

# CMS 招商证券

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

INTERIM REPORT  
**2022**

## Important Notice

- I. **The Board, the Supervisory Committee, Director(s), Supervisor(s) and senior management of the Company undertake that the information in this interim report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume joint and several liabilities to the information in this report.**
- II. **All Directors of the Company attended the Board meeting.**
- III. **This interim report has not been audited.**
- IV. **HUO Da, officer in charge of the Company, WU Huifeng, officer in charge of accounting matters of the Company, and WANG Jianping, officer in charge of the accounting office of the Company (head of accounting department), hereby warrant that the financial statements contained in this interim report are true, accurate and complete.**
- V. **Proposal on profit distribution or capitalization of common reserve for the Reporting Period considered and approved by the Board**  
Nil.
- VI. **Risks statement relating to forward-looking statements**  
Forward-looking statements, such as future plans and development strategies, contained in this report do not constitute any substantive commitments of the Company to investors. Investors should be aware of the investment risks.
- VII. **There is no appropriation of the Company's funds by the controlling shareholder and its associates for non-operating purposes.**
- VIII. **There is no provision of guarantee by the Company in favor of any third party in violation of the prescribed decision-making procedures.**
- IX. **There are no circumstances where more than half of the Directors cannot undertake that the information in this interim report is true, accurate and complete.**

## Important Notice

**X. This interim report is prepared in both Chinese and English versions. In the event of any discrepancy between the Chinese and English versions of this interim 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 organizational structure, systems, indicators, risk management culture and IT system. For details, please see "Potential risks" in "Chapter 3: Management's Discussion and Analysis" of this report.

# CONTENTS

Chapter 1	Definitions	4
Chapter 2	Corporate Profile and Key Financial Indicators	6
Chapter 3	Management's Discussion and Analysis	19
Chapter 4	Corporate Governance	61
Chapter 5	Environment and Social Responsibility	69
Chapter 6	Major Events	70
Chapter 7	Changes in Shares and Shareholders	77
Chapter 8	Relevant Information of Bonds	84
Chapter 9	Financial Report	94



## Chapter 1: Definitions

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

Common terms and expressions	
"A Share(s)"	domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the SSE (stock code: 600999)
"A Shareholder(s)"	holders of A Shares
"APP"	Application
"Articles of Association"	the Articles of Association of China Merchants Securities Co., Ltd. (as amended from time to time)
"Bosera Funds"	Bosera Asset Management Co., Limited (博時基金管理有限公司)
"BSE"	the Beijing Stock Exchange (北京證券交易所)
"CBIRC"	China Banking and Insurance Regulatory Commission
"China Merchants Bank"	China Merchants Bank Co., Ltd. (招商銀行股份有限公司)
"China Merchants Fund"	China Merchants Fund Management Co., Ltd. (招商基金管理有限公司)
"China Merchants Futures"	China Merchants Futures Co., Limited (招商期貨有限公司)
"China Merchants Group"	China Merchants Group Limited (招商局集團有限公司)
"China Ocean Shipping"	China Ocean Shipping Co., Ltd. (中國遠洋運輸有限公司)
"CIRC"	China Insurance Regulatory Commission
"CM Finance Investment"	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)
"CMS Asset Management"	China Merchants Securities Asset Management Co., Ltd. (招商證券資產管理有限公司)
"CMS International"	China Merchants Securities International Company Limited (招商證券國際有限公司)
"CMS Investment"	China Merchants Securities Investment Co., Ltd. (招商證券投資有限公司)
"CMS Zhiyuan"	China Merchants Zhiyuan Capital Investment Co., Ltd. (招商致遠資本投資有限公司)
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》)
"Company", "China Merchants Securities"	China Merchants Securities Co., Ltd., a joint stock company incorporated in August 1993 as a corporate legal person under PRC laws with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6099) and on the SSE (stock code: 600999), respectively
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"CSRC Shenzhen Office"	the Shenzhen office of the CSRC
"Group"	China Merchants Securities Co., Ltd. (招商證券股份有限公司) and its controlled subsidiaries

## Chapter 1: Definitions

Common terms and expressions	
"H Share(s)"	overseas-listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 6099)
"H Shareholder(s)"	holders of H Shares
"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)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange website"	<a href="https://www.hkexnews.hk">https://www.hkexnews.hk</a> , the website of The Stock Exchange of Hong Kong Limited (HKExnews)
"IPO"	Initial Public Offering
"Jisheng Investment"	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)
"Latest Practicable Date"	August 26, 2022
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"NEEQ"	The National Equities Exchange and Quotations
"Previous Period"	from January 1, 2021 to June 30, 2021
"Reporting Period" and "Current Period"	from January 1, 2022 to June 30, 2022
"RMB", "RMB10,000", and "RMB100 million"	Renminbi 1 Yuan, Renminbi 10,000 Yuan and Renminbi 100 million Yuan
"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)
"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SSE"	the Shanghai Stock Exchange (上海證券交易所)
"STAR Market"	the Science and Technology Innovation Board of the SSE
"SZSE"	the Shenzhen Stock Exchange (深圳證券交易所)
"VaR"	Value at Risk
"%"	per cent.

## 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	WU Zongmin
Authorized representatives of the Company	WU Huifeng, PENG Lei

#### Registered capital and net capital

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	8,696,526,806.00
Net capital	72,833,938,093.62	72,735,158,477.64

## Chapter 2: Corporate Profile and Key Financial Indicators

### Business qualifications of the Company

China Merchants Securities is a member of the Securities Association of China (Membership code: 185053), SSE (Membership code: 0037), SZSE (Membership code: 000011) and BSE (Membership code: 000095). Qualifications of each of the business lines are as follows:

No.	Qualification	Approval authority	Date of approval
1	Qualification of issuing credit-protected warrants for providing pledge repo to protected bonds	China Securities Depository and Clearing Corporation Limited	June 2021
2	Pilot optimization for account management function	Securities Association of China	June 2021
3	Fund investment advisory business	The Securities and Fund Institution Supervision Department of the CSRC	June 2021
4	Issuer of credit protection warrants launched in SZSE	Shenzhen Stock Exchange	November 2020
5	Standard forward contract on bond of Agricultural Development Bank of China	Shanghai Clearing House	October 2020
6	Interest option business	China Foreign Exchange Trading Center	March 2020
7	Market maker of stock index options	The Securities and Fund Institution Supervision Department of the CSRC	December 2019
8	Lead market maker of the CSI 300 ETF options	Shenzhen Stock Exchange	December 2019
9	Trading authority for access to stock options business	Shenzhen Stock Exchange	December 2019
10	Sale and settlement of foreign exchange business	State Administration of Foreign Exchange	August 2019
11	Participation in margin securities loan business of the STAR Market	China Securities Finance Co., Ltd.	July 2019
12	Market maker of treasury bond futures	The Securities and Fund Institution Supervision Department of the CSRC	May 2019
13	Credit protection contract business	Shanghai Stock Exchange	February 2019
14	Lead market maker of listed funds business	Shanghai Stock Exchange	February 2019
15	Credit derivatives business	The Securities and Fund Institution Supervision Department of the CSRC	December 2018
16	Market maker of crude oil futures business	Shanghai International Energy Exchange	October 2018



## Chapter 2: Corporate Profile and Key Financial Indicators

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

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
35	Licence for options settlement	China Securities Depository and Clearing Corporation Limited	January 2015
36	Stock options trading participant on the SSE	Shanghai Stock Exchange	January 2015
37	Licence for pilot online securities business	Securities Association of China	November 2014
38	Trading authority for access to Southbound Trading business	Shanghai Stock Exchange	October 2014
39	Ordinary member of Interbank Market Clearing House Co., Ltd. for centralized settlement of RMB interest rate swaps	Interbank Market Clearing House Co., Ltd.	June 2014
40	Qualification of lead manager business (market-making business)	NEEQ Co., Ltd.	June 2014
41	Licence for OTC options trading business	Securities Association of China	February 2014
42	Ordinary member for centralized settlement of interest rate swaps	Shanghai Clearing House	February 2014
43	Licence for securities investment fund custody business	CSRC	January 2014
44	Qualification for agency business of securities pledge registration	The Registration and Custody Department of China Securities Depository and Clearing Corporation Limited	July 2013
45	Authority for stock-pledged repo business	Shanghai Stock Exchange	June 2013
46	Authority for stock-pledged repo	Shenzhen Stock Exchange	June 2013
47	Participation in interest rate swap transactions	CSRC Shenzhen Office	May 2013
48	Permit for conducting insurance agency businesses	CIRC (currently known as CBIRC)	April 2013 (latest certificate obtained in April 2020)
49	Qualification of lead manager business (recommendation and brokerage businesses)	NEEQ Co., Ltd.	March 2013
50	Licence for OTC trading business	Securities Association of China	February 2013

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
51	Licence for equity total return swap business	The Institution Supervision Department (currently known as the Securities and Fund Institution Supervision Department) of the CSRC	January 2013
52	Licence for special institutional client business of insurance companies	CIRC (currently known as CBIRC)	January 2013
53	Qualification for sale of financial products	CSRC Shenzhen Office	December 2012
54	Qualification of lead underwriting debt financing instruments of non-financial enterprises	National Association of Financial Market Institutional Investors	November 2012
55	Qualification to provide comprehensive custodian services for private investment funds	The Institution Supervision Department (currently known as the Securities and Fund Institution Supervision Department) of the CSRC	October 2012
56	Licence for margin and securities refinancing	China Securities Finance Co., Ltd.	August 2012
57	Qualification of underwriting private placement bonds of small and medium enterprises	Securities Association of China	June 2012
58	Licence for stock repurchase business	CSRC	May 2012
59	Qualification for dealer-quoted bond pledged repo transactions	The Institution Supervision Department (currently known as the Securities and Fund Institution Supervision Department) of the CSRC	January 2012
60	Qualification for third-party custodian services for one customer – multiple bank services	CSRC Shenzhen Office	June 2011
61	Ordinary member for settlement	Shanghai Clearing House	November 2010
62	Qualification for margin financing and securities lending business	CSRC	June 2010
63	Licence for direct investment business	CSRC	August 2009
64	Qualification for intermediary introduction business for China Merchants Futures	CSRC	February 2008
65	Category A clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	February 2008
66	Licence for overseas securities investment management business	CSRC	August 2007

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
67	Primary dealer on the integrated e-platform for fixed-income securities of the SSE	Shanghai Stock Exchange	July 2007
68	Permit for foreign exchange operation in the securities business	State Administration of Foreign Exchange	December 2006 (latest certificate obtained in November 2012)
69	Clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	March 2006
70	Primary dealer of SSE 180 Index Exchange Traded Fund	Shanghai Stock Exchange	March 2006
71	Qualification for quote transfer business	Securities Association of China	January 2006
72	Licence for underwriting business of commercial paper	The People's Bank of China	July 2005
73	Qualification for operation of foreign shares business	CSRC	September 2002
74	Qualification for open-end securities investment fund consignment business	CSRC	August 2002
75	Qualification for trusted investment management business	CSRC	May 2002
76	Qualification for online securities agency business	CSRC	February 2001
77	Qualified member of interbank market	General Administration Department of the People's Bank of China	September 1999
78	Qualification for RMB special stocks business (unrestricted) in Shanghai	Shanghai Securities Management Office	November 1996
79	Licence for starting foreign exchange business	Shenzhen Office of the State Administration of Foreign Exchange	October 1996
80	Pilot unit of equity trading agency system for non-listed companies	Property Right Transfer Leading Group Office of the Shenzhen Municipal Government	January 1996
81	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	Member of Guangzhou Futures Exchange	Guangzhou Futures Exchange	June 2022
2	Market maker business	China Futures Association	March 2018
3	Member of Shanghai International Energy Exchange	Shanghai International Energy Exchange	May 2017
4	Licence for basis trading	China Futures Association	April 2017
5	Licence for OTC derivatives business	China Futures Association	April 2017
6	Licence for warehouse receipt services	China Futures Association	December 2016
7	Filing for entry of the interbank bond market	The People's Bank of China	July 2016
8	Licence for commodities futures brokerage, financial futures brokerage and futures investment consulting	CSRC	August 2014 (latest certificate obtained in September 2021)
9	Licence for asset management	CSRC	March 2013
10	Licence for futures investment consultancy	CSRC	August 2011
11	Member of Zhengzhou Commodity Exchange	Zhengzhou Commodity Exchange	March 2009

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
12	Member of Dalian Commodity Exchange	Dalian Commodity Exchange	December 2008
13	Member of Shanghai Futures Exchange	Shanghai Futures Exchange	October 2008
14	Clearing and Settlement Member of China Financial Futures Exchange	China Financial Futures Exchange Co., Ltd.	December 2007
15	Licence for financial futures trading settlement	CSRC	November 2007

Qualification of CMS Zhiyuan, a wholly-owned subsidiary of the Company, is as follows:

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

Qualifications of CMS Asset Management, 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

## Chapter 2: Corporate Profile and Key Financial Indicators

### 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, Wanchai, Hong Kong

### III. Basic Information and Changes

Registered address of the Company	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC
Historical change of the registered address of the Company	In August 1998, the registered address of the Company was changed to "8/F-11/F, Block East, Huaqiang Jiahe Building, No. 34 Shennan Central Road, Futian District, Shenzhen, the PRC". In June 2002, the registered address of the Company was changed to "38/F-45/F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC". In November 2018, the registered address of the Company was changed to "No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC".
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	<a href="https://www.cmschina.com">https://www.cmschina.com</a>
E-mail address	IR@cmschina.com.cn
Enquiry index of changes during the Reporting Period	Nil

## Chapter 2: Corporate Profile and Key Financial Indicators

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

Designated newspapers for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Websites for interim report publication	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> (the SSE website) <a href="https://www.hkexnews.hk">https://www.hkexnews.hk</a> (the Hong Kong Stock Exchange website (HKExnews))
Place for inspection of the Company's interim report	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC
Enquiry index of changes during the Reporting Period	Nil

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

Class	Exchange at which the shares are listed	Stock abbreviation	Stock code	Previous stock abbreviation
A Shares	Shanghai Stock Exchange	CMS	600999	–
H Shares	Hong Kong Stock Exchange	CMS	6099	–



## Chapter 2: Corporate Profile and Key Financial Indicators

### VI. Other Relevant Information

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Huangpu District, Shanghai, the PRC
	Names of the signing accountants	HONG Ruiming (洪銳明), ZHOU Hanlin (周瀚林)
International accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
	Names of the signing accountants	Barry MAN (文啟斯)
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	Tian Yuan Law Firm LLP
	Office address	Suites 3304-3309, 33/F, Jardine House, One Connaught Place, Central, Hong Kong
A Share Registrar	Name	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
	Office address	188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone
H Share Registrar	Name	Computershare Hong Kong Investor Services Limited
	Office address	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

## Chapter 2: Corporate Profile and Key Financial Indicators

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

#### (I) Key accounting data

Unit: 1,000 Yuan Currency: RMB

Key accounting data	January – June 2022	January – June 2021	Change of Current Period against Previous Period (%)
Total revenue, gains and other income	15,876,906	19,267,352	-17.60
Profit for the period attributable to shareholders of the Company	4,288,120	5,745,385	-25.36
Profit for the period attributable to shareholders of the Company after deduction of non-recurring profit or loss	4,239,136	5,656,282	-25.05
Net cash from (used in) operating activities	44,896,835	-41,072,757	–
Other comprehensive income (expense)	83,743	-270,421	–

	As at the end of June 2022	As at the end of 2021	Change from the end of last year to the end of Current Period
Total assets	601,076,313	597,221,128	0.65
Total liabilities	489,599,515	484,630,677	1.03
Equity attributable to shareholders of the Company	111,382,484	112,503,030	-1.00
Total owners' equity	111,476,798	112,590,451	-0.99

## Chapter 2: Corporate Profile and Key Financial Indicators

### (II) Key financial indicators

Unit: Yuan Currency: RMB

Key financial indicators	The Reporting Period (January – June 2022)	The Previous Period	Change of Current Period against Previous Period (%)
Basic earnings per share (RMB per share)	0.46	0.61	-24.59
Diluted earnings per share (RMB per share)	0.46	0.61	-24.59
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.45	0.60	-25.00
Weighted average return on net assets (%)	3.98	5.73	Decreased by 1.75 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	3.93	5.64	Decreased by 1.71 percentage points

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

During the Reporting Period, the net capital and all risk control indicators of the Company complied with the requirements of the CSRC. The key risk control indicators, such as net capital of the Company, as at the end of the Reporting Period and as at the end of last year were as follows:

Unit: Yuan Currency: RMB

Items	As at the end of the Reporting Period	As at the end of last year
Net capital	72,833,938,093.62	72,735,158,477.64
Net assets	101,954,148,248.36	103,607,681,425.67
Sum of risk capital provisions	26,270,337,818.81	27,379,486,801.43
Total assets on- and off-balance sheet	343,730,139,615.29	344,980,694,933.99
Risk coverage ratio (%)	277.25	265.66
Capital leverage ratio (%)	14.71	15.24
Liquidity coverage ratio (%)	232.35	294.70
Net stable funding ratio (%)	140.41	139.36
Net capital/net assets (%)	71.44	70.20
Net capital/liabilities (%)	20.35	20.10
Net assets/liabilities (%)	28.49	28.63
Value of proprietary equity securities and security derivatives/net capital (%)	16.47	22.15
Value of proprietary non-equity securities and its derivatives/net capital (%)	343.38	318.59

## Chapter 3: Management's Discussion and Analysis

### I. Industry Condition and Principal Business of the Company 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 its 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) 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 institutional clients 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 equity financing, debt financing, structured financing, NEEQ listing, financial advisory and other services. In return, it earns underwriting and sponsorship fees and financial advisory fees.

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

**Investment and trading:** the 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 including OTC financial products to earn investment income. It also adopts advanced investment and trading strategies and techniques for mitigating investment risks and boosting returns.

