,473,701 thousand respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

(1) Operating segments (Continued)

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
For the year ended December 31, 2019							
Segment revenue and results							
Segment revenue	11,955,926	1,878,151	1,844,837	7,358,833	330,232	(61,017)	23,306,962
Segment other income and gains or losses	11,735	1,626	28,936	1	2,309,841	—	2,352,139
Segment revenue and other income	11,967,661	1,879,777	1,873,773	7,358,834	2,640,073	(61,017)	25,659,101
Segment expenses	(8,620,568)	(906,320)	(378,980)	(4,847,651)	(3,074,970)	61,017	(17,767,472)
Segment result	3,347,093	973,457	1,494,793	2,511,183	(434,897)	—	7,891,629
Share of results of associates ⁽ⁱⁱ⁾	—	—	4,937	67,389	809,682	—	882,008
Profit before income tax	3,347,093	973,457	1,499,730	2,578,572	374,785	—	8,773,637
As at December 31, 2019							
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)
Other segment information							
Amounts included in the measurement of segment profit or loss or segment assets							
Interest income	6,029,638	—	57,005	1,932,941	330,232	(61,017)	8,288,799
Interest expenses	(2,930,793)	(32,056)	(80,894)	(3,397,041)	(13,843)	61,017	(6,393,610)
Capital expenditure	(143,584)	(8,915)	(47)	(9,517)	(75,331)	—	(237,394)
Depreciation and amortization	(294,240)	(46,402)	(7,777)	(25,924)	(156,565)	—	(530,908)
Impairment losses	(92,244)	—	(3,339)	—	—	—	(95,583)

- (ii) The interests in associates recorded in Investment management segment, Investment and trading segment and others segment amounted to RMB33,150 thousand, 1,022,194 thousand and 7,778,242 thousand respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

(2) Geographical segments

The Group has two major geographical operation in the PRC, namely Mainland China and Outside Mainland China, which are also the Group's revenue from and the Group's assets located in. The following table sets 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 i) the physical location of the asset or ii) the place of incorporation of the business units under which the goodwill is recorded.

	Mainland China	Outside Mainland China	Total
For the year ended December 31, 2020			
Segment Revenue			
Revenue from external customers	28,017,582	1,280,674	29,298,256
Other income and gains or losses	3,142,987	28,073	3,171,060
	31,160,569	1,308,747	32,469,316
For the year ended December 31, 2019			
Segment Revenue			
Revenue from external customers	22,263,080	1,043,882	23,306,962
Other income and gains or losses	2,325,776	26,363	2,352,139
	24,588,856	1,070,245	25,659,101

Specified non-current assets

	Mainland China	Outside Mainland China	Total
As at December 31, 2020			
Specified non-current assets	13,645,731	180,389	13,826,120
As at December 31, 2019			
Specified non-current assets	12,603,357	224,615	12,827,972

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

(3) Information about major customers:

There were no customer (Year ended December 31 2019, no customer) for the year ended December 31, 2020 contributing over 10% of the total revenue of the Group.

7. FEE AND COMMISSION INCOME

	Year ended December 31,	
	2020	2019
Securities and futures brokerage business	8,752,903	5,338,454
Underwriting and sponsorship business	2,003,405	1,585,454
Asset management and fund management business	1,147,164	1,051,671
Financial advisory business	206,713	295,080
Others ⁽ⁱ⁾	687,892	587,834
	12,798,077	8,858,493

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

8. INTEREST INCOME

	Year ended December 31,	
	2020	2019
Interest income from deposits with exchanges and financial institutions	1,761,085	1,460,228
Interest income from advances to customers and securities lending	4,640,314	3,467,704
Interest income from securities-backed lending and stock repurchase agreements	1,298,369	1,430,115
Interest income from other financial assets held under resale agreements	338,262	215,307
Interest income on debt instruments at amortized cost	91,559	100,522
Interest income from debt instruments at fair value through other comprehensive income	1,587,377	1,614,923
	9,716,966	8,288,799

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

9. INVESTMENT GAINS OR LOSSES, NET

	Year ended December 31,	
	2020	2019
Dividend and interest from financial assets at fair value through profit or loss	4,462,834	4,127,170
Dividend from financial assets at fair value through other comprehensive income	—	451,845
Net gains from disposals of debt instruments measured at fair value through other comprehensive income	316,546	183,740
Net gains from financial assets at fair value through profit or loss	4,170,690	3,213,714
Net losses from financial liabilities at fair value through profit or loss	(338,979)	(281,343)
Net losses from derivative financial instruments	(1,827,878)	(1,535,456)
	6,783,213	6,159,670

10. OTHER INCOME AND GAINS OR LOSSES

	Year ended December 31,	
	2020	2019
Income from commodity trading	3,000,410	2,188,370
Refund from tax withholding and remittance	21,978	46,206
Rental income	18,610	11,112
Government grants ⁽ⁱ⁾	29,564	44,498
Foreign exchange gains, net	17,803	30,189
Others	82,695	31,764
	3,171,060	2,352,139

- (i) Government grants represent the unconditional grants received by the Group from local government and are used for supporting the business at specific locations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

11. DEPRECIATION AND AMORTIZATION

	Year ended December 31,	
	2020	2019
Depreciation of property and equipment	175,350	172,621
Amortization of other non-current assets	110,365	91,240
Depreciation of right-of-use assets	304,487	267,047
Amortization of other intangible assets	1,077	—
	591,279	530,908

12. STAFF COSTS

	Year ended December 31,	
	2020	2019
Salaries, bonus and allowances	6,695,992	4,725,812
Contributions to retirement benefits ⁽ⁱ⁾	312,261	379,179
Other social welfare ⁽ⁱⁱ⁾	297,774	290,577
Others	192,081	163,826
	7,498,108	5,559,394

- (i) The domestic employees of the Group in the PRC participate in state-managed retirement benefits plans, operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and retirement benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These retirement benefits plans are defined contribution plans and contributions to the plans are expensed as incurred. In addition to the above retirement benefits plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on certain percentage of employees' salaries and recognized in profit or loss as expense. These annuity schemes are defined contribution plans.

The Group also operates the MPF Scheme for all qualified employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

- (ii) The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments. These social welfare plans are defined contribution plans and contributions to the plans are recognized as expense as incurred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

13. FEE AND COMMISSION EXPENSES

	Year ended December 31,	
	2020	2019
Securities and futures brokerage business	2,033,171	1,345,527
Underwriting and sponsorship business	57,734	58,925
Asset management and fund management business	3,822	9,401
Financial advisory business	6,507	8,656
Others	1	289
	2,101,235	1,422,798

14. INTEREST EXPENSES

	Year ended December 31,	
	2020	2019
Bonds payable	2,996,912	2,876,964
Financial assets sold under repurchase agreements	2,153,245	1,927,488
Short-term financing bills payable	414,904	367,545
Structured notes	551,831	340,413
Short-term bonds payable	25,578	238,146
Accounts payable to brokerage clients	250,798	187,629
Placements from banks and other financial institutions	98,538	134,123
Margin and securities refinancing	343,621	128,399
Borrowings	141,666	117,676
Lease liabilities	40,413	37,418
Others	100,547	37,809
	7,118,053	6,393,610

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

15. OTHER OPERATING EXPENSES

	Year ended December 31,	
	2020	2019
Cost of commodity trading	3,006,441	2,186,800
Advertising and promotion expenses	305,518	283,689
Electronic equipment operation expenses	302,890	202,086
Postal and communications expenses	192,730	158,938
Stock exchange fees	147,826	111,162
Rental and property management expenses ⁽ⁱ⁾	92,877	138,855
Business travel expenses	91,698	142,084
Securities and futures investor protection funds	90,674	69,892
General and administrative expenses	75,527	82,143
Auditors' remuneration	3,710	3,525
Sundry expenses	288,434	291,641
	4,598,325	3,670,815

- (i) Expense relating to short-term leases is RMB30,200 thousand (Year ended December 31, 2019: RMB77,587 thousand).

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

	Year ended December 31,	
	2020	2019
Impairment loss on financial assets held under resale agreements (note 26)	130,722	132,605
(Reversal of) Impairment loss on advances to customers (note 29)	15,117	(50,440)
Impairment loss on accounts and other receivables (note 30)	2,513	9,233
Impairment loss on debt instruments at fair value through other comprehensive income (note 31)	9,511	3,314
Reversal of impairment loss on debt instruments at amortized cost (note 25)	(2,288)	(2,685)
	155,575	92,027

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

17. INCOME TAX EXPENSES

	Year ended December 31,	
	2020	2019
Current tax:		
— PRC Enterprise Income Tax	2,371,429	1,122,244
— Hong Kong Profits Tax	69,721	38,693
	2,441,150	1,160,937
(Over) under provision in respect of prior years:		
— PRC Enterprise Income Tax	(27,065)	224
— Hong Kong Profits Tax	(2,517)	(2,340)
	(29,582)	(2,116)
Deferred taxation		
— Origination and reversal of temporary differences (note 27)	(606,566)	301,533
	1,805,002	1,460,354

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended December 31,	
	2020	2019
Profit before income tax	11,308,869	8,773,637
Tax at the income tax rate of 25%	2,827,217	2,193,409
Tax effect of share of result of associates	(260,660)	(220,502)
Tax effect of expenses not deductible for tax purpose	54,676	38,430
Tax effect of income that are not taxable	(447,580)	(352,489)
Effect of different tax rates of subsidiaries	(41,159)	(26,181)
Tax effect of tax losses not recognized	3,688	8,969
Utilization of deferred tax assets previously not recognized	(103,106)	(1,168)
Over provision in respect of prior years	(29,582)	(2,116)
Others ⁽ⁱ⁾	(198,492)	(177,998)
Income tax expense for the year	1,805,002	1,460,354

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

17. INCOME TAX EXPENSES (Continued)

As at December 31, 2020, the estimated unused tax losses for the Group's subsidiaries were RMB74,089 thousand (December 31, 2019: RMB84,514 thousand), no deferred tax assets had been recognized in relation to such item in the consolidated statement of financial position due to the unpredictability of future profit streams of the subsidiaries. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognized in the consolidated statement of profit or loss and other comprehensive income for the period in which such recognition takes place.

Majority of the tax losses comes from the subsidiaries in Hong Kong which can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. These estimated tax losses have no expiry date but are subject to the approval of the Hong Kong Inland Revenue Department.

- (i) According to the announcement on corporate income tax policy of perpetual bonds (Announcement No. 64, 2019 of the Ministry of Finance and the State Administration of Taxation), when an enterprise issues perpetual bonds that meet specified conditions, the corporate income tax policy can be applied to bond interests, that is, the interest expense attributable to the current year of perpetual bonds paid by the issuer is allowed to be deducted for corporate income tax. According to the above provisions, the Company deducted the interest expense of perpetual bonds amounted to RMB802,090 thousand (2019: RMB802,090 thousand) in the current year when calculating the taxable income.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

18. 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:

	Year ended December 31,	
	2020	2019
		(Restated)
Earnings for the purpose of basic earnings per share:		
Profit attributable to shareholders of the Company and holders of other equity instruments	9,491,639	7,282,381
Less: Profit attributable to holders of perpetual subordinated bonds	(802,090)	(802,090)
	8,689,549	6,480,291
Number of shares:		
Number of issued shares on January 1 (in thousand)	6,699,409	6,699,409
Effect of treasury stocks (note 47)	(10,005)	(2,288)
Effect of A share rights issue on July 20, 2020 (note 47)	1,390,851	1,167,889
Effect of H share rights issue on August 20, 2020 (note 47)	132,579	51,808
Weighted average number of ordinary shares	8,212,834	7,916,818
Earnings per share:		
Earnings per share (in RMB yuan)	1.06	0.82

For the years ended December 31, 2020 and 2019, there were no dilutive shares.

On July 20, 2020 and August 20, 2020, the Company offered rights issues to its existing A share and H share shareholders, respectively, at prices less than their fair values. Therefore, there were bonus elements for these rights issues and the weighted average number of ordinary shares were adjusted accordingly for both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

19. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
Cost						
As at January 1, 2020	1,329,857	61,902	820,955	61,037	66,585	2,340,336
Additions	—	2,775	210,886	2,337	62,256	278,254
Disposals	—	(4,137)	(80,777)	(2,576)	—	(87,490)
Transfer to other non-current assets (note 28)	—	—	—	—	(88,203)	(88,203)
Exchange differences	—	(76)	(5,517)	(2,259)	(1,492)	(9,344)
As at December 31, 2020	1,329,857	60,464	945,547	58,539	39,146	2,433,553
Accumulated depreciation and impairment						
As at January 1, 2020	244,940	47,164	476,551	30,935	—	799,590
Charge for the year	33,760	5,140	129,282	7,168	—	175,350
Disposals	—	(3,931)	(76,569)	(2,430)	—	(82,930)
Exchange differences	—	(70)	(4,629)	(787)	—	(5,486)
As at December 31, 2020	278,700	48,303	524,635	34,886	—	886,524
Carrying values						
As at December 31, 2020	1,051,157	12,161	420,912	23,653	39,146	1,547,029
	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
Cost						
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 28)	—	—	—	—	(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
Accumulated depreciation and impairment						
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
Carrying values						
As at December 31, 2019	1,084,917	14,738	344,404	30,102	66,585	1,540,746

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

19. PROPERTY AND EQUIPMENT (Continued)

As at December 31, 2020, included in leasehold land and buildings, there are carrying values of RMB904,177 thousand (December 31, 2019: RMB928,459 thousand), for which the Group is in the progress to obtain the relevant land and building certificates. The directors of the Company consider that these will not have significant impact on the consolidated financial statements for the year ended December 31, 2020.

As the lease payments included in the Group's leasehold land and buildings cannot be allocated reliably between the land and buildings, the entire leases are classified as lease and accounted for as property and equipment.

20. RIGHT-OF-USE ASSETS

	Land and buildings	Leasehold land	Total
Cost			
As at January 1, 2020	1,867,741	432,600	2,300,341
Additions	315,199	—	315,199
Disposals	(84,221)	—	(84,221)
Exchange differences	(10,850)	—	(10,850)
As at December 31, 2020	2,087,869	432,600	2,520,469
Accumulated depreciation and impairment			
As at January 1, 2020	677,902	11,890	689,792
Charge for the year	293,512	10,975	304,487
Other additions	2,599	—	2,599
Deductions	(81,299)	—	(81,299)
Exchange differences	(4,074)	—	(4,074)
As at December 31, 2020	888,640	22,865	911,505
Carrying values			
As at December 31, 2020	1,199,229	409,735	1,608,964

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

20. RIGHT-OF-USE ASSETS (Continued)

	Land and buildings	Leasehold land	Total
Cost			
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
As at December 31, 2019	1,867,741	432,600	2,300,341
Accumulated depreciation and impairment			
As at January 1, 2019	423,028	915	423,943
Charge for the year	256,072	10,975	267,047
Deductions	(2,718)	—	(2,718)
Exchange differences	1,520	—	1,520
As at December 31, 2019	677,902	11,890	689,792
Carrying values			
As at December 31, 2019	1,189,839	420,710	1,610,549

The Group leases offices for its operations. Lease contracts are entered into for fixed term of 13 months to 13 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended December 31, 2020, total cash outflow for leases amounted to RMB358,678 thousand (Year ended December 31, 2019: RMB393,292 thousand).