Save as disclosed in this interim report, in the first half of 2022, the Company's business had no material changes as compared to the relevant information disclosed in the 2021 annual report of the Company.

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

The first half of 2022 witnessed profound changes in the world with a pandemic unseen in a century. Major developed economies raised interest rates and shrank the balance sheet amid inflation, reflecting a faltering economic recovery. As geopolitical conflicts intensified, global security challenges escalated beyond expectations. In China, there was notably increased frequency of COVID-19 outbreaks, posing new challenges to the stability of growth, employment and prices. Facing the complex and severe development environment domestically and internationally, China efficiently coordinated pandemic prevention and control as well as economic and social development. The operation of economy remained generally stable and showed a trend of gradual recovery, as demonstrated by the 2.5% GDP growth in the first half of 2022. As affected by multiple internal and external factors, the capital market saw increased volatility, and the stock and bond markets both underwent large adjustments. The SSE Composite Index, the SZSE Component Index, the ChiNext Index and the Hang Seng Index fell by 6.63%, 13.20%, 15.41% and 6.57%, respectively, while the ChinaBond Composite Total Return Index rose by 1.83%. The average daily trading volume of stocks and funds in the SSE and SZSE amounted to RMB1,064.622 billion, representing a year-on-year increase of 8.55%. The average daily trading volume in the Hong Kong market amounted to HK\$138.263 billion, representing a year-on-year decrease of 26.52%.

## Chapter 3: Management's Discussion and Analysis

During the Reporting Period, despite the adverse market impact, the capital market went through continuous deepening of reform, and accelerated the introduction of various implementations. The official implementation of the BSE board transferring system symbolized the substantive interconnection of the multi-tier capital market in China. The General Office of the State Council and the CSRC successively issued the Opinions on Promoting the Development of Private Pensions (《關於推動個人養老金發展的意見》) and the Interim Provisions on the Management of Investment in Publicly Offered Securities Investment Funds for Private Pensions (Draft for Solicitation of Comments) (《個人養老金投資公開募集證券投資基金業務管理暫行規定(徵求意見稿)》), which facilitate the construction of a new landscape of benign interaction and cooperation among pensions, the capital market and the real economy. The CSRC issued the Opinions on Accelerating the Promotion of High-Quality Development of the Industry of Publicly Offered Funds (《關於加快推進公募基金行業高質量發展的意見》) and the Measures for the Supervision and Administration of Fund Managers of Publicly Offered Securities Investment Funds (《公開募集證券投資基金管理人監督管理辦法》), which focus on promoting the high-quality development of the industry of publicly offered funds. The Provisions on the Pilot Program of Securities Companies' Business of Market Making Transactions in STAR Market Stocks (《證券公司科创板股票做市交易業務試點規定》) facilitate the improvement of pricing efficiency and increase in market activity of the STAR Market, so as to better meet the needs of market transactions. Qualified exchange-traded funds (ETFs) are included into the Interconnection Mechanism for the Mainland and Hong Kong Stock Markets, facilitating the further integration of the capital markets of the Mainland and Hong Kong. Along with the continuous deepening of the financial supply-side structural reform and the continuous improvement of the multi-tier capital market system, the securities industry will still have an ample space for development in the medium and long term.

### 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 and achieves sustainable and stable operations. It was among the first batch of securities firms included in the "White List" (白名單) of the CSRC, which represents a strong pillar for the Company to rely on when seeking policy support, seizing significant opportunities for innovation pilot, making responses to the volatile capital market and facing intense peer competition in the future. Second, the Company has the service capability with a full-service platform that covers a whole industrial chain, a balanced business structure and a solid overall foundation which will help the Company develop the business with its own features, differentiate its edges and facilitate the provision of one-stop services to clients, thereby paving a sound foundation for development. Third, the wealth management business has a solid foundation with increasingly strengthened competitiveness. It has outstanding capability in providing comprehensive services to institutional clients and continuously improves its capacity in respect of providing whole industry chain services to corporate clients, and has competitive advantages in certain business areas. Fourth, the Company enjoys the strong brand name of "China Merchants" and its shareholders background as well as good reputation in the market.

## Chapter 3: Management's Discussion and Analysis

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 of securities (including leasing of trading seats), net income from agency sale of financial products, interest income from margin financing and securities lending, interest income from stock pledge repo, number of private funds under custody in the securities industry, net income from investment banking, net income from asset management and amount of assets under management, the Company ranked 3rd, 8th, 6th, 5th, 1st, 7th, 7th and 6th, respectively. According to the statistics from Wind, in terms of number of mutual funds under custody, the Company ranked 2nd in the securities industry, and in terms of amount of equity lead underwriting (excluding share issuance for asset acquisition, using issue date as statistics caliber) and bond lead underwriting, the Company ranked 7th and 12th, respectively.

### III. Operation Discussion and Analysis

In the first half of 2022, the Company calmly responded to adverse business challenges and maintained stable development. The Company recorded a total revenue, gains and other income of RMB15.877 billion, representing a year-on-year decrease of 17.60%, and recorded a net profit attributable to shareholders of the Company of RMB4.288 billion, representing a year-on-year decrease of 25.36%. The operation of the Company mainly demonstrated three major achievements. First, the Company showed resilience in terms of business development. Under the unfavorable market conditions, it continued to maintain its core business advantages and showed good development resilience. Second, the Company overcame difficulties in transformation and reform. It scientifically addressed the relationship between long-term development and current operations, deeply promoted business reform and digital transformation, and continued to facilitate the establishment of the mechanism of "staff can get in and out; cadre can go up and down; salary can be high and low" (六能). It achieved smooth progress in transformation and reform, and obtained significant results in the transformation of certain businesses. Third, the Company attached equal importance to pandemic prevention and operation. It coordinated the promotion of pandemic prevention and control and business development, and strove to achieve the greatest prevention and control results at the least cost. The Company continued to maintain a good momentum for stable operation and remain included in the "White List" (白名單) of securities companies.

#### (I) Analysis of principal businesses

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 the first half of 2022, the wealth management and institutional business of the Company maintained a solid competitive position, and ranked 3rd in the industry in terms of net income from agency trading of securities (including leasing of trading seats, using parent company as statistics caliber).

## Chapter 3: Management's Discussion and Analysis

### (1) Brokerage and wealth management

In the first half of 2022, the one-way trading volume of stocks and funds in the A share market amounted to RMB124.56 trillion, representing a year-on-year increase of 7.63%. The average net commission rate of the industry decreased by 7.01% year-on-year to 0.241‰, which showed a continuous downward trend over the past years. The one-way trading volume of the Hong Kong stock market amounted to HK\$16.59 trillion, representing a year-on-year decrease of 27.12%. As affected by market fluctuations, residents' willingness to allocate financial assets and asset structure were affected in the short term. According to the statistics from Wind, in the first half of 2022, the amount of newly-issued mutual funds in China decreased by 58.42% year-on-year, of which the amount of newly-issued stock plus hybrid mutual funds decreased by 84.75% year-on-year. Meanwhile, the pilot fund investment advisory business continued to expand, and securities companies vigorously promoted the customer-oriented buy-side investment advisory business in terms of wealth management business.

During the Reporting Period, the Company continued to optimize the online and offline marketing model, and maintained a leading edge in the industry in terms of number of new accounts opened. In the first half of 2022, the Company had 1,351.4 thousand new accounts opened. As of the end of June 2022, the Company had approximately 15.59 million regular trading clients, representing a year-on-year increase of approximately 21.61%, and the size of clients' assets under custody amounted to RMB4.10 trillion.

The Company has actively established itself as an all-round wealth management service provider covering the whole ecosystem. On one hand, with the goal of increasing the scale of WMP held by clients and improving clients' holding experience, the Company continued to optimize the selection, allocation and sales of financial products. On the other hand, the Company continuously established features for its account management business such as product customization and fund investment advisory, and constantly enriched the service connotation of core brands such as "Zhiyuan Private Banking" (智遠私行) and "eZhaotou" (e招投). As of the end of June 2022, the Company's "eZhaotou" fund investment advisory brand had a total of 33.4 thousand contracted customers, and the cumulative contracted amount exceeded RMB4.3 billion. According to the statistics from the Asset Management Association of China, in the second quarter of 2022, clients' holding of non-monetary market mutual funds under the Company's custody amounted to RMB72.1 billion, ranking 5th in the securities industry. In addition, the Company made immense efforts in investor education. In the first half of 2022, the Company hosted the "Shareholders Are Coming" (股東來了) 2022 investor rights knowledge contest in Shenzhen, and was awarded the A grade in the first securities company investor education evaluation.

## Chapter 3: Management's Discussion and Analysis

During the Reporting Period, the Company accelerated the digital empowerment of wealth management and strengthened its customer service capabilities. The Company optimized the experience of the core business scenarios of APPs, and built a private domain traffic business model based on the "CMS wealth management +" (招商證券財富+) WeChat Mini Program and the corporate WeChat account, so as to boost business development. During the Reporting Period, the average monthly active users (MAU) of the CMS APP increased by 14.95% year-on-year, and it ranked 5th among large-scale securities firms in terms of MAU.

Operating indicators	First half of 2022	First half of 2021	Year-on-year change
Trading volume of stocks and funds in the A share market (RMB trillion) (Note 1)	12.80	10.23	25.12%
Market share of trading volume of stocks and funds in the A share market	5.14%	4.42%	Increased by 0.72 percentage point
Market share of net income from agency trading of securities	4.68%	4.75%	Decreased by 0.07 percentage point
Number of wealth management advisors	1,236	1,106	11.75%
Net income from agency sale of financial products (RMB100 million) (Note 2)	3.69	4.61	-19.96%
Number of wealth management clients (10 thousand) (Note 3)	53.93	50.94	5.87%
Asset scale of wealth management clients (RMB100 million)	15,254	16,295	-6.39%
Number of high-net-worth clients (10 thousand) (Note 4)	2.96	2.70	9.63%

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

- Notes:
1. Trading volume of stocks and funds of the Company represents two-way trading volume;
  2. The amount of net income from agency sale of financial products is derived from the statistical data of the Securities Association of China;
  3. Wealth management clients refer to individual clients with assets under the Company's custody amounting to RMB300,000 and above;
  4. High-net-worth clients refer to clients with assets under the Company's custody amounting to over RMB8 million.



## Chapter 3: Management's Discussion and Analysis

For futures brokerage business, in the first half of 2022, the commodity market fluctuated violently. According to the statistics from the China Futures Association, the cumulative trading volume and turnover of China's futures market amounted to 3.046 billion lots and RMB257.48 trillion, representing a year-on-year decrease of 18.04% and 10.08%, respectively. The net fee income of the futures industry amounted to RMB12.819 billion, representing a year-on-year decrease of 8.83%. As of the end of June 2022, clients' equity in the whole market amounted to RMB1.37 trillion, representing an increase of 15.41% as compared to the end of 2021. During the Reporting Period, China Merchants Futures continued to promote transformation and reform, focused on the services of financial institutions, expanded the scale of clients' equity, and established the research brand of "China Merchants Commodities" (招商大宗商品). As of the end of June 2022, clients' equity of China Merchants Futures amounted to RMB25.132 billion, representing an increase of 25.15% as compared to the end of 2021. During the Reporting Period, net fee income increased by 13.58% year-on-year.

For the overseas markets, CMS International maintained stability in response to changes of market conditions, enhanced cross-border business development synergy, expedited development of CMS International new trading mobile app and customer tier classification, so as to upgrade customer service capabilities. As of the end of June 2022, CMS International's clients' asset under custody amounted to HK\$221.535 billion, and its stock trading volume amounted to HK\$95.264 billion.

### (2) Capital-based intermediary business

The Company's capital-based intermediary business includes margin financing and securities lending, stock pledge repo and other business.

As at the end of June 2022, the balance of margin financing and securities lending in the A share market amounted to RMB1.60 trillion, representing a decrease of 12.49% as compared to the end of 2021. Of which, the balance of margin financing amounted to RMB1.51 trillion, representing a decrease of 11.82% as compared to the end of 2021, and the balance of securities lending amounted to RMB93.562 billion, representing a decrease of 22.13% as compared to the end of 2021. The balance of stock pledge repo business amounted to RMB213.698 billion, representing a decrease of 5.87% as compared to the end of 2021.

During the Reporting Period, the Company actively carried out product and service innovation in line with changes in market trends and clients' demand. It vigorously expanded the channels for securities lending, deepened cooperation with mutual funds, and further optimized the structure of securities lending. It launched the special "eZhaorong" (e招融) platform for securities lending business and the intelligent management platform for stock pledge business, so as to optimize business processes. It continuously implemented the counter-cyclical adjustment mechanism of the policy of capital-based intermediary business, improved the stress test and early warning working mechanism, and reduced and withdrew a number of risky projects involving real estate, thereby enabling the prudent control of risks and maintaining excellent asset quality.

## Chapter 3: Management's Discussion and Analysis

As at the end of June 2022, the balance of the Company's margin financing and securities lending amounted to RMB82.837 billion, representing a decrease of 14.13% as compared to the end of 2021, and the maintenance coverage ratio was 314.23%. The balance of stock pledge repo to be repurchased (including contribution from asset management plans) amounted to RMB21.458 billion, representing a decrease of 3.82% as compared to the end of 2021, and the overall collateral coverage ratio was 261.79%. Of which, the balance of contribution from self-owned capital amounted to RMB13.114 billion, representing a decrease of 7.79% as compared to the end of 2021, and the collateral coverage ratio was 317.80%. In the first half of 2022, the Company ranked 6th in the industry in terms of interest income from capital-based intermediary business (using parent company as statistics caliber). As of the end of the Reporting Period, in terms of the balance of margin financing and securities lending and the balance of stock pledge repo by self-owned capital, the Company ranked 6th and 5th in the industry, respectively.

Operating indicators	As at the end of June 2022	As at the end of 2021	Change
Balance of margin financing and securities lending (RMB100 million)	828.37	964.68	-14.13%
Market share of margin financing and securities lending	5.16%	5.26%	Decreased by 0.1 percentage point
Of which: Balance of securities lending (RMB100 million)	21.70	29.71	-26.96%
Market share of balance of securities lending	2.32%	2.47%	Decreased by 0.15 percentage point
Balance of stock pledge repo (including contribution from asset management plans) (RMB100 million)	214.58	223.10	-3.82%
Balance of stock pledge repo by self-owned capital (RMB100 million)	131.14	142.22	-7.79%
Market share of stock pledge repo by self-owned capital	6.14%	6.26%	Decreased by 0.12 percentage point
Balance of overseas margin financing (HK\$100 million)	38.01	49.71	-23.54%

Source: internal statistics of the Company

## Chapter 3: Management's Discussion and Analysis

### (3) Institutional client integrated services

The Company is committed to providing a package of comprehensive financial services such as research, trading services, agency sale, custody and outsourcing, OTC derivatives, passive investment, market making, refinancing, block trading and sale of investment banking products for professional financial institutional investors such as mutual funds, insurance asset management companies and private funds.

#### ① Institutional integrated services

In the first half of 2022, the Company continued to maintain its leading edge in institutional integrated services. The Company vigorously promoted the transformation and reform of the institutional client business, established and implemented the institutional client manager system, and strove to improve the integrated service capability of its institutional business by building a coordinated institutional business service system. The Company deeply explored and accurately matched the needs of institutional clients, and provided one-stop integrated financial services.

For prime brokerage business, the Company continued to maintain its leading edge in service standard, constantly promoted the construction of the prime brokerage business system, strengthened technological empowerment, accelerated the digital construction of institutional business, iteratively improved the institutional marketing service platform, optimized the fund data service center, and established and promoted the "CMS Institutional +" (招商證券機構+) service tools. As of the end of June 2022, the Company's trading assets under private funds amounted to RMB320.6 billion. During the Reporting Period, the trading volume of stocks and funds of private fund clients increased by 88.30% year-on-year.

#### ② Research

CMS research covered 1,581 listed companies across 17 sectors and 70 sub-sectors of CSRC-designated categories, equivalent to 87% market cap of CSI 300, 87% of ChiNext and 51% of STAR Market. The Company takes the leading position in the research of a wide variety of sectors, including quantitative trading and fund evaluation, electronics, media, strategy, power equipment and new energy, fixed-income, food and beverage, macro-economy, finance, communications, real estates and automobile industries.

In the first half of 2022, CMS research continued to offer quality research services for core institutional clients including mutual funds, insurance and asset management companies and private funds, constantly improved its service standard, and solidified its research brand. During the Reporting Period, the Company published a total of 3,232 research reports, organized 15,797 research roadshows, conducted 177 joint field research and held 1,623 online conferences. Meanwhile, CMS accelerated the internationalization of the research business, with a total of 184 English reports on the A share market published in the first half of 2022.

## Chapter 3: Management's Discussion and Analysis

In the first half of 2022, CMS deepened transformation of research. While providing good customer services, the Company actively played its role as research enabler, and continued to enhance its professional advantages in industrial research and think tanks focusing on key industrial fields such as photovoltaics, photovoltaic building integration, aluminum-plastic film, molecular sieves, optical modules, chemiluminescence and synthetic biology, so as to empower the Company's business development, and support strategic decision-making for the industry-finance integration (產融協作) and financial sector integration (融融協作) within China Merchants Group.

### ③ Custody and outsourcing

In the first half of 2022, the operating environment of the asset custody and outsourcing business faced challenges. According to the statistics from the Asset Management Association of China, there were 11,619 new products issued by private securities investment funds, representing a year-on-year decrease of 17.13%. As of the end of June 2022, private securities investment funds amounted to RMB5.79 trillion, representing a decrease of 5.54% as compared to the end of 2021. The competition in the custody and outsourcing industry intensified, and the commission rate were under pressure. Securities companies increased their internal collaborative marketing efforts to further expand the full life cycle of institutional services, and the concentration of the custody and outsourcing industry further decreased. As of the end of the Reporting Period, the market share of the CR3 of custody and outsourcing in the securities industry dropped from 81.93% as at the end of 2014 to 52.17%.

During the Reporting Period, the Company's custody and outsourcing business continued to consolidate its leading industry position. The Company took the initiative to strengthen internal marketing coordination, and successfully held the second "Zhao Cai Cup" (招財杯) private fund competition with multiple departments to comprehensively build the Company's private fund comprehensive service brand. Focusing on improving client experience, the Company strengthened the role of financial technology in the marketing, services and operation of custody business. The Company deepened the empowerment of AI, RPA and big data portraits, and was the first to build a fund management platform domestically and internationally. Being innovation-driven, the Company continued to expand business boundaries, and successfully launched the first cross-border fund administrator business.

As at the end of June 2022, the number and value of custody and outsourcing products of the Company amounted to 38 thousand and RMB3.37 trillion, representing an increase of 7.52% and a decrease of 6.35% as compared to the end of 2021, respectively. According to the statistics from the Asset Management Association of China, the Company maintained a market share of 22.83% in terms of the number of private fund products under custody, and ranked 1st in the securities industry for eight consecutive years in terms of the number of private fund products under custody.

## Chapter 3: Management's Discussion and Analysis

### 2. Investment banking business

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

In the first half of 2022, the Company continued to promote the establishment of modern investment banking and accelerated the transformation and reform of its investment banking business. The Company actively served national strategies, seized business opportunities such as the BSE, constantly promoted the digital transformation of its investment banking business, and continued to build core competitiveness such as professionalization and regionalization. Through the synergy and interconnection of various departments, with the "Gazelle Incubator Project" (矚躍計劃)<sup>1</sup> as one of the key measures, the Company strengthened its implementation of the corporate client manager system, continuously enhanced its capability to serve small and medium-sized technological innovation enterprises, and actively developed green finance projects to seize the business development opportunities under the goal of "emission peak and carbon neutrality" (雙碳).

#### (1) Equity underwriting

In the first half of 2022, due to the recurrent pandemic and the downturn in capital market in China, the issuance frequency of equity financing in the A share market decreased. According to the statistics from Wind (using issue date as statistics caliber, same for below), the total amount of equity financing in the A share market (excluding share issuance for asset acquisition, same for below) was RMB644.919 billion, representing a year-on-year decrease of 4.32%. A total of 176 IPOs were completed with raised proceeds of RMB260.064 billion, representing a year-on-year decrease of 33.83% and a year-on-year increase of 18.96%, respectively. Of which, the number and raised proceeds of IPOs completed in the STAR Market, ChiNext Board and BSE accounted for 84.09% and 79.05% of the total number and total raised proceeds of IPOs in the A share market, respectively. The proceeds raised from refinancing (excluding share issuance for asset acquisition, same for below) amounted to RMB384.855 billion, representing a year-on-year decrease of 15.49%. Of which, raised proceeds from additional issuance and raised proceeds from convertible bonds amounted to RMB220.685 billion and RMB117.536 billion, representing a year-on-year decrease of 25.89% and 22.17%, respectively.

In the first half of 2022, the Hong Kong IPO market followed the trend of the global IPO market, and the total value and number of financing both dropped significantly. According to the statistics from Bloomberg, the amount of proceeds raised from IPOs in the Hong Kong market was approximately US\$2.699 billion, representing a year-on-year decrease of 91.29%. A total of 27 IPOs were completed in the Hong Kong market, representing a year-on-year decrease of 46%. Benefiting from the relaxation of the threshold for listing of Chinese Concept Stocks in Hong Kong and the introduction of the SPAC (Special Purpose Acquisition Company) listing mechanism, an increasing number of Chinese Concept Stocks have been listed in Hong Kong, and Hong Kong's SPAC market is facing a favorable development environment. So far, the listing of two SPAC projects have been completed, and more than ten companies have submitted listing applications.

<sup>1</sup> The Company provides one-stop integrated financial services for strategic emerging industries and high-quality technological innovation enterprises in the model of full-platform collaboration

## Chapter 3: Management's Discussion and Analysis

During the Reporting Period, the Company achieved remarkable results in terms of the professional transformation of investment banking. Despite the decline in the value and number of IPOs underwritten due to the pace of implementation of projects pending approval, the value of A share projects underwritten by the Company maintained steady growth as driven by the refinancing projects of major clients in the finance industry. According to the statistics from Wind, the Company ranked 7th in the industry in terms of the value of A share projects underwritten. Of which, the Company ranked 9th and 5th in terms of the value of IPO projects underwritten and the value of refinancing projects underwritten, respectively. According to the statistics from Bloomberg, in the Hong Kong market, the Company completed five equity financing projects, and the value underwritten amounted to US\$474 million, representing a year-on-year increase of 18.68%. In terms of the value of equity underwritten in the Hong Kong market, the Company ranked 6th in the industry and 4th among Chinese securities companies.

In the first half of 2022, the Company completed a number of market influential projects, including the issuance of convertible bonds of Bank of Chongqing (the first convertible bonds project for A+H share small and medium-sized banks), the A+H shares rights issue of CITIC Securities, as well as the A share IPO projects of Piotech Inc. (拓荆科技股份有限公司) (a leading enterprise in the field of integrated circuit thin film deposition equipment), Yidong Electronics Technology Co., Ltd. (奕東電子科技股份有限公司) (a leading enterprise in the field of precision electronic components) and Zhejiang Hengwei Battery Co., Ltd. (浙江恒威電池股份有限公司) (a leading enterprise in the field of zinc-manganese battery manufacturing). The Company completed the Hong Kong IPO projects of Mega Genomics Limited (美因基因有限公司) (the largest consumer-grade genetic testing and cancer screening genetic testing platform in China) and Yunkang Group Limited (雲康集團有限公司) (a comprehensive medical operation service platform in China). The Company won various awards such as the "Best Investment Bank in China" (本土最佳投行) and the "Best Practice ESG Investment Bank" (最佳踐行ESG投行) in the 15th New Fortune Best Investment Bank Awards.

During the Reporting Period, the Company continued to strengthen its reserve of high-quality projects and constantly accelerated project application. According to the statistics from the CSRC, SSE, SZSE and BSE, as of the end of June 2022, 35 A share IPO projects underwritten by the Company were pending approval (including projects to be offered or to be registered with the CSRC), ranking 9th in the industry. Of which, 3 IPO projects were pending approval in the BSE. 10 refinancing projects were pending approval, ranking 6th in the industry. The Company actively implemented the corporate client manager system, promoted the business transformation of companies in the "Gazelle Incubator Project" (羚羊計劃) company database, and continuously enriched the high-quality project reserve of the investment banking business. As at the end of June 2022, 295 companies have been selected into the "Gazelle Incubator Project" company database.

	First half of 2022		First half of 2021		Year-on-year change in amount (%)
	Lead underwriting amount (RMB100 million)	Number of projects	Lead underwriting amount (RMB100 million)	Number of projects	
<b>A share projects</b>					
IPOs	68.43	4	89.62	10	-23.65%
Refinancing	159.01	7	118.23	12	34.49%
<b>Total</b>	<b>227.44</b>	<b>11</b>	<b>207.85</b>	<b>22</b>	<b>9.42%</b>

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

Note: IPOs include listing projects on the BSE. Refinancing excludes share issuance for asset acquisition.

## Chapter 3: Management's Discussion and Analysis

### (2) Bond underwriting

In the first half of 2022, the yield of China's bond market fluctuated within a range, and bond financing grew steadily. According to the statistics from Wind (using issue date as statistics caliber), the total domestic bonds (excluding central bank bills and inter-bank deposit certificates) issued amounted to RMB20.53 trillion, representing a year-on-year increase of 11.09%. Of which, the total credit bonds (excluding treasury bonds, local government bonds, central bank bills, inter-bank deposit certificates and policy bank bonds, same for below) issued amounted to RMB8.98 trillion, representing a year-on-year decrease of 2.98%. As affected by the decline in demand for corporate loans and the tightening of regulatory policies on urban investment bonds, the total ABS issued amounted to RMB957.158 billion, representing a year-on-year decrease of 32.48%. Of which, the credit ABS issued amounted to RMB180.086 billion, representing a year-on-year decrease of 57.71%. The corporate ABS issued amounted to RMB503.138 billion, representing a year-on-year decrease of 31.66%. In the first half of 2022, against the backdrop of the Federal Reserve's sharp interest rate hikes, U.S. bond interest rates fluctuated upward. Meanwhile, as affected by the frequent defaults of real estate companies, the Chinese offshore bonds issued dropped significantly year-on-year. According to the statistics from Bloomberg, the Chinese offshore bonds (excluding RMB bonds) issued amounted to US\$54.951 billion, representing a year-on-year decrease of 38.90%.

During the Reporting Period, the Company continued to strengthen the layout of key regions, focused on cultivating and developing credit bond business, actively developed innovative businesses such as infrastructure public offering REITs, and increased the underwriting of green bond business. According to the statistics from Wind, in the first half of 2022, the domestic bonds (including bonds issued as a principal) lead underwritten by the Company amounted to RMB137.338 billion, representing a year-on-year decrease of 25.77%, ranking 12th in the industry. Of which, the credit bonds underwritten amounted to RMB136.876 billion, ranking 8th in the industry. The Company continued to consolidate its leading position in the credit ABS business, and ranked 5th in the industry in terms of the ABS underwritten amount. Of which, credit ABS underwritten amounted to RMB25.048 billion, ranking first in the industry. According to the statistics from Bloomberg, the Company completed two overseas U.S. dollar bond issuance projects, with an underwriting amount of US\$41.13 million.

In the first half of 2022, the Company completed a number of market influential projects, including the China Merchants – Gezhouba Neisui Expressway Yangtze River Economic Belt ABS Special Program (the first off-balance sheet expressway quasi-REITs issued by a central enterprise, and the largest infrastructure quasi-REITs issued so far within the CSRC system) and Fosun Hi-Tech's US\$150 million senior unsecured notes (the first USD SBLC structure free trade zone offshore bond in China). The Company also assisted State Grid International Leasing Company Ltd. (國網國際融資租賃有限公司), China Construction Bank and China Merchants Bank to issue green bonds such as the first low-carbon transition-linked corporate bond in the leasing industry, the first domestic "sustainable development-linked" financial bond and the first rural revitalization-themed green financial bond in China, respectively. The total proceeds of green financial bonds raised exceeded RMB30 billion.

## Chapter 3: Management's Discussion and Analysis

During the Reporting Period, the Company won various awards such as the "Excellent Corporate Bond Underwriter in 2021" (2021年度優秀公司債券承銷商) by the SZSE and the "Best Debt Underwriting Investment Bank" (最佳債權承銷投行) in the 15th New Fortune Awards.

	First half of 2022		First half of 2021		Year-on-year change in amount (%)
	Lead underwriting amount (RMB100 million)	Number of issuance (tranche)	Lead underwriting amount (RMB100 million)	Number of issuance (tranche)	
<b>Domestic bonds</b>					
Enterprise bonds	5.00	1	0.00	0	–
Corporate bonds	286.88	86	237.05	71	21.02%
Financial bonds	393.88	38	772.26	61	-49.00%
Short-term financing bonds	58.19	15	46.40	14	25.41%
Medium-term notes	68.05	15	71.19	23	-4.41%
Private placement notes	50.55	19	55.32	15	-8.62%
Exchangeable bonds	0.00	0	0.00	0	–
Asset-backed securities	510.83	231	665.54	173	-23.25%
Others	0.00	0	2.50	3	-100%
<b>Total</b>	<b>1,373.38</b>	<b>405</b>	<b>1,850.26</b>	<b>360</b>	<b>-25.77%</b>

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

Note: Bond underwriting includes bonds issued as a principal. "Others" include local government bonds, international agency bonds, government-backed agency bonds, standardized notes and project revenue notes.

### (3) Financial advisory

In the first half of 2022, global M&A transactions slowed sharply amid heightened recession fears. According to the statistics from Bloomberg, there were 33,582 transactions in the global M&A market, with a total transaction value of US\$2.15 trillion, representing a year-on-year decrease of 15.60%. Domestic M&A transactions also showed an overall downward trend. According to the statistics from Wind, in the first half of 2022, the number of announced transactions in the Chinese M&A market (excluding overseas M&A) was 4,522, and the transaction value amounted to RMB992.198 billion, representing a year-on-year decrease of 25.32%. The number of completed transactions was 2,266, and the transaction value amounted to RMB514.828 billion, representing a year-on-year decrease of 5.61%.

During the Reporting Period, the Company seized the opportunity of the reform of SOEs, actively promoted the transformation of economic structure and industrial upgrades, and continued to deepen the close cooperation with strategic clients of large-scale central enterprises and SOEs. According to the statistics from Wind, in the first half of 2022, the Company completed four M&A and restructuring projects in the A share market, with a transaction value of RMB4.2 billion, ranking sixth in the industry in terms of the number of transactions. The Company also completed one Hong Kong listed company M&A project, with a transaction value of approximately RMB1.34 billion.



## Chapter 3: Management's Discussion and Analysis

### 3. Investment management

The Company engages in securities asset management business and private equity fund management business through its subsidiaries, namely China Merchants Securities Asset Management Co., Ltd. and China Merchants Zhiyuan Capital Investment Co., Ltd., respectively. 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 the first half of 2022, with the end of the transition period for the new asset management regulations, the asset management business scale of securities companies gradually stabilized. According to the statistics from the Securities Association of China, as at the end of June 2022, total AUM of asset management business of securities companies amounted to RMB10.49 trillion, representing a decrease of 2.98% as compared to the end of 2021. On May 20, 2022, the CSRC issued the Measures for the Supervision and Administration of Fund Managers of Publicly Offered Securities Investment Funds (《公開募集證券投資基金管理人監督管理辦法》) and its complementary rules. The new regulations have optimized the access system for public offering licences, and therefore the number of public offering licences of securities companies is expected to further increase.

During the Reporting Period, CMS Asset Management focused on clients' needs, continued to consolidate active management capabilities, vigorously strengthened the building of investment research capability and product management, and issued a total of 95 products. It orderly facilitated the transformation of massive collective asset management to mutual funds, and continued to expand the mutual funds business. In the first half of 2022, two projects of transformation of massive collective asset management to mutual funds were completed. So far, five projects of transformation of massive collective asset management to mutual funds were completed, and the size increased by 18.70% as compared to the end of 2021. Being customer-oriented, it provided customized asset management services to promote the development of the institutional business. Focusing on product and business layout, it strengthened the development of financial technology, and improved digital management. As at the end of the Reporting Period, the total AUM of CMS Asset Management amounted to RMB417.861 billion, representing a decrease of 13.51% as compared to the end of 2021. According to the statistics from the Securities Association of China, CMS Asset Management ranked 7th in the securities industry in terms of the net income from asset management business in the first half of 2022, and ranked 6th in the securities industry in terms of the amount of AUM as at the end of the Reporting Period.

Category	AUM (RMB100 million)		Net income from asset management business (RMB100 million)	
	As at the end of June 2022	As at the end of 2021	First half of 2022	First half of 2021
Collective asset management	1,811.17	2,028.09	3.26	3.57
Separately managed account	1,726.53	2,151.94	1.46	1.86
Specialized asset management	640.91	651.50	0.13	0.20
<b>Total</b>	<b>4,178.61</b>	<b>4,831.53</b>	<b>4.85</b>	<b>5.63</b>

Source: Internal statistics of the Company

## Chapter 3: Management's Discussion and Analysis

### (2) Private equity fund management

In the first half of 2022, the central government and various local governments successively introduced policies for promoting the steady growth of the industrial economy, covering various aspects such as cost and burden reduction, production supply, energy resources, economic transformation and investment support, and deployed and implemented various projects. The performance of the domestic private equity fund market was generally stable, but the pace of the investment market slowed down significantly. According to the statistics from ZeroIPO Research Center, in the first half of 2022, the total amount of newly-raised funds in the domestic equity investment market was RMB772.455 billion, representing a year-on-year decrease of 10.3%; and the total investment amount was RMB314.929 billion, representing a year-on-year decrease of 54.9%.

During the Reporting Period, leveraging the distinctive resource platform of China Merchants Group and China Merchants Securities, CMS Zhiyuan continued to establish a distinctive business system and build up professional investment capabilities. In terms of fundraising, CMS Zhiyuan actively expanded the clients among listed companies, local governments and SOEs, and the newly-established funds amounted to RMB2.748 billion. In terms of investment, it continued to focus on key industries such as "emission peak and carbon neutrality" (雙碳), healthcare, advanced manufacturing and digital economy as well as the advantageous industries of China Merchants Group including transportation, logistics and financial technology, and invested in seven companies with an investment amount of RMB326 million. In terms of post-investment management, one investee has undergone IPO, with another two approved and filed for IPOs. It also recorded exiting proceeds of RMB969 million. According to the statistics from the Asset Management Association of China, in the second quarter of 2022, the average monthly private AUM of CMS Zhiyuan amounted to RMB18.195 billion, ranking 9th in the securities industry.

### (3) Fund management

In the first half of 2022, the capital market fluctuated significantly, and the total number of mutual funds issued and the raised proceeds both decreased year-on-year. However, the development of the mutual fund industry remained stable, with more than 10 thousand fund products and a total AUM of RMB26.79 trillion as at the end of June. At the same time, the CSRC issued the Opinions on Accelerating the Promotion of High-Quality Development of the Industry of Publicly Offered Funds (《關於加快推進公募基金行業高質量發展的意見》), the Measures for the Supervision and Administration of Fund Managers of Publicly Offered Securities Investment Funds (《公開募集證券投資基金管理人監督管理辦法》) and the Interim Provisions on the Management of Investment in Publicly Offered Securities Investment Funds for Private Pensions (Draft for Solicitation of Comments) (《個人養老金投資公開募集證券投資基金業務管理暫行規定(徵求意見稿)》), with an aim to accelerate the transformation of the mutual fund industry in terms of development concepts, capital sources, products, services, investment and research capabilities and remuneration incentives, thereby providing a major development opportunity for the expansion, consolidation and optimization of the mutual fund industry.