As at December 31, 2020 and December 31, 2019, the lease agreements did not impose any covenants other than the security interests in the leased assets that were held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

21. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group include the asset management schemes, limited partnerships, trust products 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 the structured entities to a level of such significance that it indicates that the Group is a principal.

The financial impact of these structured entities on the Group's financial position as at December 31, 2020 and 2019, and the results and cash flows for the years ended December 31, 2020 and 2019, though consolidated, are not significant and therefore not disclosed separately.

As at December 31, 2020, the Group consolidated 15 (December 31, 2019: 12) structured entities. The total assets of the consolidated structured entities are RMB7,964,224 thousand (December 31 2019: RMB6,988,792 thousand) within which RMB7,615,301 thousand were accounted for as financial assets at fair value through profit or loss (December 31, 2019: RMB6,801,963 thousand).

22. INTERESTS IN ASSOCIATES

	As at December 31,	
	2020	2019
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	4,645,759	3,956,796
Sub-total	10,177,299	9,502,736
Impairment loss	(669,150)	(669,150)
	9,508,149	8,833,586

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

22. INTERESTS IN ASSOCIATES (Continued)

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 consolidated financial statements:

Name of associate	Place and date of incorporation/ establishment	Equity interest held by the Group		Principal activities
		December 31,		
		2020	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. ⁽ⁱ⁾	PRC/July 6, 2018	12%	12%	Transaction settlement services
Hunan China Merchants Xiangjiang Industry 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.* ⁽ⁱⁱ⁾	PRC/June 19, 2000	23%	23%	Investment holding

* English name translated 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 went into liquidation, and impairment losses have been fully recognized and written off.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

22. INTERESTS IN ASSOCIATES (Continued)

Summarized financial information of the Group's material associates, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Bosera Asset Management Co., Ltd.

	As at December 31,	
	2020	2019
Total assets	8,859,227	7,396,384
Total liabilities	(3,098,397)	(2,574,705)
Net assets	5,760,830	4,821,679
Revenue	4,226,012	3,485,897
Profit for the year	1,247,026	912,889
Other comprehensive (expense) income	(7,875)	15,801
Total comprehensive income	1,239,151	928,690
Dividends declared by the associate attributable to the Group	147,000	147,000
Net assets of the associate attributable to the Group	5,760,830	4,821,679
The Group's share of net assets of the associate	2,822,808	2,362,623
— Goodwill	3,425,523	3,425,523
— Impairment loss recognized ⁽ⁱⁱⁱ⁾	(669,150)	(669,150)
Carrying amount in the consolidated financial statements	5,579,181	5,118,996

- (iii) As at December 31, 2014, the Company had recognized an impairment loss amounted to RMB669,150 thousand to the interests in Bosera Asset Management Co., Ltd. The recoverable amounts of RMB3,763,141 thousand had been determined by Vocational International (Beijing) Asset Appraisal Co., Ltd., a qualified valuer not related to the Group. The valuer determined the value-in-use by using cash flow projections which is based on financial budgets covering a five-year period approved by management. The pre-tax discount rates applied and growth rate used to extrapolate the cash flow projections is 10.78% and 9.2% respectively. The growth rates beyond the five-year period is nil for the forecast period. As at December 31, 2020, the Company reassessed the valuation of the investment and determined no further impairment is needed at the end of the year.

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

22. INTERESTS IN ASSOCIATES (Continued)

China Merchants Fund Management Limited

	As at December 31,	
	2020	2019
Total assets	8,236,610	7,295,400
Total liabilities	(2,330,266)	(1,911,085)
Net assets	5,906,344	5,384,315
Revenue	3,235,132	2,587,395
Profit for the year	903,850	802,623
Other comprehensive (expense) income	(8,421)	9,479
Total comprehensive income	895,429	812,102
Dividends declared by the associate attributable to the Group	168,030	—
Net assets of the associate attributable to the Group	5,906,344	5,384,315
The Group's share of net assets of the associate	2,657,855	2,422,942
— Goodwill	199,545	199,545
Carrying amount in the consolidated financial statements	2,857,400	2,622,487

Aggregate information of associates that are not individually material:

	As at December 31,	
	2020	2019
The Group's share of profit for the year	24,863	73,512
The Group's share of other comprehensive (expense) income	(22,095)	—
The Group's share of total comprehensive income	2,768	73,512
Dividend declared by associates attributable to the Group	8,902	66,354
Aggregate carrying amount of the Group's interests in these associates	1,071,568	1,092,103

Notes to the Consolidated Financial Statements (Continued)

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23. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through raising funds from third party investors. 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 as below:

(1) Structured entities sponsored by the Group

Unconsolidated structured entities sponsored by the Group mainly include asset management schemes and limited partnerships. The nature and aim of these 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 fees and performance fees collected by the Group.

As at December 31, 2020, the total assets of these unconsolidated structured entities sponsored by the Group amounted to RMB567,078,160 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 7.

(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 fees 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 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 December 31, 2020 and 2019, which are listed below:

	As at December 31, 2020		
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	—	15,558,117	15,558,117
Trust schemes	—	2,173,209	2,173,209
Wealth management products	—	1,161,356	1,161,356
Others	7,218,586	29,004,808	36,223,394
	7,218,586	47,897,490	55,116,076

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

23. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

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

	As at December 31, 2019		
	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
	7,057,809	29,232,214	36,290,023

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at December 31,	
	2020	2019
Special account ⁽ⁱ⁾	7,218,586	7,057,809
Equity investments ⁽ⁱⁱ⁾	201,994	—
	7,420,580	7,057,809

- (i) The balance is an investment in a special account managed by China Securities Finance Corporation Limited (“CSFCL”). Since the investment meets the designation of equity instruments measured at fair value through other comprehensive income as required by IFRS 9, the Company elected to designate this investment as measured at FVTOCI.
- (ii) The equity investments are only used by the Company for securities lending and the Company elected to designate these investments as measured at FVTOCI.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

25. DEBT INSTRUMENTS AT AMORTIZED COST

(1) Analyzed by nature

	As at December 31,	
	2020	2019
Non-current		
Bonds	922,061	1,425,818
Less: Expected credit losses	(672)	(1,156)
	921,389	1,424,662
Current		
Bonds	818,463	375,587
Unsecured accounts receivable loan ⁽ⁱ⁾	—	96,727
Sub-total	818,463	472,314
Less: Expected credit losses	(462)	(2,340)
	818,001	469,974

(i) As at December 31, 2019, customer loans receivable were charged at LIBOR plus 1.25% per annum.

(2) The movements of expected credit losses are as follows:

	As at December 31,	
	2020	2019
At the beginning of the year	3,496	6,104
Expected credit losses recognized	81	25
Reversal of expected credit losses	(2,369)	(2,710)
Exchange differences	(74)	77
At the end of the year	1,134	3,496

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

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25. DEBT INSTRUMENTS AT AMORTIZED COST (Continued)

(2) The movements of expected credit losses are as follows: (Continued)

	As at December 31, 2020			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	1,740,524	—	—	1,740,524
Expected credit losses	1,134	—	—	1,134

	As at December 31, 2019			
	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

During the year and the year ended December 31, 2019, there was no transfer between the stages of expected credit losses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

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26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	As at December 31,	
	2020	2019
Non-current		
Analyzed by collateral type:		
Stocks ⁽ⁱ⁾	1,364,550	2,170,301
Analyzed by market:		
Stock exchanges	1,364,550	2,170,301
Less: Expected credit losses	(2,518)	—
	1,362,032	2,170,301
Current		
Analyzed by collateral type:		
Stocks ⁽ⁱ⁾	18,773,258	18,939,491
Bonds	32,585,578	14,902,372
	51,358,836	33,841,863
Analyzed by market:		
Stock exchanges	35,905,586	28,417,983
Interbank bond market	15,453,250	5,423,880
Sub-total	51,358,836	33,841,863
Less: Expected credit losses	(460,543)	(332,339)
	50,898,293	33,509,524

- (i) The financial assets (pledged by stocks) held under resale agreements and securities back-lending are those resale agreements which the qualified investors entered into with the Group with a commitment to purchasing the specified securities at a future date with an agreed price. As at December 31, 2020, the fair value of securities of the Group which have been received as collateral amounted to RMB69,320,600 thousand (December 31, 2019: RMB72,663,572 thousand).

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

(2) Movements of allowances for expected credit losses is as below

	As at December 31,	
	2020	2019
At the beginning of the year	332,339	199,734
Expected credit losses recognized	130,722	132,605
Reversal of expected credit losses	—	—
At the end of the year	463,061	332,339

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

	As at December 31, 2020			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	19,366,030	30,035	741,743	20,137,808
Expected credit losses	13,980	601	448,480	463,061
Collateral	68,477,672	155,100	687,828	69,320,600

	As at December 31, 2019			
	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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

(3) The following tables show reconciliation of loss allowances that has been recognized for financial assets held under resale agreements.

	Stage 1 12 months ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total
At January 1, 2020	5,298	—	327,041	332,339
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	—	—	—	—
— Transfer to Stage 3	—	—	—	—
— Charged to profit or loss	8,682	601	121,439	130,722
At December 31, 2020	13,980	601	448,480	463,061

	Stage 1 12 months ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total
At January 1, 2019	89,738	16,755	93,241	199,734
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	—	—	—	—
— Transfer to Stage 3	—	—	—	—
— Charged to profit or loss	(84,440)	(16,755)	233,800	132,605
At December 31, 2019	5,298	—	327,041	332,339

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020
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27. DEFERRED TAX ASSETS (LIABILITIES)

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

	As at December 31,	
	2020	2019
Deferred tax assets	1,818,424	826,872
Deferred tax liabilities	(790,161)	(485,282)
	1,028,263	341,590

The followings are the major deferred tax assets (liabilities) recognized and movements thereon during the year:

	Financial instruments at fair value through profit and loss/ derivatives	Accrued staff costs	Deferred income	Impairment allowances	Financial instruments at fair value through other comprehensive income	Property and equipment	Others	Total
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
(Charge) credit to profit or loss	(325,484)	839,028	(799)	38,367	—	2,526	51,411	605,049
Credit to other comprehensive income	—	—	—	—	81,697	—	—	81,697
Exchange differences	—	—	—	—	—	(49)	(24)	(73)
At December 31, 2020	(596,943)	1,461,359	29,835	147,914	(94,889)	—	80,987	1,028,263

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

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28. OTHER NON-CURRENT ASSETS

(1) Analyzed by nature

	As at December 31,	
	2020	2019
Leasehold improvements and deferred expenses	348,166	281,341
Prepayment for investment	784,153	536,224
	1,132,319	817,565

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

	As at December 31,	
	2020	2019
At the beginning of the year	281,341	221,103
Additions	88,987	98,022
Transfer from construction in progress (note 19)	88,203	53,456
Amortization	(110,365)	(91,240)
At the end of the year	348,166	281,341

29. ADVANCES TO CUSTOMERS

(1) Analyzed by nature

	As at December 31,	
	2020	2019
Advances to customers	81,861,589	55,318,037
Less: Expected credit losses	(107,239)	(93,418)
	81,754,350	55,224,619

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

The majority of the advances to customers which are secured by the underlying pledged securities and cash collateral as disclosed in note 41 are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call upon which the customers have to make up the difference.

Notes to the Consolidated Financial Statements (Continued)

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29. ADVANCES TO CUSTOMERS (Continued)

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

	As at December 31,	
	2020	2019
Collateral measured at fair value:		
Cash	8,750,495	7,086,437
Bonds	1,662,489	1,067,353
Equity securities	225,956,368	166,883,077
Funds	7,125,528	1,193,700
	243,494,880	176,230,567

(3) The movements of allowance of impairment losses are as below

	As at December 31,	
	2020	2019
At the beginning of the year	93,418	143,466
Expected credit losses recognized	15,117	1,386
Reversal of expected credit losses	—	(51,826)
Exchange differences	(1,296)	392
At the end of the year	107,239	93,418

	As at December 31, 2020			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	81,761,933	35,247	64,409	81,861,589
Expected credit losses	52,186	66	54,987	107,239

	As at December 31, 2019			
	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 the 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 the size and uncorrelated nature of the customer base.

Notes to the Consolidated Financial Statements (Continued)

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29. ADVANCES TO CUSTOMERS (Continued)

(4) The following tables show reconciliation of expected credit losses that has been recognized for advances to customers

	Stage 1 12m ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total ECL
As at January 1, 2020	33,655	—	59,763	93,418
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(12)	12	—	—
— Transfer to Stage 3	—	59	(59)	—
— Charged (credit) to profit or loss	18,543	(5)	(4,717)	13,821
As at December 31, 2020	52,186	66	54,987	107,239

	Stage 1 12m ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total ECL
As at January 1, 2019	89,902	16,058	37,506	143,466
Changes in the expected credit losses				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	—	—	—	—
— Transfer to Stage 3	(101)	(6,870)	6,971	—
— (Credit) charged to profit or loss	(56,146)	(9,188)	15,286	(50,048)
As at December 31, 2019	33,655	—	59,763	93,418

Notes to the Consolidated Financial Statements (Continued)

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30. ACCOUNTS AND OTHER RECEIVABLES

(1) Analyzed by nature

	As at December 31,	
	2020	2019
Accounts and other receivables from/related to:		
Clearing houses, brokers and dealers	2,548,885	1,726,337
Fee and commission income	851,361	729,316
Other receivables	105,295	85,156
Deposits of OTC derivative business ⁽ⁱ⁾	2,274,104	142,124
Dividends receivable	213,354	262,354
Prepayments	148,034	122,927
Others	303,506	158,280
Sub-total	6,444,539	3,226,494
Less: Expected credit losses of accounts and other receivables	(15,017)	(12,922)
	6,429,522	3,213,572

(i) Fair value gain or losses arising from these business are recorded in derivative assets or liabilities.

(2) Analyzed by ageing

As at the end of the year, the ageing analysis of accounts receivable, which is primarily comprised of fees and commission receivable and receivables related funds redemption, is as follow:

	As at December 31, 2020		As at December 31, 2019	
	Amount	Expected credit losses	Amount	Expected credit losses
Within 1 year	967,090	(579)	740,361	(1,467)
Between 1 and 2 years	26,620	(2,798)	21,468	(3,463)
Between 2 and 3 years	15,920	(4,296)	8,922	(4,441)
Over 3 years	5,894	(4,213)	2,757	(434)
	1,015,524	(11,886)	773,508	(9,805)

Notes to the Consolidated Financial Statements (Continued)

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31. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(1) Analyzed by type

	As at December 31,	
	2020	2019
Current		
Bonds issued by policy banks	10,959,451	12,767,751
Government bonds	13,899,354	12,026,576
Bonds issued by commercial banks and other financial institutions	70,403	278,496
Others ⁽ⁱ⁾	19,685,392	20,661,484
	44,614,600	45,734,307

(i) Others mainly comprise of corporate bonds, enterprise bonds, interbank negotiable certificates of deposit and medium term notes.

(2) Movements of allowances for expected credit losses is as below

	As at December 31,	
	2020	2019
At the beginning of the year	9,523	6,185
Expected credit losses recognized	10,478	3,338
Reversal of expected credit losses	(966)	—
Exchange differences	(460)	—
At the end of the year	18,575	9,523

	As at December 31, 2020			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	44,569,218	45,382	—	44,614,600
Expected credit losses	18,501	74	—	18,575

	As at December 31, 2019			
	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

During the year, there was no transfer between the stages of expected credit losses (2019: A balance of 33 thousand was transferred from stage 1 to stage 2.)