## Chapter 3: Management's Discussion and Analysis

### ① Bosera Funds

The Company holds 49% of the equity of Bosera Funds. In the first half of 2022, Bosera Funds reinforced its foundation for high-quality development, grasped the market demand of funds such as monetary funds and short-term debt, strengthened asset allocation and retracement management, strove to improve the core capabilities of investment and research, and promoted digitalization, so as to continuously build its sustainable competitive advantages, and make steady progress towards the strategic goal of "building the best asset management institution with international competitiveness".

As at the end of the Reporting Period, the AUM of Bosera Funds amounted to RMB1,637.5 billion (excluding the assets managed by subsidiaries), representing a decrease of 1.07% as compared to the end of 2021. Of which, AUM of mutual funds (excluding feeder funds) amounted to RMB1,056.0 billion, representing an increase of 6.75% as compared to the end of 2021. According to the statistics from Wind, Bosera Funds ranked 7th in the industry in terms of AUM of non-monetary market mutual funds, and ranked 2nd in the industry in terms of AUM of bond funds.

### ② China Merchants Fund

The Company holds 45% of the equity of China Merchants Fund. In the first half of 2022, China Merchants Fund continued to promote the establishment of marketization and professionalization, further improved its investment and research capabilities, deepened client management, enriched product portfolio, and strengthened risk compliance guarantees. It maintained a development momentum for improvement in quality and efficiency as well as stable and positive development.

As at the end of the Reporting Period, the AUM of China Merchants Fund amounted to RMB1,128.3 billion (excluding the assets managed by subsidiaries), representing an increase of 4.47% as compared to the end of 2021. Of which, AUM of mutual funds (excluding feeder funds) amounted to RMB780.6 billion, representing an increase of 5.35% as compared to the end of 2021. According to the statistics from Wind, China Merchants Fund ranked 5th in the industry in terms of AUM of non-monetary market mutual funds, and ranked 3rd in the industry in terms of AUM of both equity funds and bond funds.

## 4. Investment and trading

In the first half of 2022, the global financial market showed a downward trend. As affected by the recurrent pandemic, geopolitical risks and global inflation expectations, the A share market fluctuated sharply at the beginning of the year. Stimulated by a series of influential policies, A shares rebounded from May to June 2022. As China's monetary policy remained stable, there was reasonably sufficient liquidity, and the bond market maintained a stable trend. The ChinaBond Composite Total Return Index rose by 3.69% on an annualized basis, slightly lower than the average increase in the bond market in the past decade. As affected by the U.S. interest rate hike policy, the U.S. bond index fell by 9.1%. During the Reporting Period, the RMB exchange rate first appreciated, then depreciated amid fluctuations, but still remained at a reasonable and balanced level.

## Chapter 3: Management's Discussion and Analysis

During the Reporting Period, adhering to the investment goal of “being large-scale while maintaining stability”, the Company strengthened situational analysis and risk control, controlled directional exposure, enhanced internal and external collaboration, vigorously developed customer demand-driven businesses, continuously increased the scale of risk-neutral strategic investment, and comprehensively expand the depth and breadth of investment, so as to increase investment gains. As of the end of June 2022, the Company's financial assets amounted to RMB315.246 billion.

For the stock investment business, the Company reduced the investment scale, strictly controlled risks and retracement, adhered to the principle of following industrial development in the long-term and invested in industry leaders, and continued to optimize the establishment of the investment research team.

The Company continuously expanded the capital-based intermediary trading business such as derivatives market making, fund market making and OTC derivatives. For derivatives market making, the Company continuously optimized the market making strategies and system, and improved the market competitiveness of quotations leveraging financial technologies such as big data and machine learning. During the Reporting Period, the Company introduced six new market making varieties, and possessed 56 market making qualifications, ranking first in the securities industry. The Company won seven market making awards such as the “2021 Gold Award for Stock Index Options Excellent Market Maker” (2021年度股指期權優秀做市商金獎) of the China Financial Futures Exchange and the “Excellent Stock Options Market Maker in 2021” (2021年度優秀股票期權做市商) of the SZSE. For fund market making, the Company continuously enriched its market making fund products and expanded its business scale. During the Reporting Period, the Company introduced 151 new fund products. The Company ranked 1st in the industry in terms of the number of market making projects of funds with AA rating on the SSE and SZSE, and was among the first batch of market makers on the Fund Connect platform of the SSE and SZSE, ranking among the top in terms of market making competitiveness. The Company has been granted the comprehensive AA rating and was named as an “Excellent Fund Market Maker” (優秀基金做市商) by the SSE and SZSE in 2021, and was awarded the “Best Stock ETF Market Maker” (最佳股票ETF做市商) and “Best Cross-border ETF Market Maker” (最佳跨境ETF做市商) by the SSE. For OTC derivatives, the Company continuously enriched its product strategies, enhanced its trading services and synergies, and provided domestic and overseas institutional clients with integrated financial services covering mainstream global markets and varieties, thereby achieving steady growth in revenue despite sharp market fluctuations.

For fixed-income investment, adhering to a prudent investment philosophy, the Company continuously optimized its investment strategies, and the proportion of risk-neutral strategies and investment gains both increased steadily. The Company increased derivatives investment, and therefore the trading volume of treasury bond futures and interest rate swaps increased by 80% and 43% year-on-year, respectively. The Company boosted the construction of financial technology to empower the whole process of the front, middle and back-end of fixed income investment business. During the Reporting Period, the Company's yield of domestic fixed income investment significantly outperformed the market benchmark. For overseas fixed income investment, the Company used hedging tools as and when appropriate in the unfavorable market environment to effectively mitigate risks. For market making, in the first half of 2022, the Company strengthened the construction of the quantitative market making system, and its inter-bank bond market making capability continued to improve. It won the “2021 Excellent Market Maker Award” (2021年度優秀做市商獎) by the Export-Import Bank of China. The Company's market-making trading volume of China government bond futures increased by 76% year-on-year. It won the “2021 Gold Award for Outstanding Market Maker (2021年度優秀做市商金獎) by China Financial Futures Exchange, and was qualified as one of the primary market makers for China government bond futures.

## Chapter 3: Management's Discussion and Analysis

For foreign exchange, in the first half of 2022, the Company achieved breakthrough in quantitative trading, foreign currency lending and foreign currency transactions, and further diversified its business models, and therefore its profitability increased year-on-year. The Company won the 2021 "Best Renminbi Foreign Exchange Non-Bank Member" (最佳人民幣外匯非銀會員) award by the China Foreign Exchange Trading System, and was the only securities company that has won such award for two consecutive years. The Company also won the 2021 "Excellent Renminbi Foreign Exchange Member" (優秀人民幣外匯會員) and "Excellent Renminbi Foreign Exchange Spot Member" (優秀人民幣外匯即期會員) awards.

For alternative investment, in the first half of 2022, investment institutions tended to be cautious in their strategies, and competition for high-quality projects in key areas became more intense. CMS Investment continued to carry out strategic co-investment in projects on the STAR Market and ChiNext Board, while also focused on improving the professionalism and precision of equity investment. It strengthened in-depth research on the industrial chain, increased investment layout in key areas of hard and core technologies such as "emission peak and carbon neutrality" and integrated circuits focusing on national strategic emerging industries, and supported the development of green economy. During the Reporting Period, the new investment of CMS Investment amounted to approximately RMB500 million.

### 5. Outlook of the second half of 2022

In the second half of 2022, the operation environment faced by the Company remains severe and complex. Against the backdrop of global inflation and geopolitical conflicts, the global economic recovery is still full of complexity and uncertainty. The domestic economy is recovering gradually under the policy of maintaining steady growth, but growth pressure still exists. China's capital market continues to promote the comprehensive deepening of reform, with more complete industry regulatory rules being implemented. However, as the competition among the top security companies continues to escalate, the competitive landscape of "oligopoly" (頭部寡頭化) will continue to deepen.

The Company will remain unswerving under the general principle of "seeking progress while maintaining stability", adhere to high-quality development, and insist on achieving its annual business goals. The Company will maintain its strategic focus, continuously expand its advantages and make up for its shortcomings in business development, adhere to the principle of "expanding capital-light business while strengthening capital-intensive business", and fully enhance the competitiveness of its core business. In terms of transformation and reform, the Company will focus on optimizing mechanisms and strengthening technologies, and use reform to stimulate high-quality development and innovation. In terms of internal management, the Company will focus on controlling risks and stabilizing operations, adhere to bottom-line thinking, enhance risk prediction capabilities, and continue to maintain a sound development trend of stable operation.

For wealth management and institutional business, the Company will continue to play the role as a "fundamental keystone" (基本盤) and "ballast stone" (壓艙石), accelerate the exploration of new customer acquisition and service models amid digital competition, and focus on the establishment of the three key capabilities of traffic management, investment and advisory services and product allocation, making every effort to build itself as an "all-round wealth management service provider covering the whole ecosystem". The Company will actively grasp the development trend of institutionalization, strengthen internal coordination, and deeply explore the diversified and comprehensive business needs of institutional clients, so as to improve the comprehensive income contribution of institutional clients.

## Chapter 3: Management's Discussion and Analysis

For investment banking business, the Company will expand the reserve of high-quality projects and increase revenue. The Company will speed up the issuance and application of IPO projects, continue to maintain the sound momentum for development of businesses such as refinancing and credit bonds, accelerate the development of innovative businesses such as infrastructure public offering REITs, and actively seize business opportunities for M&A, with an aim to comprehensively expand the sources of income.

For investment management business, leveraging the advantages of institutional business, the Company will establish core competitiveness based on its investment and research capabilities, and actively apply for mutual fund licences. CMS Zhiyuan will vigorously develop various types of funds such as industry-based, industrial-based, project-based and quasi-fixed-income funds, and continue to expand the scale of private equity funds. It will continuously strengthen the exploration of high-quality project resources, accelerate the progress of project investment, and constantly optimize and consolidate the post-investment management system.

For investment and trading business, the Company will thoroughly implement the general strategic policy of "being large-scale while maintaining stability", continue to enrich its investment strategies, and strengthen risk control. It will further strengthen macro research and judgment, enhance asset allocation in major categories, expand the scale of risk-neutral strategic investment, and vigorously develop capital-based intermediary trading businesses such as market making and income swap, so as to enhance the stability of performance.

### (II) Financial analysis

#### 1. Analysis of financial statements

##### (1) Analysis of the profitability of the Company during the Reporting Period

In the first half of 2022, the total revenue, gains and other income of the Company amounted to RMB15.877 billion, representing a year-on-year decrease of 17.60%. The profit for the year attributable to shareholders of the Company amounted to RMB4.288 billion, representing a year-on-year decrease of 25.36%.

Unit: RMB'000

Item	Current Period		Previous Period		Change	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fee and commission income	6,239,856	39.30%	6,631,285	34.42%	-391,429	-5.90%
Interest income	5,205,174	32.78%	5,535,320	28.73%	-330,146	-5.96%
Net gains on investment	3,059,849	19.27%	5,275,338	27.38%	-2,215,489	-42.00%
Other income and gains, net	1,372,027	8.64%	1,825,409	9.47%	-453,382	-24.84%
<b>Total revenue, gains and other income</b>	<b>15,876,906</b>	<b>100.00%</b>	<b>19,267,352</b>	<b>100.00%</b>	<b>-3,390,446</b>	<b>-17.60%</b>

## Chapter 3: Management's Discussion and Analysis

Fee and commission income amounted to RMB6.240 billion, representing a year-on-year decrease of 5.90%. Among which, the income from securities and futures brokerage business amounted to RMB4.525 billion, representing a year-on-year decrease of 2.96%, mainly attributable to the decrease in income from agency sale of financial products, as well as the decrease in income from agency trading of securities as a result of the decrease in commission rate of the Company and the decrease in trading volume of Hong Kong stocks. The income from underwriting and sponsorship business amounted to RMB765 million, representing a year-on-year decrease of 15.93%, mainly attributable to the decrease in income from IPOs. The income from asset management business amounted to RMB431 million, representing a year-on-year decrease of 16.31%, mainly attributable to the decrease in performance-based rewards of products as a result of market downturn.

Interest income amounted to RMB5.205 billion, representing a year-on-year decrease of 5.96%. Among which, the interest income from stock pledge repo recorded a year-on-year decrease of 41.02%, mainly attributable to the significant reduction in the scale of stock pledge repo business. The interest income from margin financing and securities lending recorded a year-on-year decrease of 6.15%, mainly attributable to the reduction in the amount of margin financing and securities lending. The interest income from debt instruments measured at fair value through other comprehensive income recorded a year-on-year decrease of 4.99%.

Net gain on investment amounted to RMB3.060 billion, representing a year-on-year decrease of 42.00%, mainly attributable to the significant year-on-year decrease in gains from equity investment and follow-on investment in the STAR Market as a result of the fall of stock index.

Other income and gains, net amounted to RMB1.372 billion, representing a year-on-year decrease of 24.84%, mainly attributable to the decrease in income from commodity business.

Unit: RMB'000

Item	Current Period		Previous Period		Change	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Depreciation and amortization	340,632	2.84%	315,467	2.39%	25,165	7.98%
Staff costs	3,025,459	25.26%	4,461,036	33.78%	-1,435,577	-32.18%
Fee and commission expenses	1,270,931	10.61%	1,188,896	9.00%	82,035	6.90%
Interest expenses	4,840,104	40.41%	4,466,544	33.82%	373,560	8.36%
Tax and surcharges	70,695	0.59%	73,351	0.56%	-2,656	-3.62%
Other operating expenses	2,218,022	18.52%	2,551,715	19.32%	-333,693	-13.08%
Impairment losses under expected credit loss model, net of reversal	205,525	1.72%	149,979	1.14%	55,546	37.04%
Other impairment losses	6,915	0.06%	-	-	6,915	-
<b>Total expenses</b>	<b>11,978,283</b>	<b>100.00%</b>	<b>13,206,988</b>	<b>100.00%</b>	<b>-1,228,705</b>	<b>-9.30%</b>

In the first half of 2022, the total expenses of the Company amounted to RMB11.978 billion, representing a year-on-year decrease of 9.30%, of which:

Fee and commission expenses amounted to RMB1.271 billion, representing a year-on-year increase of 6.90%, mainly attributable to the year-on-year increase of 7.21% in fee and commission expenses of the securities and futures brokerage business as a result of the increase in the trading volume of stocks and funds in the A share market.

## Chapter 3: Management's Discussion and Analysis

Interest expenses amounted to RMB4.840 billion, representing a year-on-year increase of 8.36%, mainly attributable to the year-on-year increase in amount of debt financing.

Staff costs amounted to RMB3.025 billion, representing a year-on-year decrease of 32.18%, mainly attributable to the decrease in human resources expenses as a result of the decrease in revenue.

Net impairment loss under the expected credit loss model amounted to RMB206 million, representing a year-on-year increase of 37.04%, mainly attributable to the increase in impairment loss of debt instruments measured at amortized cost.

Other operating expenses amounted to RMB2.218 billion, representing a year-on-year decrease of 13.08%, mainly attributable to the decrease in expenses of commodity business.

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

### (2) Analysis of segment revenues and other incomes

Unit: RMB'000

Business segment	Current Period		Previous Period		Change
	Amount	Percentage	Amount	Percentage	
Wealth management and institutional business	9,109,985	57.38%	9,576,228	49.70%	Increased by 7.68 percentage points
Investment banking	827,567	5.21%	972,847	5.05%	Increased by 0.16 percentage point
Investment management	680,018	4.28%	800,837	4.16%	Increased by 0.12 percentage point
Investment and trading	3,804,505	23.96%	6,006,099	31.17%	Decreased by 7.21 percentage points
Others	1,482,935	9.34%	1,927,371	10.00%	Decreased by 0.66 percentage point

In terms of business segment, revenue and other income from the wealth management and institutional business amounted to RMB9.110 billion, representing a year-on-year decrease of 4.87%. Revenue and other income from the investment banking business amounted to RMB828 million, representing a year-on-year decrease of 14.93%. Revenue and other income from the investment management business amounted to RMB680 million, representing a year-on-year decrease of 15.09%. Revenue and other income from the investment and trading business amounted to RMB3.805 billion, representing a year-on-year decrease of 36.66%. Revenue and other income from other businesses amounted to RMB1.483 billion, representing a year-on-year decrease of 23.06%.

In terms of revenue composition, the proportion of the wealth management and institutional business segment, the investment banking segment and the investment management segment increased by 7.68 percentage points, 0.16 percentage point and 0.12 percentage point, respectively, and the proportion of the investment and trading segment and other business segments decreased by 7.21 percentage points and 0.66 percentage point, respectively.



## Chapter 3: Management's Discussion and Analysis

### (3) Analysis of assets and liabilities

As at the end of June 2022, the total assets of the Company amounted to RMB601.076 billion, representing an increase of RMB3.855 billion, or 0.65%, as compared to the end of 2021. Excluding the accounts payable to brokerage clients, the total assets amounted to RMB490.482 billion, representing a decrease of RMB7.134 billion, or 1.43%, as compared to the end of 2021, mainly attributable to the decrease of RMB21.463 billion in advances to financing customers and financial assets held under resale agreements, partially offset by the increase in cash and bank balances and financial assets.

The Company's asset quality and liquidity remained sound, and its net current assets amounted to RMB174.677 billion. The Company's cash and bank balances and clearing settlement funds, financial assets, advances to financing customers and financial assets held under resale agreements, and long-term equity investment accounted for 22.60%, 52.45%, 19.37% and 1.66% of the total assets, respectively. As compared to the end of last year, the proportion of the Company's cash and bank balances and clearing settlement funds, financial assets, advances to financing customers and financial assets held under resale agreements, and long-term equity investment increased by 3.54 percentage points, increased by 0.26 percentage point, decreased by 3.72 percentage points and increased by 0.04 percentage point, respectively.

As at the end of June 2022, the total liabilities of the Company amounted to RMB489.600 billion, representing an increase of RMB4.969 billion, or 1.03%, as compared to the end of 2021. Excluding the accounts payable to brokerage clients, the total liabilities amounted to RMB379.006 billion, representing a decrease of RMB6.020 billion, or 1.56%, as compared to the end of 2021. Of which, the balance of bonds payable decreased by RMB11.447 billion; the balance of short-term debt instruments decreased by RMB5.429 billion; the balance of placements from other financial institutions decreased by RMB4.833 billion; the balance of financial liabilities measured at fair value through profit or loss increased by RMB10.705 billion; and the balance of financial assets sold under repurchase agreements increased by RMB3.810 billion.

Among the total liabilities, the Company's financial assets sold under repurchase agreements, short-term borrowings and placements from other financial institutions accounted for 28.10%; accounts payable to brokerage clients accounted for 22.59%; bonds payables accounted for 27.55%; short-term debt instruments accounted for 4.39%; and financial liabilities measured at fair value through profit or loss and derivative financial liabilities accounted for 8.07%. As compared to the end of last year, the proportion of financial assets sold under repurchase agreements, short-term borrowings and placements from other financial institutions decreased by 0.67 percentage point; the proportion of accounts payable to brokerage clients increased by 2.04 percentage points; the proportion of bonds payable decreased by 2.64 percentage points; the proportion of short-term debt instruments decreased by 1.17 percentage points; and the proportion of financial liabilities measured at fair value through profit or loss and derivative financial liabilities increased by 2.33 percentage points. Currently, the Company has no debts overdue. The solvency of the Company is strong and the liquidity risk is controllable.

As at the end of June 2022, excluding the accounts payable to brokerage clients, the gearing ratio of the Company was 77.27%, representing a decrease of 0.10 percentage point as compared to the end of 2021. Gearing ratio = total liabilities excluding the accounts payable to brokerage clients/total assets excluding the accounts payable to brokerage clients.

As at the end of June 2022, the equity attributable to shareholders of the Company amounted to RMB111.382 billion, representing a decrease of RMB1.121 billion as compared to the end of 2021. Among which, the profit for the period attributable to shareholders of the Company amounted to RMB4.288 billion; dividends amounted to RMB4.696 billion; and interest payable for perpetual bonds amounted to RMB782 million.

**(4) Cash flows**

Unit: RMB'000

Item	Current Period	Previous Period	Change	Percentage change
Net cash from (used in) operating activities	44,896,835	-41,072,757	85,969,592	-
Net cash (used in) from investing activities	-14,291,661	3,982,233	-18,273,894	-458.89%
Net cash (used in) from financing activities	-22,252,648	37,131,633	-59,384,281	-159.93%
Net increase in cash and cash equivalents	8,352,526	41,109	8,311,417	20,218.00%

In the first half of 2022, the net increase in cash and cash equivalents of the Company amounted to RMB8.353 billion. Among which, the net cash flow generated from operating activities amounted to RMB44.897 billion; the net cash flow used in investing activities amounted to RMB14.292 billion; and the net cash flow used in financing activities amounted to RMB22.253 billion.

Net cash generated from operating activities increased by RMB85.970 billion as compared to the corresponding period in 2021, mainly attributable to the decrease of RMB78.487 billion in financial assets measured at fair value through profit or loss, the decrease of RMB16.753 billion in financial assets sold under repurchase agreements, and the decrease of RMB36.561 billion in advances to financing customers.

Net cash flow used in investing activities amounted to RMB14.292 billion, representing a decrease of RMB18.274 billion as compared to the corresponding period in 2021, mainly attributable to the increase of RMB15.662 billion in debt instruments measured at fair value through other comprehensive income.

Net cash flow used in financing activities amounted to RMB22.253 billion, representing a decrease of RMB59.384 billion as compared to the corresponding period in 2021, mainly attributable to the decrease of RMB79.673 billion in cash received from issuance of bonds and short-term debt instruments as well as borrowings, and the decrease of RMB21.038 billion in cash paid for repayment of bonds and short-term debt instruments.

**2. Overseas assets**

Overseas assets amounted to RMB33.509 billion, accounting for 5.57% of total assets.

## Chapter 3: Management's Discussion and Analysis

### (III) Analysis of investment

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

During the Reporting Period, the Company did not increase or decrease the project of external equity investments.

#### (1) Significant equity investments

Currency: RMB

Target	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 owners' equity during the Reporting Period (RMB0'000)	Accounting item	Source
Bosera Funds	369,319.04	49.00%	49.00%	640,452.80	42,784.85	340.08	Long-term equity investment	Acquisition
China Merchants Fund	85,084.45	45.00%	45.00%	349,613.23	42,934.52	18.24	Long-term equity investment	Establishment and acquisition
<b>Total</b>	<b>454,403.49</b>	<b>-</b>	<b>-</b>	<b>990,066.03</b>	<b>85,719.37</b>	<b>358.32</b>		

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

## Chapter 3: Management's Discussion and Analysis

**(2) Financial assets measured at fair value**

Unit: RMB0'000

Item	As at the end of June 2022		January – June 2022	
	Initial investment cost/ nominal amount	Fair value	Investment gains/ interest income	Change in fair value
Financial assets held-for-trading	24,571,517.91	25,330,219.19	260,821.16	-55,758.17
Other debt investments	5,481,277.98	5,624,407.28	47,706.66	514.87
Investment in other equity instruments	151,561.58	144,723.10	1,437.69	-16,382.56
Derivative financial assets	66,759,192.11	382,979.18	169,555.77	-70,843.66
Derivative financial liabilities		563,146.02		
Financial liabilities held-for-trading	3,410,694.02	3,389,339.10	-28,580.55	48,508.81
<b>Sub-total</b>			<b>450,940.73</b>	<b>-93,960.71</b>

**(IV) Analysis of principal subsidiaries and companies in which the Company has a non-controlling interest****1. Analysis of subsidiaries****(1) China Merchants Securities Asset Management Co., Ltd.**

CMS Asset Management is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB1 billion. It is principally engaged in securities asset management.

As of the end of June 2022, CMS Asset Management recorded total assets of RMB5.255 billion and net assets of RMB4.868 billion. In the first half of 2022, it recorded total revenue, gains and other income of RMB531 million and net profit of RMB238 million.

## Chapter 3: Management's Discussion and Analysis

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

CMS International is a wholly-owned subsidiary of China Merchants Securities with a registered capital of HK\$6.454 billion. Through its subsidiaries, CMS International is principally engaged in securities and futures contracts brokerage, custody services, listing sponsorship, financial advisory, corporate finance, investment management, asset management, market research and other businesses as permitted by regulatory rules of the place where its subsidiaries operate.

As of the end of June 2022, CMS International recorded total assets of HK\$39.226 billion and net assets of HK\$9.112 billion. In the first half of 2022, it recorded total revenue, gains and other income of HK\$108 million and net loss of HK\$393 million.

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

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 of the end of June 2022, China Merchants Futures had four futures branches in Beijing, Guangzhou, Shanghai and Hangzhou, one branch office in Henan and one risk management subsidiary.

As of the end of June 2022, China Merchants Futures recorded total assets of RMB33.232 billion and net assets of RMB4.640 billion. In the first half of 2022, it recorded total revenue, gains and other income of RMB1.884 billion and net profit of RMB194 million.

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

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

As of the end of June 2022, CMS Zhiyuan recorded total assets of RMB4.838 billion and net assets attributable to the parent company of RMB2.116 billion. In the first half of 2022, it recorded total revenue, gains and other income of RMB71.8917 million and net loss attributable to shareholders of the parent company of RMB2.0659 million.

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

CMS Investment is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB7.1 billion. It is principally engaged 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 (《證券公司證券自營投資品種清單》).

As of the end of June 2022, CMS Investment recorded total assets of RMB9.429 billion and net assets of RMB8.910 billion. In the first half of 2022, it recorded total revenue, gains and other income of RMB131 million and net profit of RMB88 million.

## Chapter 3: Management's Discussion and Analysis

### 2. Analysis of companies in which the Company has a non-controlling interest

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

The Company holds 49% equity interest in Bosera Funds. Bosera Funds has a registered capital of RMB250 million and 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 as permitted by the CSRC.

As of the end of June 2022, Bosera Funds recorded total assets of RMB10.980 billion and net assets of RMB7.445 billion. In the first half of 2022, it recorded operating income of RMB2.749 billion and net profit of RMB873 million.

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

The Company holds 45% equity interest in China Merchants Fund. China Merchants Fund has a registered capital of RMB1.31 billion and was established on December 27, 2002. Its business scope includes fund management, promotion and establishment of funds and other businesses as approved by the CSRC.

As of the end of June 2022, China Merchants Fund recorded total assets of RMB10.967 billion and net assets of RMB7.315 billion. In the first half of 2022, it recorded operating income of RMB2.885 billion and net profit of RMB954 million.

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

As of June 30, 2022, the Group consolidated 51 structured entities, including mainly asset management schemes, investment funds, trust products and limited partnerships. Under the circumstance that the Group is involved in a structured entity both as manager and investor, the Group comprehensively assesses whether its potential variable returns will be significantly affected by the returns attributable to its investment and the remuneration as the manager of the structured entity and whether the Group is a principal of the entity. As of June 30, 2022, the total assets of the above consolidated structured entities amounted to RMB23.254 billion.

## Chapter 3: Management's Discussion and Analysis

### (VI) Financing channels and financing capabilities

The Company has established diversified financing channels. The Company engages in equity financing through additional issuance, rights issue and other means. Through corporate bonds, private corporate bonds, subordinated bonds, perpetual subordinated bonds, financial bonds, short-term financing bonds, beneficiary certificates, margin trading rights as collateral financing, refinancing, interbank borrowing and repurchase, the Company engages in debt financing and comprehensively allocates short-term and medium-to-long-term financing varieties. Meanwhile, the Company also supports the all-round development of its business through the issuance of offshore bonds, providing a solid guarantee for its stable operation and sustainable growth.

In the first half of 2022, the Company obtained a subordinated bond issuance quota of no more than RMB15 billion in the Exchanges, and was approved a cap of balance of short-term financing bonds of RMB37.2 billion in the interbank market. The Company continuously optimizes its capital structure and debt structure, so as to supplement the capital requirements for business development.

The Company has established a treasury operating mechanism for centralized management and control of liquidity risk, 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 the business capital requirement and liabilities of the Company as well as the market condition.

### IV. Potential Risks

During the Reporting Period, the Company 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

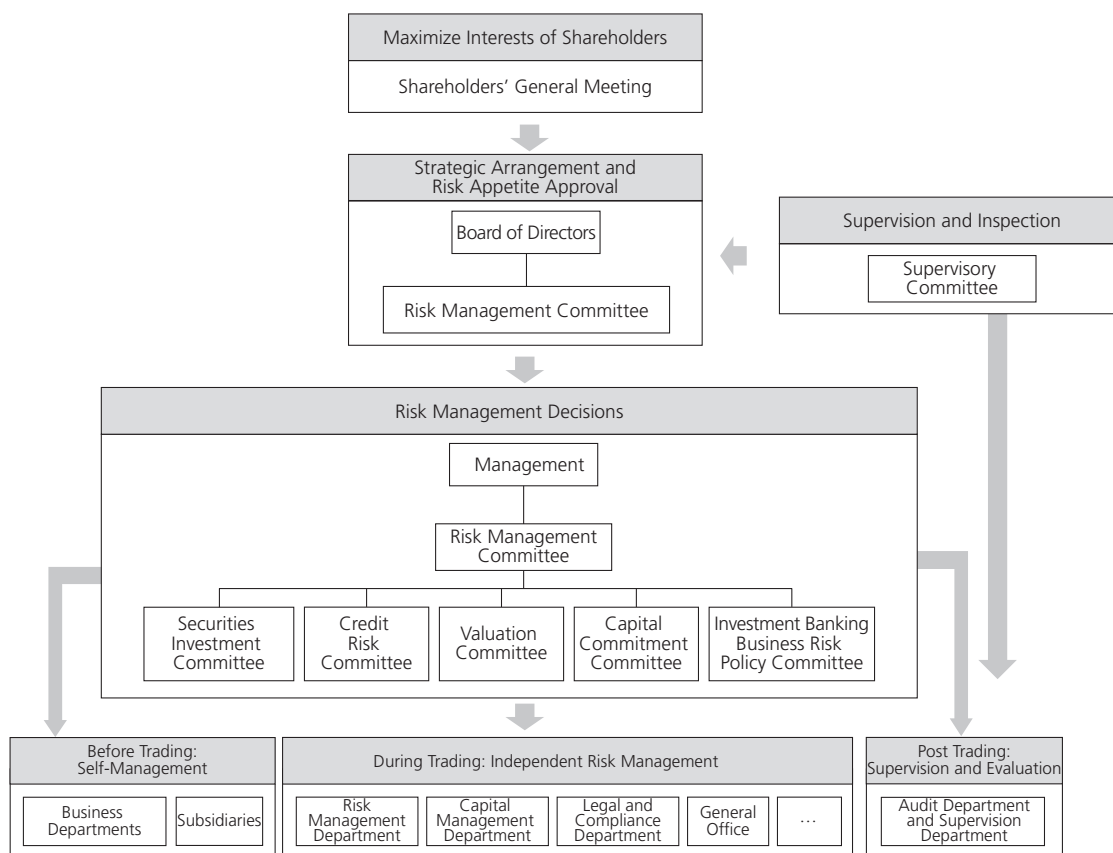
Since inception, the Company has been committed to establishing an innovative and insightful risk management system that is aligned with its operation strategies and covers its core business lines comprehensively. Sound corporate governance and effective risk management and internal control system have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

In accordance with the Guidelines for Internal Control of Securities Companies (《證券公司內部控制指引》) and the Norms for the Overall Risk Management 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.

## Chapter 3: Management's Discussion and Analysis

The chart below sets out the risk management organizational structure of the Company:

### 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, 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 overall risk management system of the Company.



### Chapter 3: Management's Discussion and Analysis

- 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 valuation, 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 coordinating 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 reputational 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 and Supervision Department which focus on inspecting and assessing risks after they occur.

## Chapter 3: Management's Discussion and Analysis

### (2) Risk management system

Guided by the Overall Risk Management System of China Merchants Securities Co., Ltd. (《招商證券股份有限公司全面風險管理制度》) and the Rules of Procedures for Risk Management Committee of the Board of China Merchants Securities Co., Ltd. (《招商證券股份有限公司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 on a top-down basis 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 areas such as 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, and must not exceed their authorities.

## Chapter 3: Management's Discussion and Analysis

- 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 modern risk management. With the establishment of an innovative platform for intelligent integrated risk management of the Group with reference to the experience drawn from international leading investment banks, the Company realized the idea of vertically managing risks which were associated with cross-border businesses of the parent company and its subsidiaries, globalization and multiple currencies in T+1 days.

The platform for intelligent integrated risk management of the Group automatically captures, calculates and integrates various basic data through construction of risk models, statistical analysis of historical data and other methodologies, and realizes the accurate submission of various regulatory reports and the monitoring and early warning of all risk limits of the parent company and its subsidiaries. Through the risk data collection of the Group, internal and external data sources such as business data and information data can be integrated, thereby continuously optimizing the functions of data collection, theme model design, data verification and data standards as well as the risk data management mechanism, and realizing the integrated collection of risk information of the parent company and its subsidiaries. By optimizing the market risk management system and market risk measurement engine, the Company is able to enhance the functions of market risk indicator library, product measurement interface and stress testing, and improve the accuracy of market risk measurement and efficiency of market risk monitoring. By optimizing the credit risk management system and negative information customer system, the Company is able to improve the functions of rules for measurement of counterparty risk exposure and introduction of new sources of negative public opinion, and enhance the capabilities of credit risk identification, measurement, monitoring and early warning. By optimizing the operational risk management system, the Company is able to enhance the functions of operational risk event management as well as operational risk and control assessment modules, and improve the efficiency of operational risk management. All subordinate risk systems are built upon the data collection and integrated on the same platform through the risk management cockpit, thereby realizing single sign-on and unified authority management. The Company's overall risk profile can be displayed through a unified risk control view.

## Chapter 3: Management's Discussion and Analysis

The Group's intelligent integrated risk management platform and each subordinate system have industry-leading level of risk data governance. They have sound system scalability, and support the efficient quantitative risk monitoring and consolidated vertical management of the parent company and subsidiaries of the Group in T+1 days. This has significantly improved the efficiency of risk management, thereby laying a solid foundation for the business development and innovation of the Company.

### 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 risk.

## Chapter 3: Management's Discussion and Analysis

### (3) Responsibilities for managing market risk

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 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 analysis 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 of the Company 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, current risk exposures and possible extreme stress 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 measurement instrument to measure potential losses from regular market fluctuation in the short-term. 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 for measuring the market risk. Historical 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/yield curve changes, commodity prices and exchange rate, etc. can be measured and the diversified effects of the portfolio are also considered.

## Chapter 3: Management's Discussion and Analysis

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 model through methods such as a backtesting. 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 risk 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.

## Chapter 3: Management's Discussion and Analysis

### (5) Market risk limit management system

The Company has already established relevant risk limit indicator system at different levels of departments, business lines and 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 a classified review system and respective sub-limit indicators within the risk limit are applied to business departments, business lines and investment managers. The operation management is able to effectively manage the overall risk exposure of the Company with risk indicators at the Company level. Business departments, business lines and investment managers are able to enter into transactions effectively within the scope of sub-limit indicators. Sub-risk limit indicators, therefore, do not serve as maximum risk tolerance for the corresponding 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 business 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 the 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.

## Chapter 3: Management's Discussion and Analysis

### (2) Credit risk management approaches

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

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

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

#### ① Credit risk limit

The Company has adopted a classified credit risk limit system to control credit 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 client 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.



## Chapter 3: Management's Discussion and Analysis

### 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) Responsibilities 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. 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, 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

For margin financing and securities lending, stock pledge repo, 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 investment businesses such as bond investment, trust products and other credit products, the Company has implemented access management for investable bonds by establishing a bond pool. Bonds entering the pool must be assessed by professional credit assessors and comply with internal and external credit rating access standards, industry access standards, product access standards and financial access standards. Concentration risk is controlled through investment graded approval and authorization, and the latest risk information of issuers is monitored in real time through the public opinion monitoring system.