Notes to the Consolidated Financial Statements (Continued)

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32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2020	2019
Current		
Debt securities	114,923,320	99,782,134
Funds	15,558,117	16,125,036
Equity investments ⁽ⁱ⁾	15,991,020	11,517,173
Others ⁽ⁱⁱ⁾	19,557,575	8,012,868
Sub-total	166,030,032	135,437,211
Non-current		
Equity investments ⁽ⁱ⁾	4,497,943	1,567,384
Others ⁽ⁱⁱ⁾	3,067,089	1,141,473
Sub-total	7,565,032	2,708,857
	173,595,064	138,146,068

(i) Equity investments comprise of unlisted equity investments.

(ii) Others mainly represent investments in collective asset management schemes, wealth management products, trusts and investments in limited partnerships.

Fair value of the Group's financial assets at fair value through profit or loss are determined as described in note 63.

As at December 31, 2020, the Group entered into securities lending arrangement with clients that resulted in transfer of equity securities at FVTPL with total fair values of RMB1,949,723 thousand (December 31, 2019: RMB1,054,100 thousand) to clients. These securities continued to be recognized as financial assets of the Group.

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33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31, 2020			As at December 31, 2019		
	Notional principal amounts	Fair Value		Notional principal amounts	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest derivative instrument						
Interest rate swaps ⁽ⁱ⁾	198,894,341	567,793	562,867	120,674,999	226,180	232,652
Bond futures ⁽ⁱ⁾	18,901,393	—	—	10,781,605	—	332
Equity derivative instrument						
Equity return swaps	7,423,537	284,354	144,448	260,660	182,909	—
Stock index futures ⁽ⁱ⁾	6,474,865	629	1,519	5,617,793	—	—
Options ⁽ⁱⁱ⁾	73,830,936	852,590	2,141,499	38,826,908	246,616	812,673
Currency derivatives						
Foreign exchange contracts	41,649,414	295	166,592	1,082,416	477	1,164
Credit derivatives						
Credit default swaps	733,498	3,885	4,735	123,000	534	5,413
Other derivative instrument						
Commodity futures ⁽ⁱ⁾	14,194,605	200	15,541	39,138,422	1,120,349	1,105,762
Commodity swaps	731,767	7,976	2,847	3,818,084	16,373	2,972
Commodity	1,465,705	8,617	12,005	980,607	12,381	22,254
Bond forward contracts	900,000	—	19,749	—	—	—
Total	365,200,061	1,726,339	3,071,802	221,304,494	1,805,819	2,183,222

- (i) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC futures contracts, interest rate swaps of Shanghai Clearing House and foreign exchange contracts of China Foreign Exchange Trade System were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net onshore position of these contracts was offset at the year-end date.
- (ii) Options: Included in options are over-the-counter options, exchanged-traded options and embedded derivatives of structure notes.

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34. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at December 31,	
	2020	2019
Deposits with stock exchanges and clearing houses:		
China Securities Depository and Clearing Corporation Limited	1,550,408	803,393
Shanghai Clearing House	335,254	279,848
Hong Kong Securities Clearing Company Limited	145,480	76,942
The SEHK Options Clearing House Limited	8,195	—
China Beijing Equity Exchange	1,434	1,803
Hong Kong Stock Exchange	568	1,948
Deposits with futures and commodity exchanges and financial institutions:		
China Financial Futures Exchange	3,914,321	1,278,981
Shanghai Futures Exchange	808,364	557,597
Dalian Commodity Exchange	690,921	227,916
Pingan Futures Co., Ltd.	384,182	270,627
Zhengzhou Commodity Exchange	282,366	144,770
Huatai Futures Co., Ltd.	185,803	120,158
Jianxin Futures Co., Ltd.	172,290	115,422
Nanhua Futures Co., Ltd.	158,406	25,813
CITIC Futures Co., Ltd.	123,774	109,641
Yongan Futures Co., Ltd.	123,581	107,114
Shanghai Gold Exchange	113,704	43,598
Shanghai International Energy Exchange	36,394	16,242
Hong Kong Futures Exchange	15,369	9,673
London Metal Exchange	13,050	222,572
Chicago Mercantile Exchange	3,262	3,488
Intercontinental Exchange	—	363,232
Others	107	112
	9,067,233	4,780,890

Notes to the Consolidated Financial Statements (Continued)

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35. CLEARING SETTLEMENT FUNDS

	As at December 31,	
	2020	2019
Clearing settlement funds held with clearing houses for:		
House accounts	8,550,783	4,346,364
Clients	13,978,557	8,125,252
	22,529,340	12,471,616

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

36. CASH AND BANK BALANCES

	As at December 31,	
	2020	2019
House accounts	10,893,205	8,827,376
Pledged and restricted bank deposits		
— Restricted bank deposit for purchase of bond, stock and as risk reserves and credit	1,674,562	60,040
Bank balances — house accounts	12,567,767	8,887,416
Cash held on behalf of customers	70,270,826	53,040,323
	82,838,593	61,927,739

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37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at December 31,	
	2020	2019
Bank balances — house accounts (note 36)	12,567,767	8,887,416
Clearing settlement funds — house accounts (note 35)	8,550,783	4,346,364
Less: Pledged and restricted bank deposits (note 36)	(1,674,562)	(60,040)
	19,443,988	13,173,740

38. SHORT-TERM BORROWINGS

	As at December 31,	
	2020	2019
Current		
Secured bank borrowings ⁽ⁱ⁾	—	22,339
Unsecured bank borrowings ⁽ⁱⁱ⁾	3,289,462	3,078,825
Interest accrued	833	2,509
	3,290,295	3,103,673

- (i) As at December 31, 2020, the Group had no secured bank borrowings (As at December 31, 2019, the Group pledged notes payable with market value amounting to RMB23 million for these borrowings. The discount rate was 2.90%).
- (ii) As at December 31, 2020, the Group's short-term unsecured bank borrowings floating interest rates ranged from 1.10% to 1.50% (December 31, 2019: 1.65% to 5.81%) per annum.

Notes to the Consolidated Financial Statements (Continued)

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39. SHORT-TERM DEBT INSTRUMENTS

	Coupon rate	As at January 1, 2020	Issuance/ Other Transfer	Redemption	As at December 31, 2020
Short-term bond payables ⁽ⁱ⁾	2.85%	—	2,100,000	—	2,100,000
Short-term financing bills payables ⁽ⁱⁱ⁾		20,000,000	62,000,000	82,000,000	—
Principals of structured notes ⁽ⁱⁱⁱ⁾	3.00%-3.90%	12,915,760	47,602,802	26,677,450	33,841,112
Interest accrued		182,856	982,037	889,247	275,646
		33,098,616	112,684,839	109,566,697	36,216,758

	Coupon rate	As at January 1, 2019	Issuance/ Other Transfer	Redemption	As at December 31, 2019
Short-term bond payables ⁽ⁱ⁾		9,000,000	5,000,000	14,000,000	—
Short-term financing bills payables ⁽ⁱⁱ⁾	2.90%-3.15%	5,000,000	61,000,000	46,000,000	20,000,000
Principals of structured notes ⁽ⁱⁱⁱ⁾	2.80%-3.55%	20,051,050	14,484,840	21,620,130	12,915,760
Interest accrued		799,426	946,104	1,562,674	182,856
		34,850,476	81,430,944	83,182,804	33,098,616

(i) Short-term bond payables

As at December 31, 2020, the short-term bond payables interest rate was 2.85% per annum. As at December 31, 2019, the Group had no short term bond payables.

(ii) Short-term financing bills payable

As at December 31, 2020, the Group had no short-term financing bills payable. As at December 31, 2019, the short-term financing bills payable were bonds issued in the PRC Inter-Bank market by the Group and the interest rates ranged from 2.90% to 3.15% per annum.

(iii) Principals of structured notes

As at December 31, 2020, the amount represents principals received from investors for subscription of structured notes issued by the Group. The structured notes bore fixed interest rates ranged from 3.00% to 3.90% (December 31, 2019: 2.80% to 3.55%) per annum, or variable rates linked to certain stock index. The principals and interest are repayable upon maturity within one year. The structured notes with variable rate 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 33 after being bifurcated from their respective host contracts.

Notes to the Consolidated Financial Statements (Continued)

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40. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at December 31,	
	2020	2019
Placement from banks ⁽ⁱ⁾	10,000,000	2,500,000
Placement from other financial institutions ⁽ⁱⁱ⁾	1,000,000	4,500,000
Interest accrued	2,762	13,199
	11,002,762	7,013,199

- (i) As at December 31, 2020, the effective interest rates on amount due to banks ranged from 2.20% to 3.35% (December 31, 2019: 2.73% to 3.25%) per annum. The amounts are repayable within seven days from the end of the reporting period.
- (ii) As at December 31, 2020, the effective interest rate on amount due to other financial institutions was 2.80% (December 31, 2019: 3.25% to 3.50%) per annum. The amounts are repayable within six months from the end of the reporting period.

41. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at December 31,	
	2020	2019
Clients' deposits for margin financing and securities lending	8,750,495	7,086,437
Clients' deposits for other brokerage business	76,690,748	54,637,783
	85,441,243	61,724,220

Accounts payable to brokerage clients represent money received from and repayable to brokerage clients, which are mainly held at banks and at 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 is repayable on demand.

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

Notes to the Consolidated Financial Statements (Continued)

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42. ACCRUED STAFF COSTS

	As at December 31,	
	2020	2019
Non-current		
Salaries, bonus and allowances	395,360	525,040
Current		
Salaries, bonus and allowances	6,631,362	4,939,112
Short-term social welfare	52,054	52,054
Defined contribution plans ⁽ⁱ⁾	1,132	1,416
Others	75,289	50,295
	6,759,837	5,042,877

- (i) The defined contribution plans refer to social pension insurance plan and unemployment insurance plan required by the government, and annuity scheme launched by the Group. The Group participates in the social pension insurance plan and unemployment insurance plan pursuant to pertinent regulations and contributes to the funds set up by the Government on a monthly basis. Besides, the group sets up annuity schemes and MPF Scheme for qualified employees in the PRC and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis.

The total expense recognized in profit or loss of RMB314,248 thousand (2019: RMB383,878 thousand) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2020, contributions of RMB1,132 thousand due in respect of the year ended December 31, 2020 had not been paid to the plans (December 31, 2019: RMB1,416 thousand). The amounts were paid subsequent to the end of the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

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43. OTHER PAYABLES AND ACCRUED CHARGES

	As at December 31,	
	2020	2019
Settlement payables to brokers and clearing houses	7,241,096	3,149,435
Dividends payables to holders of other equity instruments	592,196	592,196
Deposits of equity return swaps ⁽ⁱ⁾	7,255,884	1,566,393
Other tax payable	907,744	411,785
Commission and handling fee payable	120,918	98,083
Futures risk reserve	93,682	81,315
Notes payable	1,658,700	615,000
Others ⁽ⁱⁱ⁾	581,635	333,765
	18,451,855	6,847,972

- (i) As at December 31, 2020 and 2019, the balance represents deposits received from investors on equity return swaps which is refundable according to 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 33 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 Consolidated Financial Statements (Continued)

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44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2020	2019
Non-current		
Financial liabilities designated at fair value through profit or loss		
— Structured entities	2,692,207	2,157,877
Current		
Financial liabilities held for trading		
— Equity securities	345,689	147,189
— Debt securities	9,581,296	6,922,046
— Gold	312,000	166,992
— Others	976,179	143,194
Financial liabilities designated at fair value through profit or loss		
— Structured entities	34,680	539,088
	11,249,844	7,918,509

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

45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at December 31,	
	2020	2019
Current		
Analyzed by collateral type:		
Bonds	101,396,458	93,513,611
Gold	17,861,737	4,193,075
	119,258,195	97,706,686
Analyzed by market:		
Stock exchanges	55,797,441	43,775,212
Interbank bond market	60,308,055	53,797,755
Over-the-counter	3,152,699	133,719
	119,258,195	97,706,686

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

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45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

Sales and repurchase agreements are transactions in which the Group sells a security as well as rights and interests in margin loans and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risk and rewards of those securities sold. These securities are not derecognized from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risk and rewards of these securities and margin loans.

As at December 31, 2020, the Group’s pledged collateral in connection with its repurchase financing business amounted to RMB110,364 million (December 31, 2019: RMB103,130 million).

46. LEASE LIABILITIES

	As at December 31,	
	2020	2019
Within 1 year	294,159	267,627
Within a period of more than 1 year but not more than 2 years	237,189	216,646
Within a period of more than 2 years but not more than 5 years	415,381	405,271
Within a period of more than 5 years	313,670	362,603
Sub-total	1,260,399	1,252,147
Less: Amount due for settlement within 12 months shown under current liabilities	(294,159)	(267,627)
Amount due for settlement after 12 months shown under non-current liabilities	966,240	984,520

Notes to the Consolidated Financial Statements (Continued)

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47. 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 December 31,	
	2020	2019
Registered, issued and fully paid ordinary shares of RMB1 each:		
At the beginning of the year		
— Domestic shares	5,719,009	5,719,009
— Foreign invested shares	980,400	980,400
	6,699,409	6,699,409
Effect of rights issue		
— Domestic shares	1,702,997	—
— Foreign invested shares	294,120	—
	1,997,117	—
At the end of the year		
— Domestic shares	7,422,006	5,719,009
— Foreign invested shares	1,274,520	980,400
	8,696,526	6,699,409

Pursuant to the CSRC's Approval in respect of the Rights Issue of China Merchants Securities Co., Ltd. (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)), the new A Share rights share were allotted to all A Shareholders 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 had been 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 CSRC's Approval in respect of the Rights Issue of Overseas Listed Foreign Shares of China Merchants Securities Co., Ltd. (Zheng Jian Xu Ke [2019] No. 1946)* (《關於核准招商證券股份有限公司境外上市外資股配股的批覆》(證監許可[2019]1946號)), the new 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. The new H Shares were listed on the Hong Kong Stock Exchange on August 20, 2020.

Notes to the Consolidated Financial Statements (Continued)

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47. SHARE CAPITAL (Continued)

During the year, 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
February 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 an A Share Repurchase Plan. On April 11, 2019, the Company issued an announcement that it intended to use all the A Shares repurchased for the Employee Stock Ownership Scheme according to relevant regulations. 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. 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).

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 full amount 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.

48. OTHER EQUITY INSTRUMENTS

	As at December 31,	
	2020	2019
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 rate of 5.18%, 5.15%, 5.65% and 5.58% per annum, respectively. The interest rate 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.

Notes to the Consolidated Financial Statements (Continued)

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48. OTHER EQUITY INSTRUMENTS (Continued)

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.

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

	As at December 31,	
	2020	2019
At the beginning of the year	542,629	299,070
Debt instruments at fair value through other comprehensive income		
Net changes in fair value for the year	(160,799)	153,397
Reclassification to profit or loss	(316,546)	(183,740)
Income tax impact	120,732	7,464
Expected credit losses of debt instruments at fair value through other comprehensive income		
Net changes in fair value for the year	9,511	3,314
Income tax impact	242	(286)
Equity instruments at fair value through other comprehensive income		
Net changes in fair value for the year	163,467	335,203
Income tax impact	(40,867)	(83,801)
Share of fair value gain on financial assets at fair value through other comprehensive income of associates		
Share of other comprehensive income that will not be reclassified subsequently to profit or loss	(22,095)	—
Share of other comprehensive income that will be reclassified subsequently to profit or loss	(7,648)	12,008
At the end of the year	288,626	542,629

Notes to the Consolidated Financial Statements (Continued)

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50. GENERAL RESERVES

General reserves include statutory reserve, general risk reserve 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 the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") before distribution to shareholders as general risk reserve from retained profits. Moreover, in accordance with the requirements of the guidance of China Securities Regulatory Commission's ("CSRC") about regulating financial institutions in the asset management business for collective asset management business of securities, the subsidiary, China Merchants Securities Asset Management Co., Ltd. had appropriated of 10% of management fees from large-size collective assets management business as general risk reserve since December 2018.