For OTC derivatives trading business, the Company has formulated a set of management measures and rules in relation to the appropriateness of investors, due diligence, approval for credit extension, rules for measurement of potential risk exposure, margin collection and mark-to-market, liquidation disposal, underlying securities management and follow-up on default of clients, in order to strengthen the management before, during and after trading.

For brokerage business, the Company has controlled the risk of default of clients through indicators such as the minimum rating of the underlying bonds, position concentration and leverage ratio for brokerage business that may be responsible for guaranteed settlement. With regard to the trading of securities and other financial products for overseas clients, the Company has effectively controlled the relevant credit risk by strengthening the management over credit grant and client deposits.

## Chapter 3: Management's Discussion and Analysis

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

Unit: RMB10,000

	June 30, 2022	December 31, 2021
Onshore bonds		
PRC sovereign bonds	11,326,490	11,553,369
AAA	8,870,012	6,804,459
AA+	612,854	751,827
AA	146,479	192,141
AA-	6,269	–
Below AA-	4,101	4,102
A-1	9,208	79,804
Non-rated	110,731	134,428
<b>Sub-total</b>	<b>21,086,144</b>	<b>19,520,130</b>
Offshore bonds		
PRC sovereign bonds	–	–
A	30,900	24,180
B	33,242	119,624
C	3,157	–
D	–	–
Non-rated	–	9,846
<b>Sub-total</b>	<b>67,299</b>	<b>153,650</b>
<b>Total</b>	<b>21,153,443</b>	<b>19,673,780</b>

## Notes:

- The above data is provided on a consolidated basis;
- 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 offshore bonds 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 in D rating are the bonds comprising D rating of Standard & Poor's and D rating of Fitch.

## Chapter 3: Management's Discussion and Analysis

### 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 operational risk to further enhance operational risk monitoring based on risk-prone areas of different business features and operations by formulating risk management standards and conducting management by classification;
- ⑤ The Company has established an operational risk event management mechanism, 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 paid great attention to the control of substantive risks, and carried out various special operational risk inspections and management improvements focusing on areas with high and frequent operational risks according to the characteristics of different businesses;
- ⑦ 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;

## Chapter 3: Management's Discussion and Analysis

- ⑧ 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.

### 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) Responsibilities for managing liquidity risk

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) Liquidity risk management approaches

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;

## Chapter 3: Management's Discussion and Analysis

- 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. *Reputational risks and corresponding measures*

#### (1) Overview

The reputational risk of the Company refers to the risk of formation of negative opinion on the Company by investors, issuers, regulatory authorities, self-regulatory organizations, the public and the media as a result of the business act or external events of the Company and the violation of integrity requirements, professional ethics, business norms, rules and regulations by the staff, thereby damaging the Company's brand value, posing detrimental impact to its normal operations and even affecting market stability and social stability.

#### (2) Reputational risk management

In terms of reputational risk management, the Company has continuously improved the standards of various financial services, actively fulfilled social responsibilities, maintained good customer satisfaction and market image, cultivated a sound reputational risk management culture, established the awareness of reputational risk prevention among all employees, actively prevented reputational risks and addressed reputation incidents, and prevented the escalation of general reputation incidents into major reputation incidents, so as to minimize reputation loss and reduce negative impacts.

### 7. *Dynamic monitoring 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 monitoring over risk control indicators and replenishment mechanism on net capital and liquidity, covering system establishment, arrangement and staff deployment, to ensure that the risk control indicators are within the supervision limit consistently, and the details are as follows:

The Company has established a monitoring system over risk control indicators, achieving T+1 dynamic monitoring and automatic advance warning functions over all risk control indicators. The Company has formulated the "Administrative Measures for Risk Control Indicators" (《風險控制監管指標管理辦法》) and "Administrative Measures for Stress Testing" (《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. The Company has set up a net capital replenishment mechanism and replenished net capital through, among others, equity financing and issuance of subordinated debts based on the stress tests and analysis of the risk control indicators over a period of time.

During the Reporting Period, all risk control indicators including net capital and liquidity of the Company continuously 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 RMB72.834 billion.

## Chapter 4: Corporate Governance

### I. Shareholders' General Meetings

Meeting	Date of meeting	Enquiry index of designated website for the publication of resolutions	Date of announcement on resolutions	Resolutions of the meeting
2022 first extraordinary general meeting	April 29, 2022	Hong Kong Stock Exchange website	April 29, 2022	Considered and approved the resolution on the proposed amendments to the Articles of Association of China Merchants Securities Co., Ltd., the resolution on the proposed amendments to the Rules for the Management of Related Party Transactions of China Merchants Securities Co., Ltd., the resolution on the proposed amendments to the Rules for the Selection and Appointment of Accountants' Firm of China Merchants Securities Co., Ltd. and the resolution on election of Directors of the Company.
2021 annual general meeting	June 30, 2022	Hong Kong Stock Exchange website	June 30, 2022	Considered and approved the resolution on the working report of the Board of the Company for 2021, the resolution on the working report of the Supervisory Committee of the Company for 2021, the duty report of independent Directors of the Company for 2021, the resolution on the annual report of the Company for 2021, the resolution on the final accounts report of the Company for 2021, the resolution on the profit distribution plan of the Company for 2021, the resolution on the budget for the proprietary investment of the Company for 2022, the resolution on the engagement of the auditors of the Company for 2022, the resolution on the contemplated ordinary related party transactions of the Company for 2022, the resolution on the guarantee authorization scheme for the year 2022 of China Merchants Securities International Company Limited and its wholly-owned subsidiaries and the resolution on the grant of the general mandate to the Board to issue additional H Shares of the Company.

## Chapter 4: Corporate Governance

### II. Changes in Directors, Supervisors and Senior Management of the Company

Name	Position	Change	Date of change	Reason for change
WU Zongmin (吳宗敏)	President	Appointed	January 13, 2022	Appointed by the Board
XIONG Xianliang (熊賢良)	Non-executive Director	Resigned	January 21, 2022	Resigned due to change in work arrangement
HUO Da (霍達)	Chief Information Officer	Appointed	March 27, 2022	Appointed by the Board
WU Zongmin (吳宗敏)	Executive Director	Elected	April 29, 2022	Elected at the shareholders' meeting
DENG Weidong (鄧偉棟)	Non-executive Director	Elected	April 29, 2022	Elected at the shareholders' meeting
WANG Daxiong (王大雄)	Non-executive Director	Resigned	May 13, 2022	Resigned due to retirement
ZHANG Qing (張慶)	Vice President	Resigned	May 13, 2022	Resigned due to personal health reasons
ZHANG Haochuan (張浩川)	Vice President	Appointed	May 13, 2022	Appointed by the Board

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

During the Reporting Period, a total of three Directors, Supervisors and senior management of the Company resigned, accounting for 10.71% of the total number of Directors, Supervisors and senior management as at the beginning of the Reporting Period.

On July 4, 2022, Mr. Li Zongjun, a Vice President of the Company, applied to resign from his position of Vice President of the Company due to his advanced age.

For details, please refer to the relevant announcements and/or circulars published by the Company on the Hong Kong Stock Exchange website on January 13, January 21, March 27, April 1, April 29, May 13 and July 4, 2022.

## Chapter 4: Corporate Governance

Other changes in positions of Directors, Supervisors and senior management of the Company during the period from January 1, 2022 and to the date of this report are as follows:

HUO Da, the Chairman of the Board, ceased to serve as the chairman of the board of CMS Zhiyuan since February 2022.

DENG Weidong, a Director, has served as a director of China Merchants Testing Technology Holdings Co., Ltd. since February 2022.

LIU Weiwu, a Director, has served as a director of China Merchants Testing Technology Holdings Co., Ltd. and China Merchants Group Finance Co., Ltd. since February and March 2022, respectively.

WONG Ti, a Director, ceased to serve as an independent non-executive director of 51 Credit Card Inc. since April 2022.

HE Min, a Supervisor, has served as the general manager of the Capital Management Department of the Company and ceased to serve as the general manager of the Finance Department of the Company since March 2022, and ceased to serve as a director of CMS Zhiyuan, China Merchants Futures and CMS Asset Management since March, April and June 2022, respectively.

SHEN Weihua, a Supervisor, ceased to serve as an 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 April 2022, and ceased to serve as an 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 May 2022.

ZHAO Bin, a Vice President, has served as the chairman of the board of CMS International since January 2022, and ceased to serve as an executive director of CMS Investment since May 2022.

Save as disclosed above, as of the date of this report, as confirmed by the Directors, Supervisors and chief executives of the Company, there is no information that is required to be disclosed under Rule 13.51B(1) of the Hong Kong Listing Rules.

### III. Basic Information of Directors, Supervisors and Senior Management of the Company

As of the date of this report, the names and positions of all Directors, Supervisors and senior management of the Company are as follows:

Name	Position(s)
HUO Da (霍達)	Chairman of the Board, executive Director, Chief Information Officer
LIU Weiwu (劉威武)	Non-executive Director
DENG Weidong (鄧偉棟)	Non-executive Director
SU Min (蘇敏)	Non-executive Director
WU Zongmin (吳宗敏)	Executive Director, President
PENG Lei (彭磊)	Non-executive Director
GAO Hong (高宏)	Non-executive Director
HUANG Jian (黃堅)	Non-executive Director
WANG Wen (王文)	Non-executive Director
XIANG Hua (向華)	Independent non-executive Director
XIAO Houfa (肖厚發)	Independent non-executive Director



## Chapter 4: Corporate Governance

Name	Position(s)
XIONG Wei (熊偉)	Independent non-executive Director
HU Honggao (胡鴻高)	Independent non-executive Director
WONG Ti (汪棣)	Independent non-executive Director (Note)
ZHOU Linda Lei (周語茵)	Chairman of the Supervisory Committee
LI Xiaofei (李曉霏)	Shareholder representative Supervisor
WANG Zhangwei (王章為)	Shareholder representative Supervisor
MA Yunchun (馬蘊春)	Shareholder representative Supervisor
ZHANG Zhen (張震)	Shareholder representative Supervisor
ZOU Qun (鄒群)	Shareholder representative Supervisor
YIN Hongyan (尹虹艷)	Employee representative Supervisor
HE Min (何敏)	Employee representative Supervisor
SHEN Weihua (沈衛華)	Employee representative Supervisor
WU Huifeng (吳慧峰)	Secretary to the Board, Vice President
ZHAO Bin (趙斌)	Vice President
HU Yu (胡宇)	Chief Compliance Officer, Chief Risk Officer
ZHANG Haochuan (張浩川)	Vice President

Note: In June 2019, the Board received a written resignation report from Mr. WONG Ti, an independent non-executive Director. Due to his other work arrangements, Mr. WONG Ti applied to resign from his positions as an independent non-executive 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, Rules for Independent Directors of Listed Companies 《上市公司獨立董事規則》 of the CSRC and the Articles of Association of China Merchants Securities Co., Ltd., Mr. WONG Ti will continue to perform his duties until a new independent non-executive Director is appointed by the Company.

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

### (I) Employees

Number of employees of the parent company	11,300
Number of employees of major subsidiaries	932
Total number of employees	12,232
Number of resigned and retired employees with expenses borne by the parent company and major subsidiaries	57

### (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 key operating indicators of the Company. The management is responsible for allocating the remuneration resources within 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 companies and the ranking of the Company among its major competitors, and bonus determined at the discretion of the Company mainly according to the achievement of key performance indicators, strategic tasks, objectives in terms of innovation and synergy of each department, use of economic capital, implementation of comprehensive risk management and compliance management as well as the market remuneration rate.

During the Reporting Period, total staff remuneration expenses (including Directors' remuneration) amounted to RMB3,025.46 million. For further details, please refer to note 9 to the financial report.

### (III) Training program

Focusing on its strategy and closely following the needs of business development and talent training, the Company has formulated and implemented the 2022 training program. In the first half of 2022, the Company organized and implemented training programs in various forms combining systematic training with individualized training, covering a total of 260,000 hours of employee training and a total of 290,000 person-times. The training focused on cultural construction, compliance risk control, advanced technology, investment research, wealth management, digital transformation, professional quality, etc., which has effectively facilitated the improvement of employee capabilities and the cultivation of core talents. At the same time, the Company promoted the resource construction and function optimization of the mobile learning platform, and launched 230 new online courses to support the flexible and independent learning needs of employees.

## Chapter 4: Corporate Governance

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

Incentives not disclosed in temporary announcements or with progress in subsequent implementation

#### *Employee stock ownership scheme*

Summary of event	Reference
<p>The "Plan for Repurchasing A Shares of the Company by Centralized Bidding Transactions" was considered and approved at the 17th meeting of the sixth session of the Board, the 2019 first extraordinary general meeting, the 2019 first A Shareholders class meeting and the 2019 first H Shareholders class meeting of the Company. The Company intended to use all of the A Shares repurchased this time for the employee stock ownership scheme.</p> <p>The "Proposal for Employee Stock Ownership Scheme (Draft) of China Merchants Securities Co., Ltd. and its Summary" was considered and approved at the 25th meeting of the sixth session of the Board and the 2020 first extraordinary general meeting of the Company. The "Proposal on the Advanced Completion of A Share Repurchase of the Company" and the "Proposal on Defining the Price and Scale of Purchasing the Repurchased Shares of the Company's Employee Stock Ownership Scheme" were considered and approved at the 28th meeting of the sixth session of the Board and the 2020 first extraordinary general meeting of the Company, and the "Employee Stock Ownership Scheme (Draft) of China Merchants Securities Co., Ltd." and its summary were accordingly revised.</p> <p>On January 21, 2020, the Company held the first meeting of holders of employee stock ownership scheme, and considered and approved the "Proposal on the Establishment of Employee Stock Ownership Scheme Management Committee of the Company" and the "Proposal on the Election of Members of the Employee Stock Ownership Scheme 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 4: Corporate Governance

Summary of event	Reference
<p>The Company engaged CMS Asset Management as the management authority for the employee stock ownership scheme, and signed the “CMS Asset Management – Asset Management Contract for Single Asset Management Scheme under the China Merchants Securities No. 1 Employee Stock Ownership Scheme” with CMS Asset Management on behalf of the employee stock ownership scheme. On March 6, 2020, the Company received the “Share Transfer Confirmation” issued by China Securities Depository and Clearing Corporation Limited.</p> <p>On March 3, 2020, the Company completed the share transfer procedures for the employee stock ownership scheme. The employee stock ownership scheme holds 40,020,780 A Shares of the Company, accounting for 0.5974% of the then total share capital of the Company, with a total of 995 participants.</p> <p>Upon the completion of the Company’s A+H Shares rights issue from July 2020 to August 2020, the employee stock ownership scheme holds 52,026,381 A Shares of the Company, accounting for 0.5982% of the then total share capital of the Company.</p> <p>The source of funds for the Company’s employees to participate in the scheme is the legal salary of the employees and self-raised funds obtained by other means permitted by laws and administrative regulations.</p> <p>According to the “China Merchants Securities Employee Stock Ownership Scheme (Revised Draft)”, the relevant shares under the Company’s employee stock ownership scheme shall be locked up from the date on which the Company announced the completion of such share transfer (March 6, 2020) for a period of 36 months.</p>	

## Chapter 4: Corporate Governance

### VI. Corporate Governance

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

The Company has adopted the Model Code as the code of conduct regarding dealings in 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, as securities practitioners, shall be prohibited from dealings in shares. The Company is not aware of any breach of the guidelines by the relevant employees. The Board will inspect the corporate governance of the Company and its operation from time to time, in order to comply with relevant applicable requirements under the Hong Kong Listing Rules and safeguard the interests of shareholders. Upon enquiry, all Directors, Supervisors and senior management of the Company have confirmed that they have strictly complied with relevant 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》) during the Reporting Period. For details regarding the shareholdings of the Directors, Supervisors and senior management in the Company, please see “Interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations of the Directors, Supervisors and chief executives” in “Chapter 7: Changes in Shares and Shareholders” of this report.

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

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

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

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

## Chapter 5: Environment and Social Responsibility

### I. Information on Environmental Protection

**Description of environmental protection measures taken by the Company other than key pollutant discharging units**

***Reasons for not disclosing other environmental protection information***

The Company and its subsidiaries are not listed as key pollutant discharge units announced by the environmental protection authority. The Company has strictly abided by laws and regulations such as the Environmental Protection Law of the People's Republic of China and Energy Conservation Law of the People's Republic of China. During the Reporting Period, no penalty was imposed on us for violating relevant environmental protection regulations.

The Company has incorporated the concept of being green and low-carbon into its daily operations, and formulated energy-saving and environmental protection work plans, so as to reduce energy consumption, improve the utilization efficiency of resources and reduce waste emissions. The energy consumption and emissions from daily office work have a mild impact on the environment. The Company will disclose specific environmental data and management information in its 2022 social responsibility report.

### II. Details of Consolidation and Advancement of Poverty Alleviation, Rural Revitalization and Other Activities

#### (I) Poverty alleviation through education

The Company continued to cooperate with the Chongqing Star Charity Foundation (重慶市星星幫扶基金會). The "Shenzhen China Merchants Securities Public Welfare Foundation" (深圳市招商證券公益基金會) funded and registered by the Company donated RMB353,600 to the "Ayi Tudou – Delipu Primary School Teaching Support Project" (阿依土豆—得力鋪小學支教項目) in June 2022, mainly for providing one-year subsidies, training and other expenses for eight volunteer teachers in Delipu Primary School, paying the wages of school lunch cooks, purchasing teaching materials, carrying out art education, theme activities and other activities, and providing assistance for the education and healthy growth of primary school students in poverty-stricken areas.

#### (II) Poverty alleviation through consumption

In May 2022, the Company purchased agricultural assistance products with a total value of RMB1.65 million through the Shenzhen Haijixing Poverty Alleviation (Consumption) Center (深圳海吉星消費幫扶中心), so as to take practical actions to consolidate and advance the achievements of poverty alleviation and facilitate the rural revitalization strategy.

### III. Joining the Futian District Financial Pioneer Volunteer Service Team to Contribute to Winning the Sniping War of Epidemic Prevention and Control

At the beginning of 2022, the situation of the COVID-19 pandemic in Shenzhen was severe. The Company earnestly implemented the pandemic prevention policies of the Futian District government. While facilitating the internal management of pandemic prevention and control, the Company actively fulfilled its corporate social responsibilities and formed the "China Merchants Securities COVID-19 Prevention Financial Service Team" to support the pandemic prevention work in the community. From February 17 to March 5, 2022, a total of 8 batches of 96 employees participated in such volunteer activities.

## Chapter 6: Major Events

### I. 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	To resolve horizontal competition	Jisheng Investment	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	-	-
	To resolve horizontal competition	China Merchants Group	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, the Company will make sufficient disclosure in accordance with laws upon the public offering and listing of the shares of the Company. China Merchants Group shall not harm the interests of the Company and other shareholders by virtue of its role of de facto controller of the Company.	Upon the public offering and listing of the A Shares of the Company, and as long as China Merchants Group is the de facto controller of the Company.	Yes	Yes	-	-

## Chapter 6: 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	To resolve horizontal competition	CM Finance Investment	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 the controlling shareholder of the Company.	Yes	Yes	-	-
	Others	China Merchants Group, CM Finance Investment	They have undertaken not to interfere in the operation and management activities of the Company beyond the authority; not to encroach upon the interests of the Company; not to deliver interests to other units or individuals free of charge or under unfair conditions, nor damage the interests of the Company by other means; if the CSRC makes other new regulatory provisions on remedial measures and their 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 the 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 6: Major Events

### II. Material Litigations or Arbitrations

Certain investors of China Security Co., Ltd. (hereinafter referred to as “China Security”) commenced litigations against China Security and its directors, China Security & Fire Technology Co., Limited (its subsidiary, hereafter referred to as “China Security & Fire Technology”) and intermediaries such as the Company, respectively, in the Shanghai Financial Court for civil compensation regarding relevant investment losses 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 intermediaries to be jointly liable for the losses. On May 18, 2021, the Higher People’s Court of Shanghai made second trial judgments on the cases involving two investors, ordering the Company to bear joint liability within the scope of 25% for the total losses of RMB228 thousand payable by China Security to the two investors. As of August 24, 2022, in addition to the two investors in the above cases, the Company received litigation materials and notices of a total of 5,305 investors from the Shanghai Financial Court. Among which, the Shanghai Financial Court made first trial judgments on the cases involving 4,869 investors, ordering the Company to bear joint liability within the scope of 25% for the losses of RMB601.6747 million payable by China Security to the investors. Moreover, as China Security changed its registered address to Wuhan in December 2021, the competent court for such series of subsequent cases has been changed to the Wuhan Intermediate People’s Court. As of August 24, 2022, the Company received litigation materials or information of a total of 1,475 investors from the Wuhan Intermediate People’s Court (of which, 23 investors involved a litigation amount of RMB3.3437 million, and there is no data regarding the litigation amount of the remaining investors), requesting China Security to compensate for the loss, and requesting China Security & Fire Technology and relevant intermediaries to bear joint liability.

Save as disclosed above, there were no other material litigations or arbitrations during the Reporting Period.

### III. Punishment and Remedial Measures on the Listed Company, its Directors, Supervisors, Senior Management, Controlling Shareholder and De Facto Controller Due to Suspected Violations of Laws and Regulations

On April 1, 2022, the Company received the Decision of the CSRC Shenzhen Office on Taking Corrective Measures against China Merchants Securities Co., Ltd. ([2022] No. 47) 《深圳證監局關於對招商證券股份有限公司採取責令改正措施的決定》([2022]47號)), which pointed out that in the cybersecurity incident on March 14, 2022, the Company had issues such as imperfect management of program changes, and untimely and inadequate emergency response. On June 28, 2022, the Company received the Decision on Taking Measures to Issue Warning Letters to China Merchants Securities Co., Ltd. ([2022] No. 37) 《關於對招商證券股份有限公司採取出具警示函措施的決定》([2022]37號)) issued by the CSRC, which pointed out that in the cybersecurity incident on May 16, 2022, the Company had issues such as insufficient demonstration and testing of system design and upgrade changes, and incomplete upgrade and rollback plans, reflecting the existence of loopholes in the Company’s internal management and the imperfect assignment mechanism of rights and responsibilities.

## Chapter 6: Major Events

The Company has attached great importance to the above two cybersecurity incidents, and in accordance with the Administrative Measures for Information Security Protection of Securities and Futures Industry (《證券期貨業信息安全保障管理辦法》), Administrative Measures for Information Technology of Securities and Fund Operating Institutions (《證券基金經營機構信息技術管理辦法》), Measures for Reporting, Investigating and Handling Cybersecurity Incidents of Securities and Futures Industry (《證券期貨業網絡安全事件報告與調查處理辦法》), Guidelines on the Internal Control of Securities Companies (《證券公司內部控制指引》) and other relevant regulations, strictly implemented the Company's accountability system, taken targeted measures to rectify the exposed problems, strengthened the overall planning of the construction of key information systems, fully grasped the system structure and internal operating mechanism, strengthened research and development, testing, launch, upgrade, operation and maintenance management, improved the emergency response mechanism, ensured the professional ability and quantity allocation of key personnel, and strengthened the quality management of software delivered by suppliers, so as to continuously enhance the secured and stable operation of the information system. The Company has completed the relevant rectification work before June 30, 2022, and will continue to improve the long-term mechanism for the security construction of the information system to ensure the secured and stable operation of the information system.

On August 9, 2022, the Company received the Decision of the CSRC Shenzhen Office on Taking Measures to Issue Warning Letters to China Merchants Securities Co., Ltd. (Decision on Administrative Supervision Measures [2022] No. 123) (《深圳證監局關於對招商證券股份有限公司採取出具警示函措施的決定》[行政監管措施決定書(2022)123號]), which stated that the Company had the following issues in the process of engaging in the investment banking business: (i) for certain projects in the sponsorship business, there was insufficient due diligence on the audit of revenue recognition, core technology and research and development expenses of the issuer; (ii) for certain projects in the bond underwriting business, there was insufficient due diligence on the debts, external guarantees, solvency, connected transactions, material arbitrations, litigations and other material matters and contingencies of the issuer; (iii) for certain projects in the asset securitization business, there was insufficient due diligence on the credit level of the original interest holders and custodians; the due diligence report did not include the due diligence on major debtors; there was insufficient supervision and inspection on the cash flow of underlying assets in the process of duration management, and no significant event involving the cash flow of underlying assets was found, nor any provisional announcement was issued.

The Company has taken rectification measures to further improve the business structure of the sponsorship, bond underwriting and asset securitization businesses, refine due diligence requirements and optimize duration management requirements, continue to carry out refined management on the quality of business practice of investment banking, and strengthen the evaluation, management and assessment of various business practices as well as the training and guidance for practitioners.

On August 12, 2022, the Company received the Notice of Case Filing (Zheng Jian Li An Zi No. 0382022020) (《立案告知書》(證監立案字0382022020號)) issued by the CSRC. The Company failed to perform due diligence during its engagement as an independent financial advisor of Shanghai Feilo Co., Ltd. (上海飛樂股份有限公司) (currently known as China Security Co., Ltd.) (中安科股份有限公司) in 2014, and is therefore suspected to be in breach of the laws and regulations. The CSRC has decided to file a case against the Company in accordance with the Securities Law of the People's Republic of China, Law of the People's Republic of China on Administrative Penalty and other laws and regulations. For details, please refer to the relevant announcement published by the Company on the Hong Kong Stock Exchange website on August 12, 2022.

## Chapter 6: Major Events

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

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

Unit: 100 Million Yuan Currency: RMB

Guarantees provided by the Company (excluding guarantees for subsidiaries)															
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Amount of guarantee	Date of guarantee (date of agreement)	Effective date of guarantee	Expiry date of guarantee	Type of guarantee	Principal debt	Collateral (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Outstanding amount of guarantee overdue	Counter guarantee	Whether it is a guarantee for related parties	Relationship
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)															0
Balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)															0
Guarantees for subsidiaries by the Company															
Total guarantees for subsidiaries during the Reporting Period															-8.45
Balance of guarantees for subsidiaries as at the end of the Reporting Period (B)															67.52
Total guarantees (including guarantees for subsidiaries)															
Total guarantees (A+B)															67.52
Ratio of total guarantee to net assets of the Company (%)															6.06
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															<ol style="list-style-type: none"> <li>On January 20, 2014, the provision of net assets guarantee of up to RMB500 million for CMS Asset Management was approved at the 2014 first extraordinary meeting of the fourth session of the Board. On September 27, 2016, the increase of net assets guarantee in favor of CMS Asset Management by no more than RMB3 billion in stages and authorization for the management of the Company to perform in stages, or terminate, such net assets guarantee within the above limit based on the actual operating condition of CMS Asset Management were approved at the 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;</li> <li>On May 19, 2020, at the 2019 annual general meeting of the Company, it was considered and approved that the Company or its wholly-owned subsidiaries shall provide guarantees in favor of its overseas wholly-owned subsidiaries for the issuance of overseas debt financing instruments. The amount of a single guarantee shall not exceed 10% of the Company's latest audited net assets and the total amount of guarantees shall not exceed 30% of the Company's latest audited net assets (valid until June 30, 2023). On June 4, 2021, at the 2020 annual general meeting of the Company, it was considered and approved that the total amount of guarantees provided by CMS International and its wholly-owned subsidiaries in favor of the guaranteed parties within the term of authorization shall not exceed HK\$57 billion equivalent, of which, financing guarantees shall not exceed HK\$14.5 billion equivalent. On June 30, 2022, at the 2021 annual general meeting of the Company, it was considered and approved that the total amount of guarantees provided by CMS International and its wholly-owned subsidiaries in favor of the guaranteed parties within the term of authorization shall not exceed HK\$84 billion equivalent, of which, financing guarantees shall not exceed HK\$12.9 billion equivalent. As at the end of the Reporting Period, the agreed amount of guarantees provided by CMS International and its wholly-owned subsidiaries was approximately RMB31.761 billion in total (with financing guarantees of approximately RMB8.296 billion). At the end of the period, the balance of guarantees utilized and traded was approximately RMB4.752 billion in total.</li> </ol>

## Chapter 6: Major Events

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

The Company attaches great importance to investor relations management, actively carries out the management of investor relations, continuously enhances the transparency of the Company and 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 defined the relevant working mechanisms by virtue of the Standards for the Work of the Secretary to the Board of China Merchants Securities Co., Ltd. (《招商證券股份有限公司董事會秘書工作規範》), the Administrative System Regarding Information Disclosure Affairs of China Merchants Securities Co., Ltd. (《招商證券股份有限公司信息披露事務管理制度》) and the Administrative System Regarding Investor Relations of China Merchants Securities Co., Ltd. (《招商證券股份有限公司投資者關係管理制度》). Other than the information disclosure channels required by the laws, the Company mainly communicates with investors by shareholders' general meetings, investor briefing sessions, telephone, e-mail, internet platform, reception of visitors and participating in investor meetings.

During the Reporting Period, the Company held the 2021 online performance briefing and the 2021 performance analyst telephone conference, and communicated with investors of more than 360 person-times in-depth on issues such as industry trends, corporate strategies and business development through various online and offline channels. Based on the good fundamentals of the Company, and through continuous and effective communication with investors, the market value of the Company ranked seventh in the industry as at the end of June 2022.

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

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

### VII. Major Events after the Reporting Period

For details, please refer to the relevant content under "Events after the Reporting Period" in "Chapter 9: Financial Report" of this report.

## Chapter 6: Major Events

### VIII. Review of Interim Results

The Audit Committee of the Company has reviewed the interim results announcement for the six months ended June 30, 2022, the 2022 interim report and the unaudited interim financial information for the six months ended June 30, 2022 and did not raise any objection to the accounting policy and practices adopted by the Company. The external auditor of the Company has reviewed the unaudited interim financial information for the six months ended June 30, 2022 in accordance with International Standard on Review Engagements 2410.

### IX. Material Acquisitions and Disposals

On April 18, 2022, CMS Investment (a wholly-owned subsidiary of the Company, as a limited partner) entered into the Partnership Agreement with Shenzhen China Merchants GuoXie No. 2 Equity Investment Fund Management Co., Ltd. (深圳市招商國協貳號股權投資基金管理有限公司) (as the general partner), China Merchants Capital Holdings Co., Ltd. (招商局資本控股有限責任公司) (as a limited partner) and Nantong Zhaohua Investment Partnership (Limited Partnership) (南通招華投資合夥企業(有限合夥)) (as a limited partner), with an aim to establish a partnership. The partnership is formed to invest principally in industry sectors including, but not limited to, technology, internet, consumer, healthcare and education. For details, please refer to the announcement published by the Company on the Hong Kong Stock Exchange website on April 18, 2022.

During the Reporting Period, CMS Investment, a wholly-owned subsidiary of the Company, has actually invested RMB88.4582 million.

Save as disclosed above, during the Reporting Period, the Group did not make any material acquisitions or disposals of other subsidiaries, associates and joint ventures.

### X. Other Major Events

In August 2022, the Company revised the Rules of Information Disclosure of China Merchants Securities Co., Ltd. (《招商證券股份有限公司信息披露制度》). For details of the revised rules, please refer to the relevant announcement published at the same time as this report.

## Chapter 7: Changes in Shares and Shareholders

### I. Changes in Share Capital

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

### II. Shareholders

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

Total number of holders of ordinary shares as of the end of the Reporting Period
--

191,518
---------

## Chapter 7: Changes in Shares and Shareholders

### (II) Shareholdings of the top ten shareholders and the top ten holders of tradable shares (or holders of unrestricted shares) as of the end of the Reporting Period

Unit: share

Shareholdings of the top ten shareholders							
Name of shareholder (in full)	Changes during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of restricted shares held	Pledged, marked or locked-up		Nature of shareholder
					Status	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	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)	-	1,703,934,870	19.59	-	Nil	-	State-owned legal person
HKSCC Nominees Limited	6,556	1,274,222,267	14.65	-	Nil	-	Overseas legal person
China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	-	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)	-	343,282,732	3.95	-	Nil	-	State-owned legal person
CCCC Capital Holdings Co., Ltd. (中交資本控股有限公司)	151,802,361	271,802,361	3.13	-	Nil	-	State-owned legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	-	170,789,261	1.96	-	Nil	-	Unknown
Hong Kong Securities Clearing Company Limited	-4,878,013	111,312,598	1.28	-	Nil	-	Overseas legal person
COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司)	-	109,199,899	1.26	-	Nil	-	State-owned legal person
China Construction Bank Corporation – Guotai CSI All Share brokerage ETF (中國建設銀行股份有限公司 – 國泰中證全指證券公司交易型開放式指數證券投資基金)	3,796,770	76,346,925	0.88	-	Nil	-	Others

## Chapter 7: Changes in Shares and Shareholders

Shareholdings of the top ten holders of unrestricted shares			
Name of shareholder	Number of tradable unrestricted shares held	Class and number of shares	
		Class	Number
China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	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	1,274,222,267	Overseas listed foreign shares	1,274,222,267
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
CCCC Capital Holdings Co., Ltd. (中交資本控股有限公司)	271,802,361	RMB ordinary shares	271,802,361
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	170,789,261	RMB ordinary shares	170,789,261
Hong Kong Securities Clearing Company Limited	111,312,598	RMB ordinary shares	111,312,598
COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司)	109,199,899	RMB ordinary shares	109,199,899
China Construction Bank Corporation – Guotai CSI All Share brokerage ETF (中國建設銀行股份有限公司－國泰中證全指證券公司交易型開放式指數證券投資基金)	76,346,925	RMB ordinary shares	76,346,925



## Chapter 7: Changes in Shares and Shareholders

Shareholdings of the top ten holders of unrestricted shares			
Name of shareholder	Number of tradable unrestricted shares held	Class and number of shares	
		Class	Number
Description of the special account for repurchase among the top ten shareholders		Nil	
Description of the entrusting voting right, entrusted voting right and waiver of voting right of the above shareholders		Nil	
Description of the connected relationships or concerted actions among the above shareholders	Among the above top ten shareholders, CM Finance Investment and Jisheng Investment are both subsidiaries of China Merchants Group, the de facto controller of the Company; and China Ocean Shipping and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited.		

- Notes:
1. HKSCC Nominees Limited is the nominee holder of the shares held by the non-registered H Shareholders of the Company;
  2. Hong Kong Securities Clearing Company Limited is the nominee holder of the shares of the Company under the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect;
  3. Given the fact that the shares of the Company could be used as underlying securities for margin financing and securities lending, the shareholding of the shareholders is calculated based on the aggregate of shares and interests held in their ordinary securities accounts and credit securities accounts.