The Company appropriates 10% of net profit derived in accordance with PRC GAAP before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

The movements of the general reserves are set out below:

As at December 31, 2020

	At the beginning of the year	Addition	At the end of the year
Statutory reserve ⁽ⁱ⁾	5,236,148	—	5,236,148
General risk reserve	5,738,813	1,176,084	6,914,897
Transaction risk reserve	5,426,465	937,129	6,363,594
	16,401,426	2,113,213	18,514,639

As at December 31, 2019

	At the beginning of the year	Addition	At the end of the year
Statutory reserve	4,662,350	573,798	5,236,148
General risk reserve	4,669,075	1,069,738	5,738,813
Transaction risk reserve	4,533,538	892,927	5,426,465
	13,864,963	2,536,463	16,401,426

- (i) The statutory reserve has reached 50% of the share capital of the Company at 31 December 2020. Therefore, none of the net profit of the Company has been transferred to the statutory surplus during the year.

Notes to the Consolidated Financial Statements (Continued)

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51. LONG-TERM BORROWINGS DUE WITHIN ONE YEAR

	As at December 31,	
	2020	2019
Unsecured bank borrowings	252,375	1,140,394
Interest accrued	629	4,486
	253,004	1,144,880

As at December 31, 2020, the Group's unsecured long-term bank borrowings due within one year bore interest rates ranged from 1.426% to 1.467% (December 31, 2019: 4.014% to 4.066%) per annum.

52. LONG-TERM BORROWINGS

	As at December 31,	
	2020	2019
Unsecured bank borrowings	418,353	268,735

As at December 31, 2020, the Group's unsecured long-term bank borrowings bore floating interest rate of 1.713% (December 31, 2019: 3.711% to 3.893%) per annum.

53. BONDS PAYABLE DUE WITHIN ONE YEAR

	As at December 31,	
	2020	2019
Non-convertible bonds ⁽¹⁾	35,238,855	7,060,000
Subordinated bonds	—	6,790,000
Interest accrued	1,700,906	1,628,614
	36,939,761	15,478,614

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53. BONDS PAYABLE DUE WITHIN ONE YEAR (Continued)

(1) The following table presents an analysis of non-convertible bonds

Name	Issue amount	Value date	Maturity date	Coupon rate
18CMG1 ⁽ⁱ⁾	1,940,000	05/02/2018	05/02/2021	5.35%
18CMG3 ⁽ⁱⁱ⁾	1,000,000	12/06/2018	12/06/2021	4.78%
18CMG5 ⁽ⁱⁱ⁾	2,500,000	18/07/2018	18/07/2021	4.38%
18CMG6 ⁽ⁱⁱ⁾	3,000,000	08/08/2018	08/08/2021	3.94%
18CMG8 ⁽ⁱⁱ⁾	1,800,000	07/09/2018	07/09/2021	4.23%
18CMF10 ⁽ⁱⁱⁱ⁾	2,500,000	05/12/2018	05/12/2021	4.15%
GF Assets Management — China Merchants Securities Capital Lending Phase II Asset-backed Special Plan ^(iv)	3,000,000	18/03/2019	18/03/2021	3.70%
19CMF3 ^(v)	1,700,000	10/04/2019	10/04/2021	3.85%
19CMF5 ^(v)	2,000,000	25/04/2019	25/04/2021	4.08%
19CMF8 ^(v)	4,000,000	29/05/2019	29/05/2021	3.78%
20CMF1 ^(v)	3,000,000	11/03/2020	26/03/2021	2.65%
20CMF3 ^(v)	2,000,000	25/03/2020	14/04/2021	2.65%
20CMF5 ^(v)	3,000,000	25/05/2020	09/06/2021	2.00%
20CMF6 ^(v)	2,000,000	11/06/2020	08/07/2021	2.63%
20CMG2 ^(vi)	1,800,000	13/08/2020	26/08/2021	2.93%

(i) According to CSRC “Reply on Approval of China Merchants Securities Co., Ltd. to Publicly offer Corporate Bonds to Qualified Investors” (Zheng Jian Xu Ke [2017] No. 1669), the Company is approved to publicly offer corporate bond to qualified investors with total principal amount not exceeding RMB8,500 million. The Company successively issued four batches corporate bonds on Shanghai Stock Exchange, including 17CMG1, 17CMG2, 17CMG3 and 18CMG1, of which the issued amounts are RMB4,500 million, RMB1,060 million, RMB1,000 million and RMB1,940 million, respectively. Therein, 17CMG1, 17CMG2 and 17CMG3 were repaid when they were due.

(ii) According to CSRC “Reply on Approval of China Merchants Securities Co., Ltd. to Publicly offer Corporate Bonds to Qualified Investors” (Zheng Jian Xu Ke [2018] No. 612), the Company was approved to publicly offer corporate bonds to qualified investors with total principal amount not exceeding RMB11,800 million. The Company successively issued five batches of corporate bonds, including 18CMG2, 18CMG3, 18CMG5, 18CMG6, 18CMG8 and 19CMG1, on Shanghai Stock Exchange, and the first batch includes two types of bonds. The amounts of these corporate bonds are RMB2,000 million, RMB1,000 million, RMB2,500 million, RMB3,000 million, RMB1,800 million and RMB1,500 million, respectively. Therein, 18CMG2 was repaid during this year. 19CMG1 is disclosed in Note 54.

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53. BONDS PAYABLE DUE WITHIN ONE YEAR (Continued)

(1) The following table presents an analysis of non-convertible bonds (Continued)

- (iii) According to Shanghai Stock Exchange “Letter of Consent on China Merchants Securities Co., Ltd. Listing the Non-publicly Offered Corporate Bonds for Transfer” (Shang Zheng Han [2018] No. 160), the Company was approved to privately offer corporate bonds to qualified investors with total principal amount not exceeding RMB40,000 million. The Company issued private corporate bond 18CMF10 with an aggregate amounts of RMB2,500 million.
- (iv) According to Shenzhen Stock Exchange “Letter of Consent on Listing GF Assets Management — China Merchants Securities Capital Lending Phase (I-X) Asset-backed Special Plan” (the “Special Plan”), the Company was approved to adopt the method of issuance by phases with total principal amount not exceeding RMB8,000 million. The Company successively established four phases of the Special Plan with issue amounts of RMB1,000 million, RMB3,000 million, RMB2,000 million and RMB2,000 million, respectively, of which priority class holders account for 95%. Therein, Phase I and Phase IV of the Special Plan were repaid during this year. Phase III of the Special Plan is disclosed in Note 54.
- (v) According to Shanghai Stock Exchange “Letter of Consent on China Merchants Securities Co., Ltd. Listing the Non-publicly Offered Corporate Bonds for Transfer” (Shang Zheng Han [2019] No. 523), the Company was approved to privately offer corporate bonds to qualified investors with total principal amount not exceeding RMB45,000 million. The Company successively issued seven batches of private corporate bonds on Shanghai Stock Exchange, of which the first batch, the second batch, the fifth batch and the seventh batch all include two types of bonds. The amounts issued are RMB1,700 million, RMB3,600 million, RMB2,000 million, RMB4,000 million, RMB4,000 million, RMB3,000 million, RMB2,000 million, RMB1,500 million, RMB3,000 million, RMB2,000 million and RMB4,000 million, respectively. Therein, 19CMF4, 19CMF6, 20CMF4 and 20CMF7 are disclosed in Note 54.
- (vi) According to CSRC “Reply on Approval of China Merchants Securities Co., Ltd. to Publicly offer Corporate Bonds to Qualified Investors” (Zheng Jian Xu Ke [2020] No.1322), the Company was approved to publicly offer corporate bonds to qualified investors with total principal amount not exceeding RMB25,000 million. The Company successively issued four batches of corporate bonds with terms of over one year on Shanghai Stock Exchange including 20CMG1, 20CMG2, 20CMG3, 20CMG4, 20CMG5, 20CMG6 and 20CMG7, of which the second batch, the third batch and the fourth batch all include two types of bonds. The amounts issued are RMB3,000 million, RMB1,800 million, RMB3,000 million, RMB2,900 million, RMB2,900 million, RMB3,000 million and RMB1,000 million, respectively. Therein, 20CMG1, 20CMG3, 20CMG4, 20CMG5, 20CMG6 and 20CMG7 are disclosed in Note 54.

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54. BONDS PAYABLE

	As at December 31,	
	2020	2019
Non-convertible bonds ⁽¹⁾	50,308,981	50,512,888
Subordinated bonds ⁽²⁾	5,489,886	—
Principal of structured notes	242,000	—
	56,040,867	50,512,888

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

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
12CM03 ⁽ⁱ⁾	RMB	5,500,000	05/03/2013	05/03/2023	5.15%
14CM bond ⁽ⁱⁱ⁾	RMB	5,500,000	26/05/2015	26/05/2025	5.08%
19CMG1 ^{(Note53(1)(ii))}	RMB	1,500,000	08/03/2019	08/03/2022	3.59%
19CMF4 ^{(Note53(1)(v))}	RMB	3,600,000	10/04/2019	10/04/2022	4.00%
19CMF6 ^{(Note53(1)(v))}	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 ^{(Note53(1)(iv))}	RMB	2,000,000	25/04/2019	25/04/2022	4.20%
19CM01BC ⁽ⁱⁱⁱ⁾	RMB	5,000,000	11/10/2019	11/10/2022	3.45%
CMSEC N2301 ^(iv)	USD	300,000	21/01/2020	21/01/2023	2.625%
20CMF4 ^{(Note53(1)(v))}	RMB	1,500,000	25/03/2020	25/03/2022	2.85%
20CMF7 ^{(Note53(1)(v))}	RMB	4,000,000	11/06/2020	11/06/2022	3.15%
20CMG1 ^{(Note53(1)(vi))}	RMB	3,000,000	22/07/2020	22/07/2023	3.55%
20CMG3 ^{(Note53(1)(vi))}	RMB	3,000,000	13/08/2020	13/08/2023	3.50%
20CMG4 ^{(Note53(1)(vi))}	RMB	2,900,000	21/09/2020	21/09/2022	3.55%
20CMG5 ^{(Note53(1)(vi))}	RMB	2,900,000	21/09/2020	21/09/2023	3.78%
20CMG6 ^{(Note53(1)(vi))}	RMB	3,000,000	26/10/2020	26/10/2022	3.43%
20CMG7 ^{(Note53(1)(vi))}	RMB	1,000,000	26/10/2020	26/10/2023	3.63%

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54. BONDS PAYABLE (Continued)

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

- (i) According to CSRC "Reply on Approval of China Merchants Securities Co., Ltd. to Publicly offer Corporate Bonds" (Zheng Jian Xu Ke [2013] No. 73), the Company was approved to publicly offer corporate bonds with total principal amount not exceeding RMB10,000 million. On 5 March 2013, the Company issued corporate bonds amounting to RMB10,000 million on Shanghai Stock Exchange, including 12CM01 amounting to RMB3,000 million, 12CM02 amounting to RMB1,500, and 12CM03 amounting to RMB5,500 million, respectively. Therein, 12CM01 and 12CM02 were repaid in 2018.
- (ii) According to CSRC "Reply on Approval of China Merchants Securities Co., Ltd. to Publicly offer Corporate Bonds" (Zheng Jian Xu Ke [2015] No. 512), the Company was approved to publicly offer corporate bonds with total principal amount not exceeding RMB5,500 million. On May 26, 2015, the Company issued 14CM bond of RMB5,500 million on Shanghai Stock Exchange.
- (iii) According to CSRC "Regulatory Advices on Issuance of Financial Bonds by China Merchants Securities Co., Ltd." (Ji Gou Bu Han [2019] No. 1581) and "Decisions of the People's Bank of China on Approval of Administrative License" (Yin Shi Chang Xu Zhun Yu Zi [2019] No. 101), the Company was approved to publicly offer financial bonds with total principal amount not exceeding RMB5,000 million. On October 11, 2019, the Company issued 19CM01BC of RMB5,000 million on National Interbank Funding Center.
- (iv) On January 21, 2020, the Company issued a tranche of offshore Dollar bonds on Hong Kong Exchanges. The total principal amount is USD300 million.

(2) The details of subordinated corporate bonds are as follows:

Name	Issue amount	Value date	Maturity date	Coupon rate
20CMC1	4,430,000	03/12/2020	03/06/2023	4.38%
20CMC2	1,070,000	03/12/2020	03/12/2023	4.43%

According to CSRC "Reply on Approval of China Merchants Securities Co., Ltd. to Publicly Offered Subordinated Bonds to Professional Investors" (Zheng Jian Xu Ke [2020] No. 3138), the Company was approved to publicly offer subordinated bonds to professional investors with total principal amount not exceeding RMB30,000 million. On December 3, 2020, the Company issued two types of the first batch subordinated bonds on Shanghai Stock Exchange, of which the issued amounts are RMB4,430 million and RMB1,070 million, respectively.

Notes to the Consolidated Financial Statements (Continued)

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

	As at December 31,	
	2020	2019
Dividends recognized as distribution	2,913,336	1,768,644
Distribution to holders of other equity instruments	802,090	802,090

Pursuant to the resolution of the second extraordinary shareholders meeting held on October 30, 2020, the Company declared cash dividends of RMB3.35 for every 10 shares (tax included) based on 8,696,526,806 shares. In aggregate, it amounted to RMB2,913,336 thousand for the six months ended June 30, 2020.

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. In aggregate, it amounted to RMB1,768,644 thousand for the year ended December 31, 2018.

During the year of 2020, dividend of the Group on perpetual bonds amounted to RMB802,090 thousand (2019: RMB802,090 thousand).

56. TRANSFERS OF FINANCIAL ASSETS

(1) Repurchase agreements

The Group entered into repurchase agreements with certain counterparties to sell Group's securities and interests in margin loans and the proceeds are presented as financial assets sold under repurchase agreements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

56. TRANSFERS OF FINANCIAL ASSETS (Continued)

(1) Repurchase agreements (Continued)

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

As at December 31, 2020

	Financial assets at fair value through profit or loss	Debt instruments at amortized cost	Debt instruments at fair value through other comprehensive income	Securities/ gold lending arrangements	Total
Carrying amount of transferred assets	76,612,853	802,735	27,467,723	22,926,836	127,810,147
Carrying amount of associated liabilities	71,486,581	749,023	25,629,820	21,392,771	119,258,195
Net position	5,126,272	53,712	1,837,903	1,534,065	8,551,952

As at December 31, 2019

	Financial assets at fair value through profit or loss	Debt instruments at amortized cost	Debt instruments at fair value through other comprehensive income	Securities lending arrangements	Total
Carrying amount of transferred assets	62,642,843	459,778	31,677,046	5,255,033	100,034,700
Carrying amount of associated liabilities	61,185,015	449,078	30,939,856	5,132,737	97,706,686
Net position	1,457,828	10,700	737,190	122,296	2,328,014

(2) Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its financial assets classified as financial assets at fair value through profit or loss with carrying amount totaling RMB1,666,659 thousand as at December 31, 2020 (December 31, 2019: RMB855,997 thousand) and equity instruments at fair value through other comprehensive income with carrying amount totaling RMB199,950 thousand as at December 31, 2020 (December 31, 2019: none), which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these securities is transferred to the customers. Although the customers are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized these securities in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

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56. TRANSFERS OF FINANCIAL ASSETS (Continued)

(3) Securities borrowing arrangements

The Group borrowed securities from interbank securities market platform for the business of financial assets sold under repurchase agreements and securities short selling, and simultaneously offers bonds classified as financial assets at fair value through profit and loss, debt instruments at fair value through other comprehensive income and debt instruments at amortized cost as collateral to the counterparties. As at December 31, 2020 and 2019, the type and fair values of financial assets borrowed from banks through interbank securities market trading platform for the purpose of financial assets sold under repurchase agreements are as follows:

	As at December 31,	
	2020	2019
Treasury bonds	5,773,859	5,547,770
Local government bonds	1,884,738	1,536,264
Policy bank bonds	9,067,935	5,316,155
	16,726,532	12,400,189

As at December 31, 2020, the above securities borrowing transactions are due before March 12, 2021. As at December 31, 2019, the above securities borrowing transactions are due before April 24, 2020.

As at December 31, 2020 and 2019, the type and fair values of securities pledged for the Group's securities borrowing arrangements are as follows:

	As at December 31,	
	2020	2019
Bonds	15,861,217	11,036,469

57. CAPITAL COMMITMENTS

As of December 31, 2020 and 2019, the Group does not have any significant capital commitments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

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58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of directors and supervisors of the Company paid and/or payable by the Group for the years ended December 31, 2020 and 2019 are set out below:

Year ended December 31, 2020

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonuses	Total emoluments
Executive directors:					
HUO Da	—	2,068	243	6,547	8,858
XIONG Jiantao	—	2,068	243	6,547	8,858
	—	4,136	486	13,094	17,716
Non-executive directors:					
SU Jian	—	—	—	—	—
XIONG Xianliang	—	—	—	—	—
SU Min	—	—	—	—	—
PENG Lei	—	—	—	—	—
GAO Hong ⁽¹⁾	—	—	—	—	—
HUANG Jian	—	—	—	—	—
WANG Daxiong	—	—	—	—	—
WANG Wen	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors:					
XIANG Hua	200	—	—	—	200
XIAO Houfa	200	—	—	—	200
XIONG Wei	200	—	—	—	200
HU Honggao	200	—	—	—	200
WANG Di	200	—	—	—	200
	1,000	—	—	—	1,000

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(Expressed in thousands of Renminbi, unless otherwise stated)

58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Year ended December 31, 2020 (Continued)

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonuses	Total emoluments
Supervisors:					
ZHOU Linda Lei	—	1,640	217	5,266	7,123
LI Xiaofei	—	—	—	—	—
WANG Zhangwei	—	—	—	—	—
MA Yunchun	—	—	—	—	—
ZHANG Zhen ⁽²⁾	—	—	—	—	—
ZOU Qun ⁽³⁾	—	—	—	—	—
YIN Hongyan	—	953	156	2,659	3,768
HE Min	—	676	138	1,894	2,708
SHEN Weihua ⁽⁴⁾	—	126	6	210	342
XIONG Zhigang ⁽⁵⁾	—	655	189	2,204	3,048
	—	4,050	706	12,233	16,989
	1,000	8,186	1,192	25,327	35,705

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58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Year ended December 31, 2019

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonuses	Total emoluments
Executive directors:					
HUO Da	—	2,024	263	2,868	5,155
XIONG Jiantao	—	2,022	257	2,868	5,147
	—	4,046	520	5,736	10,302
Non-executive directors:					
SU Min	—	—	—	—	—
XIONG Xianliang	—	—	—	—	—
SU Jian	—	—	—	—	—
PENG Lei	—	—	—	—	—
HUANG Jian	—	—	—	—	—
WANG Daxiong	—	—	—	—	—
WANG Wen	—	—	—	—	—
CHEN Zhigang ⁽⁶⁾	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors:					
XIANG Hua	200	—	—	—	200
XIAO Houfa	200	—	—	—	200
XIONG Wei	200	—	—	—	200
HU Honggao	200	—	—	—	200
WANG Di	200	—	—	—	200
	1,000	—	—	—	1,000

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58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Year ended December 31, 2019 (Continued)

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonuses	Total emoluments
Supervisors:					
ZHOU Linda Lei	—	1,635	228	2,295	4,158
FANG Xiaobing ⁽⁷⁾	—	—	—	—	—
ZHANG Zehong ⁽⁸⁾	—	—	—	—	—
HE Min	—	672	149	480	1,301
YIN Hongyan	—	926	172	640	1,738
XIONG Zhigang	—	710	172	700	1,582
LI Xiaofei	—	—	—	—	—
WANG Zhangwei	—	—	—	—	—
MA Yunchun	—	—	—	—	—
	—	3,943	721	4,115	8,779
	1,000	7,989	1,241	9,851	20,081

- (1) GAO Hong was appointed as non-executive director in October 2020.
- (2) ZHANG Zhen was appointed as supervisor in October 2020.
- (3) ZOU Qun was appointed as supervisor in October 2020.
- (4) SHEN Weihua was appointed as supervisor in October 2020.
- (5) XIONG Zhigang resigned in June 2020.
- (6) CHEN Zhigang resigned in June 2020.
- (7) FANG Xiaobing resigned in June 2020.
- (8) ZHANG Zehong resigned in June 2020.

The emoluments of executive directors and supervisors shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and the subsidiaries, if applicable.

As of the date of the issuance of these consolidated financial statements, the above compensation packages including performance-based bonus for executive directors, non-executive directors and supervisors for the year ended December 31, 2020 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.

Except for non-executive directors who were not remunerated by the Company, no directors of the Company waived or agreed to waive any emolument paid by the Group during the year. No emoluments were paid by the Group to the directors of the Company as an incentive payment for joining the Group or as compensation for resignation during the year.

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For the year ended December 31, 2020

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59. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Three (2019: three) of the five individuals with the highest emoluments were directors or supervisors of the Company. The emoluments of the remaining two individuals (2019: two) with the highest emoluments are as below:

	As at December 31,	
	2020	2019
Basic salaries and allowances	2,786	1,794
Bonuses	10,204	6,652
Contributions to retirement benefit scheme	443	358
	13,433	8,804

Bonus was determined with reference to results of the Group and performance of individuals. No emoluments were paid by the Group to these individuals as an incentive payment for joining the Group or as compensation for resignation during the year.

The emoluments of the individuals (non-director) with the highest emoluments are within the following bands:

	As at December 31,	
	2020	2019
Emolument bands		
HKD3,500,001 to HKD4,000,000	—	—
HKD4,000,001 to HKD4,500,000	—	1
HKD5,000,001 to HKD5,500,000	—	1
HKD7,000,001 to HKD7,500,000	—	—
HKD7,500,001 to HKD8,000,000	2	—

During the year of 2020, the emoluments paid by the Group to these non-director individuals were based on the services provided to the Group by these individuals.

Notes to the Consolidated Financial Statements (Continued)

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60. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Relationship of related parties

(a) Major shareholders

Major shareholders include shareholders of the Company with 5% or above direct ownership. Share percentage in the Company:

	As at December 31,	
	2020	2019
China Merchants Finance Investment Holdings Co., Ltd.	23.55%	23.51%
Shenzhen Jisheng Investment Development Co., Ltd.	19.59%	19.56%
China Ocean Shipping (Group) Company	6.26%	6.25%

(b) Associates of the Group

The details information of the Group's associates is set out in note 22.

Notes to the Consolidated Financial Statements (Continued)

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60. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(1) Relationship of related parties (Continued)

(c) 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
China Merchants Bank Co., Ltd.	Significant influence by the ultimate controlling company
China Merchants (Shanghai) Investment Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Property Co., Ltd.	Fellow subsidiary of the ultimate controlling company
Sinotrans Limited	Fellow subsidiary of the ultimate controlling company
Shenzhen Merchants Daojiahui Technology Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Shekou (Tianjin) Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Real Estate (Beijing) Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Fellow subsidiary of the ultimate controlling company
Shenzhen Merchants Property Management Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Zhuhai Yiyun Real Estate Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Real Estate (Hangzhou) Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Expressway Network Technology Holdings Co., Ltd.	Fellow subsidiary of the ultimate controlling company
Nanjing Tanker Corporation	Fellow subsidiary of the ultimate controlling company
China Merchants Gangtong Development (Shenzhen) Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Eureka Investment Company Limited	Fellow subsidiary of the ultimate controlling company
Beijing Zhaoyi Enterprise Management Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Shanghai Rural Commercial Bank Co., Ltd.	The director of the Company acts as a director of the entity

* English name translated is for identification purpose only.

Notes to the Consolidated Financial Statements (Continued)

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60. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Related parties transaction and balances

(a) During the years ended December 31, 2020 and 2019, the Group's major transactions and balances with its associate are as below:

Transactions between the Group and the associate:

	As at December 31,	
	2020	2019
Fee and commission income		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	223,696	123,852

Balances between the Group and the associate:

	As at December 31,	
	2020	2019
Accounts and other receivables		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	204,519	224,052

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

Transactions between the Group and other related parties:

	Year ended December 31,	
	2020	2019
Fee and commission income		
— China Merchants Bank Co., Ltd.	97,035	104,560
— China Merchants Shekou Industrial Zone Holdings Co., Ltd.	3,623	65,057
— China Merchants Expressway Network Technology Holdings Co., Ltd.	1,415	8,019
— Sinotrans Limited	—	21,782
— Nanjing Tanker Corporation	1,887	5,660
— China Merchants Gangtong Development (Shenzhen) Co. Ltd.*	—	7,547
— Eureka Investment Company Limited	—	12,045

* English name translated is for identification purpose only.

Notes to the Consolidated Financial Statements (Continued)

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60. 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)*

Transactions between the Group and other related parties: (Continued)

	Year ended December 31,	
	2020	2019
Interest income		
— China Merchants Bank Co., Ltd.	498,659	376,621
Investment Income		
— China Merchants Shekou Industrial Zone Holdings Co., Ltd.	43,748	66,934
Fee and commission expenses		
— China Merchants Bank Co., Ltd.	(215,142)	(234,453)
Interest expenses of placement and borrowings from banks		
— China Merchants Bank Co., Ltd.	(15,103)	(14,880)
Interest expenses of repurchase agreements business		
— China Merchants Bank Co., Ltd.	(8,772)	(3,717)
— Shanghai Rural Commercial Bank Co., Ltd.	(9,358)	(6,694)
Other operating expenses		
— China Merchants Bank Co., Ltd.	(66,731)	(62,017)
— China Merchants (Shanghai) Investment Co., Ltd.*	(9,397)	(8,953)
— China Merchants Property Co., Ltd.	—	(209,292)
— Shenzhen Merchants Property Management Co., Ltd.*	(12,789)	(20,776)
— Shenzhen Merchants Daojiahui Technology Co., Ltd.*	(24,356)	—
Interest expense of lease liabilities		
— China Merchants Bank Co., Ltd.	(19,302)	(19,976)

* English name translated is for identification purpose only.

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60. 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 December 31,	
	2020	2019
Accounts and other receivables		
— China Merchants Shekou Industrial Zone Holdings Co., Ltd.	—	62,000
— Qingdao Asset Management Co., Ltd.	66,354	66,354
— China Merchants Shekou (Tianjin) Co., Ltd.*	—	100,000
— China Merchants Real Estate (Beijing) Co., Ltd.*	—	436,224
— China Merchants Real Estate (Hangzhou) Co., Ltd.*	499,640	—
— Zhuhai Yiyun Real Estate Co., Ltd.*	284,512	—
Bank balances		
— China Merchants Bank Co., Ltd.	25,374,694	23,249,531
Borrowings		
— China Merchants Bank Co., Ltd.	421,124	449,082
Placements from banks		
— China Merchants Bank Co., Ltd.	3,000,408	700,272
Lease liabilities		
— China Merchants Bank Co., Ltd.	591,553	625,807
Other payables		
— Beijing Zhaoyi Enterprise Management Co., Ltd. *	95,526	—

* English name translated is for identification purpose only.

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60. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Key management personnel

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

	As at December 31,	
	2020	2019
Short-term benefits:		
— Salaries, allowance and bonuses	68,306	37,101
Post-employment benefits:		
— Contribution to retirement schemes	2,203	2,292
Total	70,508	39,393

(4) Other related parties transaction

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 December 31, 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 RMB700,486 thousand and RMB1,093,444 thousand, respectively.

As at December 31, 2020, China Merchants Securities Investment Co., Ltd., a subsidiary of the Group, has signed cooperation framework agreement with China Merchants Real Estate (Beijing) Co., Ltd., China Merchants Real Estate (Suzhou) Co., Ltd., Zhuhai Yiyun Real Estate Co., Ltd and China Merchants Real Estate (Hangzhou) Co., Ltd. about the Beijing Yizhuang Residential Project, Wuxi Huishan Real Estate Project, the Changsha Yuelu Real Estate Project and the Hangzhou Xiaoshan Real Estate Project. China Merchants Securities Investment Co., Ltd will invest no more than RMB500 million, RMB300 million, RMB300 million and RMB500 million respectively. As at December 31, 2020, China Merchants Securities Investment Co., Ltd. has recognized financial assets at fair value through profit or loss of RMB465 million and RMB299 million and made prepayment of RMB285 million and RMB500 million for the Changsha Yuelu Real Estate Project and the Hangzhou Xiaoshan Real Estate Project, respectively.

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61. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at December 31,	
	2020	2019
Financial assets		
Equity instruments at fair value through other comprehensive income	7,420,580	7,057,809
Debt instruments at fair value through other comprehensive income	44,614,600	45,734,307
Financial assets measured at amortized cost	257,339,077	175,647,017
Derivative financial assets	1,726,339	1,805,819
Financial assets at fair value through profit or loss	173,595,064	138,146,068
	484,695,660	368,391,020
Financial liabilities		
Derivative financial liabilities	3,071,802	2,183,222
Financial liabilities at fair value through profit or loss	13,942,051	10,076,386
Financial liabilities at amortized cost	366,358,729	276,487,697
	383,372,582	288,747,305

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62. 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 frontier departments at the business level. The structure of the risk management of the Company consists of five levels, including the strategical arrangement by the Board of Directors, supervision and scrutiny by the Supervisory Committee, or decision-making by the senior management and the Risk Management Committee, check-and-balance and internal controls maintained of relevant risk management departments and direct management of other departments, branches and its 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 Company's risk appetite, risk tolerance and various risk limit indicators. They are also responsible for convening quarterly meetings, reviewing quarterly risk reports and reviewing the Company'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 Company;
- (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 limit 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 Company 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, the Capital Commitment Committee and the Investment Banking Business Risk Policy Committee. Within the scope of their authorization, experts shall review and collectively make decisions on the risks of securities investment, credit risk, securities valuation, capital commitment and investment banking business. The Company 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(1) Risk management structure (Continued)

- (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 the leading department in respect of management of management of liquidity risk. It is also responsible for managing liquidity risk and facilitating the establishment of the liquidity risk management systems. 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 Company's risk management process by audits, and responsible for initiating evaluation of entire internal control system at least once a year;
- (v) All departments of the Company, branches and wholly-owned subsidiaries of the Company are responsible for directly managing and supervising risks of their own businesses and management scopes.

(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 and a spot counterparty to meet its payment obligation in trading of over the counter ("OTC") derivatives such as equity swaps, interest rate swap 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 was shortfall of funds after liquidation of client's accounts on settlement dates.

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 collaterals pledge ratio, 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 or downgrade of debt securities, as well as the risks of default of issuers or counterparties. The Group sets minimum rating requirements for various types of investments and counterparties by business authorization system and minimizing losses arising from different types of investments and default of counterparties through diversification strategy.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

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 by full margin. With regard to the trading of securities and other financial products for overseas customers, the Group has effectively controlled the credit risk by strengthen the monitor on credit grant and margin ratio.

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 impairment loss allowance for expected credit loss 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 in or reversal of the impairment loss allowance is 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 in or reversal of the impairment loss allowance is 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 in or reversal of the impairment loss allowance thus formed is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

62. 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 ratio less than 100% for more than 30 days are considered to be credit impaired and recognized as Stage 3; exposures with collateral coverage ratio less than 100% for less than 30 days are considered to experience 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 margin calls and force 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 force 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 force liquidation thresholds for less than 30 days or those past due for less than 30 days are considered to experience 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 will be included in Stage 1; financial instruments whose credit risk has increased significantly since its initial recognition, while no credit loss has occurred, that is, there is no objective evidence of a credit loss event, will be included in Stage 2; purchased or originated credit-impaired financial instruments, or non-purchased or originated financial instruments that have suffered credit impairment will be included in 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

Measuring ECL — inputs, assumptions and estimation techniques

On the basis of credit rating of counterparties, credit assessment on borrowers and the quantitative management of collaterals, the Group fully considers the customer portfolio of each credit related transaction, the amount of a single debt, the term of borrowing, the maintenance margin ratio 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. Then the perform stress tests and sensitivity analysis supplementary to the measurement of credit risks.

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, exposures, exchange rates and adjustments factors, 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 including 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 maintenance margin ratio, adopting the method of individual identification to identify each transaction in order to measure the impairment loss allowance of high risk credit business.

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 maintenance margin ratio, 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 Consolidated Financial Statements (Continued)

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62. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

SICR

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

The credit ratings of foreign bonds are lowered to a level below BBB- (not included), the credit rating of domestic bonds are lowered to a level below AA (not included), or the original debt ratings are below AA but have 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 an indicator of a significant increase in credit risks, include:

- 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 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

Forward looking information

For credit 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 cumulative pledge ratio of stock pledge business, 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, 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 through historical data analysis, and determined through forecasting economic environment. When making forward looking factor adjustments, the Group considers three different scenarios to appropriately reflect the non-linearities of the development of key economic indicators and determine scenario weightings by data analysis and professional judgment.

For the current year, the weighted average forecasted (weighted average of optimistic, neutral and pessimistic scenarios) growth rate of the Gross Domestic Product made by the Group was 6.3%, and the weighted forward looking adjustment factors for bonds of AAA, AA+, AA, and AA- and below are 1, 1.2, 1.3, and 1.7, respectively.

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 collaterals or other credit enhancements:

(a) *Maximum credit risk exposure*

	As at December 31,	
	2020	2019
Financial assets at fair value through profit or loss ⁽ⁱ⁾	119,046,252	101,877,615
Derivative financial assets	1,726,339	1,805,819
Advances to customers	81,754,350	55,224,619
Financial assets held under resale agreements	52,260,325	35,679,825
Accounts and other receivables	7,149,847	3,667,692
Deposits with exchanges and non-bank financial institutions	9,067,233	4,780,890
Clearing settlement funds	22,529,340	12,471,616
Cash and bank balances	82,838,593	61,927,739
Debt instruments at amortized cost ⁽ⁱⁱ⁾	1,739,390	1,894,639
Debt instruments at fair value through other comprehensive income	44,614,600	45,734,307
Equity instruments at fair value through other comprehensive income ⁽ⁱⁱⁱ⁾	199,950	—
	422,926,219	325,064,761

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

(a) Maximum credit risk exposure (Continued)

Note:

- (i) Financial assets at fair value through profit or loss subjected to credit risk represent the investment in debt securities, trust products, equity securities lent to customers and asset-backed securities.
- (ii) Debt instruments at amortized cost subjected to credit risk represent the investment in debt securities and customer loans receivable.
- (iii) Equity instruments at fair value through other comprehensive income subjected to credit risk represent equity securities lent to customers.

(b) Risk concentration

The Group's maximum credit risk exposure without taking account of any collaterals and other credit enhancements are categorized by geographical area as follows:

As at December 31, 2020

	Mainland China	Outside Mainland China	Total
Financial assets at fair value through profit or loss	117,655,630	1,390,622	119,046,252
Derivative financial assets	1,693,163	33,176	1,726,339
Advances to customers	77,871,977	3,882,373	81,754,350
Financial assets held under resale agreements	52,260,325	—	52,260,325
Accounts and other receivables	4,525,466	2,624,381	7,149,847
Deposits with exchanges and non-bank financial institutions	8,879,602	187,631	9,067,233
Clearing settlement funds	22,375,249	154,091	22,529,340
Cash and bank balances	73,808,294	9,030,299	82,838,593
Debt instruments at amortized cost	1,605,438	133,952	1,739,390
Debt instruments at fair value through other comprehensive income	42,544,385	2,070,215	44,614,600
Equity instruments at fair value through other comprehensive income	199,950	—	199,950
	403,419,479	19,506,740	422,926,219

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

(b) Risk concentration (Continued)

As at December 31, 2019

	Mainland China	Outside Mainland China	Total
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 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
	302,676,662	22,388,099	325,064,761

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

(c) Credit rating analysis of financial assets

The carrying amounts of debt securities at the end of the year are categorized by rating distribution as follows:

	As at December 31,	
	2020	2019
Rating		
Issuers in Mainland China		
PRC sovereign bonds (Note)	87,734,530	54,875,682
AAA	57,010,971	75,223,521
AA+	7,206,493	8,174,320
AA	1,833,533	2,528,962
AA-	7,467	—
AA- below	40,857	8,995
A-1	941,299	307,220
Non-rated	2,907,371	570,260
Sub-total	157,682,521	141,688,960
Issuers in Hong Kong and other regions		
PRC sovereign bonds (Note)	3,398	2,670
A	166,916	951,750
B	3,389,269	4,598,707
C	—	—
D	—	—
Non-rated	35,207	74,388
Sub-total	3,594,790	5,627,515
Total	161,277,311	147,316,475

Note: PRC sovereign bonds represent the rating of treasury 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 will be used), among which AAA rating represents the highest rating. A-1 rating represents rating on short-term financing bonds. 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, Stand&Poor's and Fitch, if any. Bonds which are not rated by the above agencies are classified as non-rated. Included in A rating are bonds rated Aaa~A3 by Moody, AAA~A- by S&P and AAA~A- by Fitch; B rating are the bonds rated Baa1~B3 by Moody, BBB+~B- by S&P and BBB+~B- by Fitch; C rating are the bonds rated Caa1~C by Moody, CCC+~C by S&P and CCC~C by Fitch; D rating are bonds rated D by S&P and D by Fitch.

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk

(a) *Origin and management of liquidity 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 interest 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 retain minimum excess reserve in the funding plan. The Group has reserved treasury bonds, 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 utilization for business purposes in advance to effectively manage the payment 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2020
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62. FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(b) Undiscounted cash flows by contractual maturities

	As at December 31, 2020							
	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
Non-derivative financial liabilities								
Borrowings	3,961,652	—	3,291,906	1,829	260,238	435,800	—	3,989,773
Short-term debt instruments	36,216,758	—	8,899,962	17,446,690	10,173,277	—	—	36,519,929
Placements from banks and other financial institutions	11,002,762	—	10,004,954	1,007,078	—	—	—	11,012,032
Bonds payable	92,980,628	—	25,692	8,561,451	30,090,616	59,920,084	—	98,597,843
Financial assets sold under repurchase agreements	119,258,195	—	103,989,535	3,387,241	12,196,554	—	—	119,573,330
Financial liabilities at fair value through profit or loss	13,942,051	1,000,198	9,779,066	470,580	—	2,692,207	—	13,942,051
Accounts payable to brokerage clients	85,441,243	85,441,243	—	—	—	—	—	85,441,243
Other payables and accrued charges	14,763,594	14,714,491	49,101	—	—	—	—	14,763,592
Notes payable	1,658,700	—	—	499,500	1,159,200	—	—	1,658,700
Lease liabilities	1,260,399	—	24,341	52,534	222,301	707,882	404,212	1,411,270
Total	380,485,982	101,155,932	136,064,557	31,426,903	54,102,186	63,755,973	404,212	386,909,763
Derivative financial liabilities — net settlement	3,071,802	595,208	343,340	1,414,875	684,056	34,323	—	3,071,802

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

(b) Undiscounted cash flows by contractual maturities (Continued)

	As at December 31, 2019							
	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
Non-derivative financial liabilities								
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
Total	284,953,888	67,189,545	120,245,553	21,600,058	25,588,275	52,258,789	6,268,700	293,150,920
Derivative financial liabilities — net settlement	2,183,222	1,367,051	480,062	173,073	163,036	—	—	2,183,222

62. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk

(a) *Origin 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 tolerance indicators set by the directors of the Group. By considering the risks 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 Consolidated Financial Statements (Continued)

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62. 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:

	At December 31, 2020			
	Final	Highest	Lowest	Average
Market risk of equity price	289,250	305,811	181,939	252,006
Market risk of interest rate	54,910	78,818	36,111	57,812
Market risk of commodity price	11,385	27,221	3,916	14,153
Market risk of foreign exchange	480	1,154	2	340
Diversification effect	(39,556)	(67,751)	(30,104)	(45,911)
	316,469	345,253	191,864	278,400

	At December 31, 2019			
	Final	Highest	Lowest	Average
Market risk of equity price	175,609	254,416	170,724	200,326
Market risk of interest rate	36,248	42,714	39,697	41,331
Market risk of commodity price	4,475	7,191	2,619	6,610
Market risk of foreign exchange	61	1,026	147	642
Diversification effect	(37,910)	(52,200)	(48,523)	(42,378)
	178,483	253,147	164,664	206,531

Note: The VaR of the market risk of equities includes the specific directional investment for 2015 market stabilization measures and specific accounts with China Securities Finance Corporations. VaR values of these investments are calculated based on CSI 300.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. 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 year and 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 December 31, 2020						
	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
Financial assets							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	7,420,580	7,420,580
Debt instruments at fair value through other comprehensive income	610,649	1,315,746	16,132,510	26,013,565	542,130	—	44,614,600
Financial assets at fair value through profit or loss	1,665,373	4,222,985	34,092,177	55,354,750	19,586,502	58,673,277	173,595,064
Derivative financial assets	—	635	6,989	33	—	1,718,682	1,726,339
Advances to customers	8,915,997	14,502,138	58,336,215	—	—	—	81,754,350
Financial assets held under resale agreements	33,828,126	2,800,213	14,269,954	1,362,032	—	—	52,260,325
Debt instruments at amortized cost	217,460	207,444	724,718	589,768	—	—	1,739,390
Accounts and other receivables	—	—	—	—	—	1,003,639	1,003,639
Deposits with exchanges and non-bank financial institutions	9,067,233	—	—	—	—	—	9,067,233
Clearing settlement funds	22,529,340	—	—	—	—	—	22,529,340
Cash and bank balances	81,205,893	474,500	1,132,720	25,456	—	24	82,838,593
Sub-total	158,040,071	23,523,661	124,695,283	83,345,604	20,128,632	68,816,202	478,549,453
Financial liabilities							
Borrowings	3,290,924	—	252,375	418,353	—	—	3,961,652
Short-term debt instruments	8,881,487	17,331,954	10,003,317	—	—	—	36,216,758
Placements from banks and other financial institutions	10,002,529	1,000,233	—	—	—	—	11,002,762
Bonds payable	22,837	8,439,111	28,477,813	56,040,867	—	—	92,980,628
Financial assets sold under repurchase agreements	103,948,251	3,353,591	11,956,353	—	—	—	119,258,195
Derivative financial liabilities	19,749	131	—	—	—	3,051,922	3,071,802
Financial liabilities at fair value through profit or loss	9,581,296	312,000	—	—	—	4,048,755	13,942,051
Accounts payable to brokerage clients	85,441,243	—	—	—	—	—	85,441,243
Other payables and accrued charges	—	—	—	—	—	14,763,311	14,763,311
Lease liabilities							
Sub-total	221,212,577	30,489,172	50,907,604	57,111,790	313,670	21,863,988	381,898,801
Net position	(63,172,506)	(6,965,511)	73,787,679	26,233,814	19,814,962	46,952,214	96,650,652

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk (Continued)

(c) Interest rate risk (Continued)

	At December 31, 2019						
	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
Financial assets							
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
Sub-total	104,372,923	17,956,568	112,392,297	64,230,097	18,404,261	48,130,885	365,487,031
Financial liabilities							
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
Sub-total	181,876,585	21,361,205	23,258,765	45,905,451	5,847,086	10,251,234	288,500,326
Net position	(77,503,662)	(3,404,637)	89,133,532	18,324,646	12,557,175	37,879,651	76,986,705

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk (Continued)

(c) Interest rate risk (Continued)

Sensitivity analysis

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

	2020	2019
Change in basis points		
Increase by 100bps	(2,321,190)	(1,814,227)
Decrease by 100bps	2,413,421	1,855,029

Sensitivity to equity

	2020	2019
Change in basis points		
Increase by 100bps	(3,031,301)	(2,963,149)
Decrease by 100bps	3,145,397	3,054,464

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. 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 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

	2020	2019
Change in exchange rate		
Depreciation of USD by 3%	(21,037)	(142,773)
Depreciation of HKD by 3%	(79,022)	(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 imperfection or problematic internal processes, people and systems or external events. The operational risk factors of the Group are summarized into seven categories, including: internal fraud, external fraud, employee policies and workplace safety, clients, products and business activities, physical property damage, business interruption and IT system failures, 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 has 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

62. 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;
- 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;
- 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:

- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- The ratio of core net capital divided by on-balance-sheet and off-balance-sheet assets shall be no less than 8% ("Ratio 2");
- 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");
- The ratio of available amount of stable funds divided by required stable funds shall be no less than 100% ("Ratio 4");
- The ratio of net capital divided by net asset shall be no less than 20% ("Ratio 5");
- The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
- The ratio of net asset divided by liabilities shall be no less than 10% ("Ratio 7");
- The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and
- 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, comply with "Securities Company Management Guidelines" issued by CSRC and "Securities Company Risk Control Indicators Management Guideline".

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

62. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management (Continued)

As at December 31, 2020 and 2019, the Company maintained the above ratios as follows:

	2020	2019
Net capital	58,654,487	48,651,441
Net assets	98,287,439	78,190,125
Sum of all venture capital provisions	25,957,356	17,483,868
Total On-Balance-Sheet and Off-Balance-Sheet Assets	283,672,225	216,513,339
Ratio 1	225.96%	278.26%
Ratio 2	17.38%	19.24%
Ratio 3	278.45%	218.42%
Ratio 4	144.18%	172.78%
Ratio 5	59.68%	62.22%
Ratio 6	20.28%	22.26%
Ratio 7	33.98%	35.78%
Ratio 8	31.69%	32.38%
Ratio 9	319.68%	328.85%

The above ratios are calculated based on the underlying financial statements prepared in accordance with the relevant accounting standards and financial regulations applicable to enterprise in the PRC.

Certain subsidiaries of the Company 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

63. FAIR VALUE OF FINANCIAL INSTRUMENTS

(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 consolidated statement of financial position of the Group at amortized cost) approximate their fair values as at December 31, 2020 and 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 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 techniques are used to estimate the fair value. When estimating fair value using valuation techniques, 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 counterparties are estimated by the management. Changes in these factors will affect the estimated fair value of the financial instruments, therefore there were uncertainty of accounting estimation on carrying balances of the level 2 and level 3 of financial assets and liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

63. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The valuation techniques and input used in the fair value measurements of financial instruments are as set out below:

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2020	2019				
1) Financial assets at fair value through profit or loss						
Bonds						
— Traded on stock exchanges	2,793,599	5,987,935	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchange or interbank market	109,220,817	93,152,312	Level 2	Discounted cash flow method. Estimated cash flows discounted at observable yield curve reflecting credit risk of counterparties.	N/A	N/A
— Bonds with no active market	2,908,904	641,887	Level 3	Discounted cash flow method. Estimated cash flows discounted at unobservable yield curve reflecting credit risk of counterparties.	Estimated future cash flows. Discount rates reflect the risks of counterparties.	The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
Equity investments						
— Traded on stock exchanges	14,749,016	9,875,989	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchanges (inactive)	366	3,523	Level 2	Adjusted quoted closing prices for stocks suspended for trading by fair value changes of similar securities.	N/A	N/A
— Traded on stock exchanges (restricted)	—	1,031,376	Level 2	Adjusted market prices.	N/A	N/A
— Traded on stock exchanges (restricted)	1,577,412	—	Level 3	Adjusted market prices by option pricing model.	Liquidity discount.	The higher the discount, the lower the fair value.
— Traded National Securities Exchange and Quotation System	243,674	319,221	Level 2	Bid prices made by market dealers.	N/A	N/A
— Traded National Securities Exchange and Quotation System	26,181	55,646	Level 2	Bid prices or negotiated prices.	N/A	N/A
— Unlisted Equity	1,935,423	558,639	Level 2	Latest observable transaction prices.	N/A	N/A
— Unlisted Equity	118,214	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	119,203	110,345	Level 3	Comparable companies valuation, adjusted by liquidity discount.	Valuation multiples e.g. P/E or P/B. Liquidity discount.	The higher the valuation multiples, the higher the fair value. The higher the discount, the lower the fair value.

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

63. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2020	2019				
1) Financial assets at fair value through profit or loss (Continued)						
Equity investments (Continued)						
— Unlisted Equity	1,624,929	799,968	Level 3	Discounted cash flow method. Estimated cash flows discounted at unobservable yield curve reflecting credit risk of counterparties.	Estimated future cash flows. Discount rates reflect the risks of counterparties.	The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
— Unlisted Equity	94,545	208,506	Level 3	Latest transaction price adjusted option pricing model.	Latest transactions prices adjusted by differences in rights of equity interest holders using derivatives models. Historical volatilities.	The higher the historical volatilities, the higher the fair value
Funds						
— Traded on stock exchanges	2,522,865	2,155,879	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on over-the-counter market	13,035,252	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.	N/A	N/A
Other investment						
— Wealth management and trust products and others	398,172	587,248	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Wealth management and trust products and others	16,752,765	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.	N/A	N/A
— Wealth management and trust products and others	147,184	1,859,786	Level 2	Discounted cash flow method. Estimated cash flows discounted at an observable yield curve reflecting credit risk of counterparties.	N/A	N/A
— Wealth management and trust products and others	1,560,374	4,540	Level 3	Discounted cash flow method. Estimated cash flows discounted at an unobservable yield curve reflecting credit risk of counterparties.	Estimated future cash flows. Discount rates reflect the risks of counterparties.	The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
— Partnership enterprise	3,766,169	1,658,333	Level 3	Comparable companies valuation, adjusted by liquidity discount.	Valuation multiples e.g. P/E or P/B. Liquidity discount.	The higher the valuation multiples, the higher the fair value. The higher the discount, the lower the fair value.

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63. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2020	2019				
2) Debt instruments at fair value through other comprehensive income						
Bonds						
— Traded on stock exchange	2,008,899	178,305	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchange or interbank market	42,605,701	45,556,002	Level 2	Discounted cash flow method. Estimated cash flows discounted at observable yield curve reflecting credit risk of counterparties.	N/A	N/A
3) Equity instruments at fair value through other comprehensive income						
Equity investments						
— Traded on stock exchanges	201,739	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchanges (inactive)	255	—	Level 2	Adjusted quoted closing prices for stocks suspended for trading by fair value changes of similar securities.	N/A	N/A
— Special accounts	7,218,586	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.	N/A	N/A
4) Derivative financial instruments						
— Interest rate swap — assets	567,793	226,180	Level 2	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.	N/A	N/A
— Interest rate swap — liabilities	562,867	232,652	Level 2	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.	N/A	N/A
— Equity return swap — assets	284,354	182,909	Level 2	Calculated based on the difference between the equity return of underlying equity securities and the fixed income agreed in the swap agreements.	N/A	N/A
— Equity return swap — liabilities	144,448	—	Level 2	Calculated based on the difference between the equity return of underlying equity securities and the fixed income agreed in the swap agreements.	N/A	N/A
— Stock index futures — assets	629	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Stock index futures — liabilities	1,519	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Treasury bond futures — liabilities	—	332	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Commodity swap — assets	7,976	16,373	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A

Notes to the Consolidated Financial Statements (Continued)

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63. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2020	2019				
4) Derivative financial instruments (Continued)						
— Commodity swap — liabilities	2,847	2,972	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
— Commodity futures — assets	200	1,120,349	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Commodity futures — liabilities	15,541	1,105,762	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Option — assets	414,352	113,394	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Option — liabilities	887,033	370,568	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Over-the-counter option — assets	438,238	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	1,254,466	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 contracts — liabilities	166,540	—	Level 2	Broker quoted price.	N/A	N/A
— Foreign exchange contracts — assets	295	477	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates and contracted interest rates, discounted at rates that reflects the credit risk.	N/A	N/A
— Foreign exchange contracts — liabilities	52	1,164	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates and contracted interest rates, discounted at rates that reflects the credit risk.	N/A	N/A
— Commodity — assets	8,617	12,381	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
— Commodity — liabilities	12,005	22,254	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
— Credit default swap — assets	3,885	534	Level 3	Discounted cash flows with future cash flows that are estimated based on the difference of agreed return and expected market return.	The agreed return rate.	The higher the agreed return rate, the higher the fair value.
— Credit default swap — liabilities	4,735	5,413	Level 3	Discounted cash flows with future cash flows that are estimated based on the difference of agreed return and expected market return.	The agreed return rate.	The higher the agreed return rate, the higher the fair value.
— Bond forward contracts — liabilities	19,749	—	Level 3	Discounted cash flows with future cash flows that are calculated based on the difference between quoted closing price and the reference price agreed by counterparties.	Discounted cash flow with future cash flows that are estimated based on contract terms.	The higher the discount rate, the lower the fair value.

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63. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2020	2019				
5) Financial liabilities at fair value through profit or loss						
— Designated at fair value through profit or loss — structured entities	2,711,017	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.	N/A	N/A
— Designated at fair value through profit or loss — structured entities	15,870	—	Level 2	Calculated based on the difference between the equity return of underlying equity securities and the fixed income agreed in the swap agreements.	N/A	N/A
— Financial liabilities held for trading — equity securities	345,689	147,189	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Financial liabilities held for trading — gold	312,000	166,992	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Financial liabilities held for trading — others	356,349	256,454	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Financial liabilities held for trading — debt securities	9,581,296	6,922,046	Level 2	Discounted cash flow method. Estimated cash flows discounted at observable yield curve reflecting credit risk of counterparties.	N/A	N/A
— Financial liabilities held for trading — others	303,874	—	Level 2	Calculated based on the difference between the equity return of underlying equity securities and the fixed income agreed in the swap agreements.	N/A	N/A
— Financial liabilities held for trading — others	315,956	—	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

63. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Analysis of financial instruments, measured at fair value at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized as follows:

	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	20,463,652	141,361,662	11,769,750	173,595,064
— Debt securities	2,793,599	109,220,817	2,908,904	114,923,320
— Equity investments	14,749,016	2,205,644	3,534,303	20,488,963
— Funds	2,522,865	13,035,252	—	15,558,117
— Others	398,172	16,899,949	5,326,543	22,624,664
Derivative financial assets	415,181	869,035	442,123	1,726,339
Debt instruments at fair value through other comprehensive income	2,008,899	42,605,701	—	44,614,600
Equity instruments at fair value through other comprehensive income	201,739	7,218,841	—	7,420,580
	23,089,471	192,055,239	12,211,873	227,356,583
Financial liabilities				
Financial liabilities at fair value through profit or loss	1,014,038	12,928,013	—	13,942,051
Derivative financial liabilities	904,093	888,759	1,278,950	3,071,802
	1,918,131	13,816,772	1,278,950	17,013,853

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

63. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
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
	20,019,099	169,046,225	3,678,679	192,744,003
Financial liabilities				
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
	2,047,297	9,764,793	447,518	12,259,608

There was no significant transfer of financial instruments measured at fair value between the first and second levels of the Group during the year of 2020 and 2019.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

63. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements

	Financial assets	Financial liabilities
As at January 1, 2020	3,678,679	447,518
Gain or losses for the year	931,438	63,635
Additions	7,596,055	999,332
Sales and settlements	(518,729)	(231,535)
Transfers into level 3	524,430	—
As at December 31, 2020	12,211,873	1,278,950
Total gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting period	912,140	142,759

	Financial assets	Financial liabilities
As at January 1, 2019	3,461,633	—
Gain 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
Total gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting period	212,251	(210,825)

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realize the balances simultaneously.

Type of financial assets	As at December 31, 2020					
	Gross amounts of recognize financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Advances to customers	81,754,350	—	81,754,350	(73,003,855)	(8,750,495)	—
Accounts receivable from clearing houses, brokers and dealers	7,829,291	(2,286,542)	5,542,749	(576,562)	(4,571,119)	395,068
Derivatives instruments	1,772,308	(45,969)	1,726,339	—	—	1,726,339
	91,355,949	(2,332,511)	89,023,438	(73,580,417)	(13,321,614)	2,121,407

Type of financial liabilities	As at December 31, 2020					
	Gross amounts of recognize financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Accounts payable to brokerage clients	(10,435,388)	2,286,542	(8,148,846)	576,562	—	(7,572,284)
Derivatives instruments	(3,535,388)	463,586	(3,071,802)	—	—	(3,071,802)
	(13,970,776)	2,750,128	(11,220,648)	576,562	—	(10,644,086)

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Type of financial assets	As at December 31, 2019					
	Gross amounts of recognize financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Advances to customers	55,224,619	—	55,224,619	(48,138,182)	(7,086,437)	—
Accounts receivable from clearing houses, brokers and dealers	1,468,716	(914,008)	554,708	(354,157)	—	200,551
Derivatives instruments	1,814,628	(8,809)	1,805,819	—	—	1,805,819
	58,507,963	(922,817)	57,585,146	(48,492,339)	(7,086,437)	2,006,370

Type of financial liabilities	As at December 31, 2019					
	Gross amounts of recognize financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Accounts payable to brokerage clients	(3,855,587)	914,008	(2,941,579)	354,157	—	(2,587,422)
Derivatives instruments	(2,521,279)	338,057	(2,183,222)	—	—	(2,183,222)
	(6,376,866)	1,252,065	(5,124,801)	354,157	—	(4,770,644)

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

The Group has entered into master netting arrangements with counterparties for the derivative instruments, accounts receivable from dealer and broker and also with clearing house for netting trades.

The Group has entered into master netting arrangements with Hong Kong Securities Clearing Company Limited for netting trades, net receivables and payables are settled on the same settlement date as the company.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement, secured loan receivables and margin accounts receivable, are disclosed in the corresponding notes, which are generally not presented on a net basis in financial position. However, assuming the fair value of the collateral is presented on net basis, the risk exposure of the corresponding accounts will be lowered accordingly. As at December 31, 2020 and 2019, due to the fair value of the collateral is higher than the book value of the financial instruments, collateral net exposure after offsetting and net amount is considered not significant.

65. CONTINGENCIES

During the year of 2020, certain investors in China Security Co., Ltd instigated civil litigations to seek indemnities against their losses arising from misrepresentations, and lodged claims against China Security Co., Ltd and their directors, its subsidiary China Security & Fire Technology Co., Ltd and intermediaries including the Company, for indemnifying their losses and the associated litigation costs, and demand China Security & Fire Technology Co., Ltd, personnel including directors of China Security Co., Ltd and intermediaries to undertake joint and several liabilities in respect of these indemnities. Up to March 25, 2021, the Company received lawsuit materials and relevant notices initiated by 481 investors from Shanghai Financial Court and the aggregate amount involved was RMB272 million. Shanghai Financial Court made verdicts for certain of these cases but these verdicts have not yet been effective. The Company has already appealed against these verdicts and Shanghai High Court has already started handling. The impact of the above civil litigations has been considered in the consolidated financial statements. Up to the date of the approval of this report, there is no further progress on these litigations.

As at December 31, 2019, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, the Group expects that they would materially adversely affect its financial position or results of operations.

66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following table only contains details of subsidiaries that have significant influence on the Group's performance, assets or liabilities. Unless otherwise stated, the type of shares held is ordinary share.

	As at December 31,	
	2020	2019
Unlisted investments, at cost	16,930,647	8,832,647

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of incorporation/ establishment/ date of establishment	Proportion ownership interest held by the Company (As at December 31,)		Issued and fully paid share capital	Principal activities
			2020	2019		
China Merchants Securities International Company Limited ⁽⁹⁾	Limited liability company	PRC/July 14, 1999	100%	100%	HK\$4,103,627,390	Investment holding
China Merchants Securities (HK) Co., Limited	Limited liability company	PRC/October 4, 1986	100%	100%	HK\$5,500,000,000	Securities brokerage
China Merchants Futures (HK) Co., Limited	Limited liability company	PRC/January 19, 2001	100%	100%	HK\$200,000,000	Futures brokerage
China Merchants Securities Investment Management (HK) Co., Limited	Limited liability company	PRC/September 18, 2006	100%	100%	HK\$400,000,000	Investment holding
CMS Capital (HK) Co., Limited	Limited liability company	PRC/August 1, 2003	100%	100%	HK\$5,000,000	Assets management
CMS Asset Management (HK) Co., Limited	Limited liability company	PRC/August 13, 2008	100%	100%	HK\$10,000,000	Assets management
China Merchants Futures Co., Ltd. ⁽⁹⁾	Limited liability company	PRC/April 4, 1993	100%	100%	RMB3,598,000,000	Futures brokerage
China Merchants Zhiyuan Capital Investment Co., Ltd. ⁽⁹⁾	Limited liability company	PRC/August 28, 2009	100%	100%	RMB1,800,000,000	Investment holding
Shenzhen China Merchants Zhiyuan Consultancy Services Co., Ltd.	Limited liability company	PRC/July 25, 2011	100%	100%	RMB3,000,000	Consulting services
Beijing Zhiyuan Lixin Investment Management Co., Ltd.	Limited liability company	PRC/April 23, 2013	100%	100%	RMB10,000,000	Investment management
Shenzhen China Merchants Zhiyuan Equity Investment and Funds Management Co., Ltd.	Limited liability company	PRC/May 29, 2013	70%	70%	RMB15,000,000	Investment management
Ganzhou China Merchants Zhiyuan No. 1 Fund Management Co., Ltd.	Limited liability company	PRC/June 7, 2013	100%	100%	RMB10,000,000	Investment management
Ganzhou Zhaoyuan Investment Management Co., Ltd.	Limited liability company	PRC/October 14, 2013	100%	100%	RMB10,000,000	Investment management
Anhui Traffic Control Merchants Private Equity Fund Management Co. LTD	Limited liability company	PRC/March 4, 2015	100%	100%	RMB25,000,000	Investment management

Notes to the Consolidated Financial Statements (Continued)

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66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of incorporation/ establishment/ date of establishment	Proportion ownership interest held by the Company (As at December 31,)		Issued and fully paid share capital	Principal activities
			2020	2019		
Qingdao Guoxin Merchants Private Equity Fund Investment Management Co. LTD	Limited liability company	PRC/February 6, 2015	65%	65%	RMB10,000,000	Investment management
Shenyang China Merchants Business and Development Investment Management Co., Ltd.	Limited liability company	PRC/July 10, 2015	70%	70%	RMB4,000,000	Investment management
China Merchants Securities Investment Co., Ltd. ⁽⁶⁾	Limited liability company	PRC/December 2, 2013	100%	100%	RMB7,100,000,000	Investment holding
China Merchants Securities Asset Management Co., Ltd. ⁽⁶⁾	Limited liability company	PRC/April 3, 2015	100%	100%	RMB1,000,000,000	Assets management
China Merchants Securities (UK) Limited	Limited liability company	UK/October 25, 2013	100%	100%	US\$22,000,000	Futures brokerage
Qingdao China Merchants Zhiyuan Investment Management Co., Ltd.	Limited liability company	PRC/January 12, 2016	100%	100%	RMB10,000,000	Investment management
Anhui Zhiyuan Smart City Fund Management Co., Ltd.	Limited liability company	PRC/March 15, 2016	100%	100%	RMB4,500,000	Equity fund management, investment advisory service, investment management, financial consultancy service
China Merchants Securities (HK) Finance Co., Limited	Limited liability company	PRC/May 14, 2016	100%	100%	HK\$500,000	Investment and financing Management
China Merchants Securities Capital Investment Co., Ltd.*	Limited liability company	PRC/August 8, 2016	100%	100%	RMB200,000,000	Financial services
Anhui Traffic Control China Merchants Fund Management Co., Ltd.	Limited liability company	PRC/April 6, 2017	70%	70%	RMB15,000,000	Investment management
China Merchants Securities (Korea) Co., Ltd.	Limited liability company	Korea/January 9, 2017	100%	100%	KRW8,523,900,000	Securities brokerage, futures brokerage
Chizhou Zhongan China Merchants Equity Investment Management Co., Ltd.	Limited liability company	PRC/November 4, 2015	72%	72%	RMB10,000,000	Investment management

Notes to the Consolidated Financial Statements (Continued)

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66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Type of legal entity registered	Place of incorporation/ establishment/ date of establishment	Proportion ownership interest held by the Company (As at December 31,)		Issued and fully paid share capital	Principal activities
			2020	2019		
Humble Easy Limited	Limited liability company	UK/January 8, 2016	98.40%	0%	US\$5,000,000	Investment management
Bliss Moment Limited	Limited liability company	UK/January 8, 2016	100%	0%	US\$10,000,000	Investment management

* English name translated is for identification purpose only.

- (i) These subsidiaries are directly held by the Company.
- (ii) During the year, the Company's subsidiaries incorporated Humble Easy Limited and Bliss Moment Limited into the scope of consolidation through capital increase.
- (iii) Shenzhen China Merchants Zhiyuan Culture Investment Management Co., Ltd began the cancellation of registration on January 17th, 2020, which has been completed by the end of this year. Therefore, it is not considered as a group subsidiary and included in the consolidation scope.
- (iv) The directors of the Company considered that none of these subsidiaries has non-controlling interests material to the group at the end of the year, and therefore there is no further information to be disclosed.
- (v) None of the subsidiaries had issued any debt securities during the current and prior year.

67. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at December 31,	
	2020	2019
Non-current assets		
Property and equipment	1,462,200	1,446,004
Right-of-use assets	1,468,867	1,440,760
Other intangible assets	3,000	3,000
Investments in subsidiaries	16,930,647	8,832,647
Interests in associates	8,473,701	7,778,241
Equity instruments at fair value through other comprehensive income	7,420,580	7,057,809
Debt instruments at amortized cost	674,988	1,424,662
Financial assets held under resale agreements	1,238,660	2,170,301
Financial assets at fair value through profit or loss	41,710	41,710
Deferred tax assets	1,645,801	752,103
Other non-current assets	335,777	267,280
Total non-current assets	39,695,931	31,214,517

Notes to the Consolidated Financial Statements (Continued)

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67. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

	As at December 31,	
	2020	2019
Current assets		
Advances to customers	77,871,977	51,318,915
Current tax assets	—	166,124
Accounts and other receivables	3,838,415	1,036,227
Amount due from a subsidiary	891,502	1,202,288
Debt instruments at fair value through other comprehensive income	41,926,443	44,816,397
Debt instruments at amortized cost	381,914	375,372
Financial assets held under resale agreements	50,898,293	33,509,524
Financial assets at fair value through profit or loss	148,916,745	119,429,545
Derivative financial assets	1,693,163	648,870
Deposits with exchanges and non-bank financial institutions	5,009,375	2,244,260
Clearing settlement funds	22,474,293	11,959,758
Cash and bank balances	63,511,323	48,609,703
Total current assets	417,413,443	315,316,983
Total assets	457,109,374	346,531,500
Current liabilities		
Short-term debt instruments	36,216,758	33,098,616
Placements from banks and other financial institutions	11,002,762	7,013,199
Accounts payable to brokerage clients	69,582,590	49,827,013
Accrued staff costs	6,424,257	4,728,782
Other payables and accrued charges	12,414,692	3,539,200
Current tax liabilities	110,049	—
Financial liabilities at fair value through profit or loss	9,893,296	6,945,434
Derivative financial liabilities	3,039,329	1,048,823
Financial assets sold under repurchase agreements	114,990,873	94,035,285
Lease liabilities	253,506	224,986
Provisions	377	—
Bonds payable due within one year	36,939,761	15,478,614
Total current liabilities	300,868,250	215,939,952
Net current assets	116,545,193	99,377,031
Total assets less current liabilities	156,241,124	130,591,548

Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

67. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

	As at December 31,	
	2020	2019
Equity		
Share capital	8,696,526	6,699,409
Other equity instruments	15,000,000	15,000,000
Capital reserve	40,247,316	27,460,042
Less: Treasury stock	—	663,954
Investment revaluation reserve of financial assets at fair value through other comprehensive income	295,852	541,686
General reserves	17,301,678	15,579,632
Retained profits	16,746,068	13,573,310
Total equity	98,287,440	78,190,125
Non-current liabilities		
Accrued staff costs	395,360	525,040
Deferred tax liabilities	534,126	394,322
Deferred income	119,340	122,537
Lease liabilities	865,228	846,636
Bonds payable	56,039,630	50,512,888
Total non-current liabilities	57,953,684	52,401,423
Total equity and non-current liabilities	156,241,124	130,591,548

Notes to the Consolidated Financial Statements (Continued)

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67. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

The movements in the Company's reserves are set out as below

Capital reserve

For the year ended December 31, 2020

	At the beginning of the year	Addition	At the end of the year
Capital reserve	27,460,042	12,787,274	40,247,316

The addition in share premium includes the share premium of A-share allotment of RMB10,980,402 thousand and the share premium of H-share allotment of RMB1,806,872 thousand during the year.

For the year ended December 31, 2019

	At the beginning of the year	Addition	At the end of the year
Capital reserve	27,460,042	—	27,460,042

Investment revaluation reserve of financial assets at fair value through other comprehensive income:

	As at December 31,	
	2020	2019
At the beginning of the year	541,686	302,864
Debt instruments at fair value through other comprehensive income		
Net changes in fair value for the year	(165,914)	149,813
Reclassification to profit or loss	(314,168)	(183,740)
Income tax impact	120,020	8,482
Impairment of debt instruments at fair value through other comprehensive income		
Net changes in fair value for the year	(966)	1,144
Income tax impact	242	(286)
Equity instruments at fair value through other comprehensive income		
Net changes in fair value for the year	163,467	335,203
Income tax impact	(40,867)	(83,801)
Share of fair value gain on financial assets at fair value through other comprehensive income of associates	(7,648)	12,007
At the end of the year	295,852	541,686

Notes to the Consolidated Financial Statements (Continued)

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67. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

The movements in the Company's reserves are set out as below (Continued)

General reserves

For the year ended December 31, 2020

	At the beginning of the year	Addition	At the end of the year
Statutory reserve	5,236,148	—	5,236,148
General risk reserve	5,236,148	861,023	6,097,171
Transaction risk reserve	5,107,336	861,023	5,968,359
	15,579,632	1,722,046	17,301,678

For the year ended December 31, 2019

	At the beginning of the year	Addition	At the end of the year
Statutory reserve	4,662,350	573,798	5,236,148
General risk reserve	4,662,350	573,798	5,236,148
Transaction risk reserve	4,533,538	573,798	5,107,336
	13,858,238	1,721,394	15,579,632

Retained profits

The movements of retained profits of the Company are set out below:

	As at December 31,	
	2020	2019
At the beginning of the year	13,573,310	12,127,461
Profit for the year	8,610,230	5,737,976
Appropriation to general reserves	(1,722,046)	(1,721,393)
Distribution to holders of other equity instruments	(802,090)	(802,090)
Dividends recognized as distribution	(2,913,336)	(1,768,644)
At the end of the year	16,746,068	13,573,310

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68. LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Short-term debt instruments	Bonds payable	Lease liabilities	Dividend payable	Total
At January 1, 2020 ⁽ⁱ⁾	4,517,288	33,098,616	65,991,502	1,252,147	592,196	105,451,749
Cash changes						
— Cash flow from financing activities ⁽ⁱ⁾	(367,070)	2,125,829	24,120,787	(328,454)	—	25,551,092
— Dividends paid	—	—	—	—	(3,719,276)	(3,719,276)
— Cash flow from operating activities	(66,197)	—	—	—	—	(66,197)
Non-cash changes						
— Financing cost incurred	144,584	992,313	2,996,912	40,413	—	4,174,222
— Dividends declared	—	—	—	—	3,719,276	3,719,276
— Additions of leases				303,962		303,962
— Disposal of leases				(941)		(941)
— Exchange differences	(266,953)	—	(128,573)	(6,728)	—	(402,254)
At December 31, 2020	3,961,652	36,216,758	92,980,628	1,260,399	592,196	135,011,633

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68. LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Borrowings	Short-term debt instruments	Bonds payable	Lease liabilities	Dividend payable	Total
At January 1, 2019	2,961,876	34,850,476	53,419,092	1,315,352	592,196	93,138,992
Cash changes						
— Cash flow from financing activities ⁽ⁱ⁾	1,331,979	(2,697,964)	9,697,427	(315,705)	—	8,015,737
— Dividends paid	—	—	—	—	(2,591,614)	(2,591,614)
— Cash flow from operating activities	20,218	—	—	—	—	20,218
Non-cash changes						
— Financing cost incurred	117,676	946,104	2,876,964	37,418	—	3,978,162
— Dividends declared	—	—	—	—	2,591,614	2,591,614
— Additions of leases				211,835		211,835
— Disposal of leases				(2,108)		(2,108)
— Exchange differences	85,539	—	(1,981)	5,355	—	88,913
At December 31, 2019	4,517,288	33,098,616	65,991,502	1,252,147	592,196	105,451,749

- (i) The cash flows represent the proceeds from and repayment of borrowings, short-term debt instruments, bonds payable and interest paid in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

69. EVENTS AFTER THE REPORTING PERIOD

(1) Profit distribution

In accordance with the 2020 profit distribution plan approved in the 5th meeting by the 7th board of directors on March 26, 2021, the Company proposed cash dividends of RMB4.37 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.

(2) Bond issue

On January 18, 2021, the Company issued the first tranche of public corporate bonds, with the type I named as "21CMG1" and the type II named as "21CMG2". The total principal amount of 21CMG1 is RMB 1.5 billion with duration of 2 years and the interest rate is 3.24% per annum. The total principal amount of 21CMG2 is RMB 4.5 billion with duration of 3 years and the interest rate is 3.53% per annum.

On January 27, 2021, the company issued the first tranche of public subordinated bonds named as "21CMC1". The total principal amount of "21CMC1" is RMB 4.8 billion with duration of 3 years and the interest rate is 3.95% per annum.

On January 28, 2021, the Company issued the second tranche of public corporate bonds named as "21CMG3". The total principal amount of 21CMG3 is RMB 1.4 billion with duration of 3 years and the interest rate is 3.58% per annum.

On February 3, 2021, the Company issued the first tranche of public short-term corporate bonds named as "21CMS1". The total principal amount of 21CMS1 is RMB 4.2 billion with duration of 350 days and the interest rate is 3.25% per annum.

On February 26, 2021, the Company issued the first tranche of non-public corporate bonds, with the type I named as "21CMF1" and the type II named as "21CMF2". The total principal amount of 21CMF1 is RMB 2.5 billion with duration of 546 days and the interest rate is 3.55% per annum. The total principal amount of 21CMF2 is RMB 7.5 billion with duration of 911 days and the interest rate is 3.85% per annum.

On March 9, 2021, the Company issued the second tranche of public subordinated bonds named as "21CMC2". The total principal amount of 21CMC2 is RMB 6 billion with duration of 3 years and the interest rate is 3.95% per annum.

Chapter 11: Documents Available for Inspection

Documents available for inspection	(I) Financial statements with signatures and seals of the authorized representative of the Company, person-in-charge of accounting and the head of accounting department.
Documents available for inspection	(II) Original copy of the auditor's report stamped with the seals of the accounting firm and signatures and seals of the Certified Public Accountant.
Documents available for inspection	(III) 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.
Documents available for inspection	(IV) Other relevant information.

Chairman of the Board: HUO Da

Submission date approved by the Board: March 26, 2021

Chapter 12: 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 on Approval of Share Allotment 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 Ju Xu Ke [2020] No.723(證監許可[2020] 723號)	April 17, 2020
2	State Administration of Foreign Exchange	Reply from the State Administration of Foreign Exchange in Relation to Purchase, Payment and Remittance by Domestic Investors for Their Purchase of H Shares of China Merchants Securities Co., Ltd. (國家外匯管理局關於境內投資者購買招商證券股份有限公司H股有關購付匯事宜的批覆)	Hui Fu [2020] No. 45 (匯複[2020] 45號)	August 10, 2020

II. Classification of the Company by the Regulatory Department

2020	AA (Class A)
2019	AA (Class A)
2018	AA (Class A)

CMS  **招商证券**

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