## Chapter 7: Changes in Shares and Shareholders

**(III) Interests and short positions of the substantial shareholders and other persons in the shares and underlying shares**

As at June 30, 2022, 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 of the Company 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 <sup>7</sup> / short positions <sup>8</sup> / shares available for lending
1	China Merchants Group	A Shares	Interest held by controlled corporations <sup>1</sup>	3,751,835,387	43.14	50.55	Long position
		H Shares	Interest held by controlled corporations <sup>2</sup>	89,042,607	1.02	6.99	Long position
2	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	A Shares	Beneficial owner and interest of corporation controlled by substantial shareholders <sup>3</sup>	3,751,835,387	43.14	50.55	Long position
		H Shares	Interest held by controlled corporations <sup>3</sup>	89,042,607	1.02	6.99	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	CMF Holdings Limited	H Shares	Interest held by controlled corporations <sup>3</sup>	89,042,607	1.02	6.99	Long position
5	Best Winner Investment Limited	H Shares	Beneficial owner	89,042,607	1.02	6.99	Long position
6	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司)	A Shares	Interest held by controlled corporations <sup>4</sup>	663,437,515	7.63	8.94	Long position
		H Shares	Interest held by controlled corporations <sup>5</sup>	207,797,720	2.39	16.30	Long position
7	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
8	Hebei Port Group Co., Ltd. (河北港口集團有限公司)	A Shares	Beneficial owner	343,282,732	3.95	4.63	Long position
		H Shares	Beneficial owner	90,674,300	1.04	7.11	Long position
9	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
10	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 <sup>6</sup>	433,290,000	4.98	34.00	Long position
11	COSCO SHIPPING Investment Holdings Co., Limited	H Shares	Beneficial owner	207,797,720	2.39	16.30	Long position

## Chapter 7: Changes in Shares and Shareholders

- Notes:
1. China Merchants Group holds 100% of the equity interest in CM Finance Investment and Jisheng Investment, and is deemed to be interested in the same number of A Shares which CM Finance Investment (23.55%) and Jisheng Investment (19.59%) are interested in under the SFO.
  2. China Merchants Group holds 100% of the equity interest in Best Winner Investment Limited, and is deemed to be interested in the same number of H Shares which Best Winner Investment Limited (1.02%) is interested in under the SFO.
  3. CM Finance Investment directly holds 23.55% of the shares of the Company. CM Finance Investment holds 100% of the equity interest in Jisheng Investment, and is deemed to be interested in the same number of A Shares which Jisheng Investment (19.59%) is interested in under the SFO. Thus, CM Finance Investment holds, directly and indirectly, an aggregate of 43.14% of the equity interest in the A Shares of the Company. CM Finance Investment holds 100% of the equity interest in CMF Holdings Limited, and CMF Holdings Limited holds 100% of the equity interest in Best Winner Investment Limited. Thus, CM Finance Investment and CMF Holdings Limited are deemed to be interested in the same number of H Shares which Best Winner Investment Limited (1.02%) is interested in under the SFO.
  4. China COSCO Shipping Corporation Limited holds 100% of the equity interest in China Ocean Shipping and China Shipping Group Co., Ltd. (中國海運集團有限公司), and is deemed to be interested in the same number of A Shares which China Ocean Shipping (6.26%), COSCO Shipping (Guangzhou) Co., Ltd., a wholly-owned subsidiary of China Shipping Group Co., Ltd. (1.26%), COSCO SHIPPING Investment Holdings Co., Limited, a wholly-owned subsidiary of China Shipping Group Co., Ltd. (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.
  5. China COSCO Shipping Corporation Limited is deemed to be interested in the same number of H Shares which COSCO SHIPPING Investment Holdings Co., Limited, a wholly-owned subsidiary of China Shipping Group Co., Ltd. (中國海運集團有限公司) (2.39%), is interested in under the SFO.
  6. The People's Insurance Company (Group) of China Limited 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.
  7. 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 rights 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
  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 rights 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 June 30, 2022, the Company was not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Chapter 7: Changes in Shares and Shareholders

### III. Directors, Supervisors and Senior Management

Interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations of the Directors, Supervisors and chief executives

As at June 30, 2022, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or interests or short positions which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Directors/ Supervisors	Position	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 of the Company (%)	Long positions/ short positions/ shares available for lending
HUO Da (霍達)	Chairman of the Board, executive Director	A Shares	Beneficial owner	531,210	0.006	0.007	Long position
ZHOU Linda Lei (周語菡)	Chairman of the Supervisory Committee	A Shares	Beneficial owner	429,054	0.005	0.006	Long position
YIN Hongyan (尹虹艷)	Employee representative Supervisor	A Shares	Beneficial owner	204,311	0.002	0.003	Long position
HE Min (何敏)	Employee representative Supervisor	A Shares	Beneficial owner	102,156	0.001	0.001	Long position

### IV. Description of Restrictions on Equity or Assets and Credit Status of Controlling Shareholder or De Facto Controller

The controlling shareholder of the Company is China Merchants Finance Investment Holdings Co., Ltd., which directly and indirectly holds 44.17% of the shares of the Company, and is not subject to major restrictions. Other major assets of China Merchants Finance Investment Holdings Co., Ltd. are equity investment. There are no major restrictions, and it has good credit standing.

The de facto controller of the Company is China Merchants Group Limited, which indirectly holds 44.17% of the shares of the Company, and is not subject to major restrictions. Other major assets of China Merchants Group Limited are cash and bank balances, inventory and long-term equity investment. There are no major restrictions, and it is granted AAA credit rating with good credit standing.

# Chapter 8: Relevant Information of Bonds

## I. Enterprise Bonds, Corporate Bonds and Non-financial Enterprise Debt Financing Instruments

### (I) Corporate bonds

#### 1. General information of corporate bonds

As of the Latest Practicable Date, the details of the outstanding corporate bonds are as follows:

Unit: 100 Million Yuan    Currency: RMB

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors	Trading mechanism	Whether there is any risk of termination of listing and trading
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 (12招商03)	122234.SH	March 5, 2013	March 5, 2013	March 5, 2023	55.00	5.15	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司開行2014年公司債券)	14 China Merchants Bonds (14招商債)	122374.SH	May 25, 2015	May 26, 2015	May 26, 2025	55.00	5.08	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 21, 2020	July 22, 2020	July 22, 2023	30.00	3.55	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 12, 2020	August 13, 2020	August 13, 2023	30.00	3.50	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 18, 2020	September 21, 2020	September 21, 2022	29.00	3.55	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 18, 2020	September 21, 2020	September 21, 2023	29.00	3.78	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors	Trading mechanism	Whether there is any risk of termination of listing and trading
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招證G6)	175292.SH	October 23, 2020	October 26, 2020	October 26, 2022	30.00	3.43	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 23, 2020	October 26, 2020	October 26, 2023	10.00	3.63	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 2, 2020	December 3, 2020	June 3, 2023	44.30	4.38	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 2, 2020	December 3, 2020	December 3, 2023	10.70	4.43	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 15, 2021	January 18, 2021	January 18, 2023	15.00	3.24	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 15, 2021	January 18, 2021	January 18, 2024	45.00	3.53	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
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 26, 2021	January 27, 2021	January 27, 2024	48.00	3.95	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors	Trading mechanism	Whether there is any risk of termination of listing and trading
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 27, 2021	January 28, 2021	January 28, 2024	14.00	3.58	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Two Non-public issuance of Corporate Bonds (first tranche) 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招證F2)	177973.SH	February 25, 2021	February 26, 2021	August 26, 2023	75.00	3.85	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Click-to-trade, quote request, auction and negotiation	No
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 8, 2021	March 9, 2021	March 9, 2024	60.00	3.95	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Subordinated Bonds (third 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(第三期))	21 China Merchants Securities C3 (21招證C3)	188003.SH	April 14, 2021	April 15, 2021	April 15, 2024	60.00	3.80	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Subordinated Bonds (fourth 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(第四期))	21 China Merchants Securities C4 (21招證C4)	188122.SH	May 17, 2021	May 18, 2021	November 18, 2023	30.00	3.55	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type One Subordinated Bonds (fifth 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(第五期)(品種一))	21 China Merchants Securities C5 (21招證C5)	188306.SH	June 23, 2021	June 24, 2021	June 24, 2023	27.00	3.48	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Two Subordinated Bonds (fifth 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(第五期)(品種二))	21 China Merchants Securities C6 (21招證C6)	188307.SH	June 23, 2021	June 24, 2021	December 23, 2023	20.00	3.60	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2021 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2021年公司債券(第三期)(品種一))	21 China Merchants Securities G4 (21招證G4)	188386.SH	July 9, 2021	July 12, 2021	July 12, 2023	20.00	3.00	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 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2021年公司債券(第三期)(品種二))	21 China Merchants Securities G5 (21招證G5)	188387.SH	July 9, 2021	July 12, 2021	July 12, 2024	40.00	3.22	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 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2021年公司債券(第四期)(品種一))	21 China Merchants Securities G6 (21招證G6)	188481.SH	July 28, 2021	July 29, 2021	October 12, 2023	20.00	2.95	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 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2021年公司債券(第四期)(品種二))	21 China Merchants Securities G7 (21招證G7)	188482.SH	July 28, 2021	July 29, 2021	June 13, 2024	43.00	3.12	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Two Corporate Bonds (fifth 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(第五期)(品種二))	21 China Merchants Securities G9 (21招證G9)	188567.SH	August 11, 2021	August 12, 2021	August 12, 2024	50.00	3.08	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Three Corporate Bonds (fifth 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(第五期)(品種三))	21 China Merchants Securities 10 (21招證10)	188568.SH	August 11, 2021	August 12, 2021	August 12, 2026	20.00	3.41	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type One Subordinated Bonds (sixth 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(第六期)(品種一))	21 China Merchants Securities C7 (21招證C7)	188997.SH	November 10, 2021	November 11, 2021	November 11, 2024	40.00	3.40	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No



## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2021 Type Two Subordinated Bonds (sixth 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(第六期)(品種二))	21 China Merchants Securities C8 (21招證C8)	188998.SH	November 10, 2021	November 11, 2021	November 11, 2026	10.00	3.70	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 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2022年公司債券(第一期))	22 China Merchants Securities G1 (22招證G1)	185286.SH	January 14, 2022	January 17, 2022	January 17, 2025	50.00	2.89	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Perpetual 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2022年面向專業投資者公開發行永續次級債券(第一期)) <sup>Yes</sup>	22 China Merchants Securities Y1 (22招證Y1)	185584.SH	March 23, 2022	March 24, 2022	-	43.00	3.95	Payment of interest annually if the option of deferring payment of interest is not exercised	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Perpetual 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2022年面向專業投資者公開發行永續次級債券(第二期)) <sup>Yes</sup>	22 China Merchants Securities Y2 (22招證Y2)	185697.SH	April 18, 2022	April 19, 2022	-	47.00	3.77	Payment of interest annually if the option of deferring payment of interest is not exercised	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Perpetual Subordinated Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2022年面向專業投資者公開發行永續次級債券(第三期)) <sup>Yes</sup>	22 China Merchants Securities Y3 (22招證Y3)	185739.SH	April 25, 2022	April 26, 2022	-	40.00	3.77	Payment of interest annually if the option of deferring payment of interest is not exercised	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Type One 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2022年面向專業投資者公開發行短期公司債券(第一期)(品種一))	22 China Merchants Securities S1 (22招證S1)	185861.SH	June 5, 2022	June 6, 2022	September 9, 2022	10.00	1.88	Payment of principal and interest upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 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2022年面向專業投資者公開發行短期公司債券(第一期)(品種二))	22 China Merchants Securities S2 (22招證S2)	185862.SH	June 5, 2022	June 6, 2022	December 8, 2022	20.00	2.03	Payment of principal and interest upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2022 Perpetual Subordinated Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2022年面向專業投資者公開發行永續次級債券(第四期)) <sup>(Yes)</sup>	22 China Merchants Securities Y4 (22招證Y4)	185831.SH	June 7, 2022	June 8, 2022	-	20.00	3.72	Payment of interest annually if the option of deferring payment of interest is not exercised	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Type One Short-term 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2022年面向專業投資者公開發行短期公司債券(第二期)(品種一))	22 China Merchants Securities S3 (22招證S3)	137522.SH	July 11, 2022	July 12, 2022	October 20, 2022	26.00	1.94	Payment of principal and interest upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Type Two Short-term 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2022年面向專業投資者公開發行短期公司債券(第二期)(品種二))	22 China Merchants Securities S4 (22招證S4)	137519.SH	July 11, 2022	July 12, 2022	November 24, 2022	10.00	1.96	Payment of principal and interest upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 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2022年面向專業投資者公開發行2022年公司債券(第二期))	22 China Merchants Securities G2 (22招證G2)	185393.SH	July 25, 2022	July 26, 2022	July 26, 2025	40.00	2.70	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 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2022年面向專業投資者公開發行2022年公司債券(第三期)(品種一))	22 China Merchants Securities G3 (22招證G3)	137653.SH	August 10, 2022	August 11, 2022	February 12, 2025	30.00	2.54	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 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2022年面向專業投資者公開發行2022年公司債券(第三期)(品種二))	22 China Merchants Securities G4 (22招證G4)	137654.SH	August 10, 2022	August 11, 2022	August 11, 2025	50.00	2.59	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

## Notes:

- For perpetual subordinated bonds, the issuer shall have the right of redemption, and (when specific conditions are met) the option of redemption and the option of deferring payment of interest.
- The coupon rate for the first five interest-bearing years 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 five years. The coupon rate re-determined every five years is the benchmark interest rate for the relevant period plus the initial spread plus 300 basis points. The initial spread is the difference between the coupon rate and the initial benchmark interest rate in the first five interest-bearing years.
- According to the Administrative Measures for the Eligibility of Investors in the Bond Market of the Shanghai Stock Exchange (2022 Revision) (《上海證券交易所債券市場投資者適當性管理辦法(2022年修訂)》), starting from May 23, 2022, the scope of eligibility of investors of the Company's corporate bonds originally publicly issued to professional investors has been adjusted to offering only to professional institutional investors. Professional individual investors are not allowed to buy back the bonds, but can choose to sell or continue to hold the bonds bought according to the original rules.

## Chapter 8: Relevant Information of Bonds

### 2. Triggering and execution of issuer's or investor's option clause or investor protection clause

Issuer's option of renewal and issuer's right of deferring payment of interest are available for "17 China Merchants Y1", "17 China Merchants Y2", "17 China Merchants Y3" and "17 China Merchants Y4" of the Company. At the end of each repricing cycle of the above bonds, the issuer has the right to choose to extend the maturity of the bonds for one repricing cycle, or to pay the principal in full. February 17, 2022, March 3, 2022, May 22, 2022 and June 19, 2022 are the respective fifth interest payment date (i.e. the end of the first repricing cycle) of the above bonds. The Company has not exercised the issuer's option of renewal and has paid the principal in full for the above bonds.

Issuer's right of redemption (i.e. on the fifth and every subsequent interest payment date of the bonds, the issuer shall have the right to redeem the bonds at the face value plus the interest payable) and (when specific conditions are met) issuer's option of redemption and option of deferring payment of interest are available for "22 China Merchants Securities Y1", "22 China Merchants Securities Y2", "22 China Merchants Securities Y3" and "22 China Merchants Securities Y4" of the Company. As of the Latest Practicable Date, the above bonds have not triggered the exercise of option as the exercise date has not yet reached.

"22 China Merchants Securities G1", "22 China Merchants Securities G2", "22 China Merchants Securities G3", "22 China Merchants Securities G4", "22 China Merchants Securities S1", "22 China Merchants Securities S2", "22 China Merchants Securities S3", "22 China Merchants Securities S4", "22 China Merchants Securities Y1", "22 China Merchants Securities Y2", "22 China Merchants Securities Y3" and "22 China Merchants Securities Y4" of the Company contain investor protection clauses. During the Reporting Period, such investor protection clauses have not been triggered. The Company has undertaken that, according to the consolidated financial statements, the unrestricted cash and bank balances at the end of each semi-annual period during the duration of the above bonds shall not be less than RMB5 billion. As of the end of June 2022, the Company's own cash and bank balances amounted to RMB18.729 billion, and the unrestricted cash and bank balances amounted to RMB16.825 billion, which met the undertaken amount.

### 3. Execution of and changes in guarantees, debt repayment plans and other repayment guarantee measures during the Reporting Period and their impacts

#### (1) Guarantees

Current status	Execution	Whether there is any change	Status upon change	Reason for the change	Whether the change has been approved by the competent authority	Impact of the change on the rights and interests of bond investors
None of the surviving corporate bonds is guaranteed	-	No	N/A	N/A	N/A	N/A

#### (2) Debt repayment plans

Current status	Execution	Whether there is any change	Status upon change	Reason for the change	Whether the change has been approved by the competent authority	Impact of the change on the rights and interests of bond investors
For bonds with an original maturity of more than one and a half years (inclusive), the repayment plan is to pay interest annually and pay the principal upon expiry. For bonds with an original maturity of less than one and a half years, the repayment plan is to pay the principal and interest one-off upon expiry.	The Company has strictly executed the commitments on repayment plan in the prospectus, paid the interest and principal of corporate bonds in a timely manner, and disclosed relevant information in a timely manner.	No	N/A	N/A	N/A	N/A

## Chapter 8: Relevant Information of Bonds

## (3) Repayment guarantee measures

Current status	Execution	Whether there is any change	Status upon change	Reason for the change	Whether the change has been approved by the competent authority	Impact of the change on the rights and interests of bond investors
The repayment guarantee measures include engaging a trustee, formulating the Bondholders' Meeting Rules, setting up a special repayment working group, improving profitability, optimizing asset and liability structure, strictly fulfilling information disclosure obligations and maintaining strong shareholder support.	The Company has strictly executed the commitments on repayment guarantee measures in the prospectus to protect the legitimate rights and interests of investors.	No	N/A	N/A	N/A	N/A

## 4. Other information on corporate bonds

## (1) Total interest-bearing liabilities, year-on-year changes and types of interest-bearing liabilities as at the end of the Reporting Period

Unit: Yuan, %

Type of liability	Parent company			Consolidated		
	June 30, 2022	December 31, 2021	Change	June 30, 2022	December 31, 2021	Change
Short-term borrowings	-	-	-	4,452,685,476.70	5,248,005,983.09	-15.15
Short-term debt instruments	21,116,490,615.44	26,539,981,925.30	-20.44	21,507,168,989.59	26,935,839,064.49	-20.15
Placements from banks and other financial institutions	1,910,308,831.71	6,743,717,383.90	-71.67	1,910,308,831.71	6,743,717,383.90	-71.67
Financial assets sold under repurchase agreements	129,805,568,489.92	124,305,438,041.02	4.42	131,227,387,379.66	127,417,730,458.56	2.99
Long-term borrowings	-	-	-	1,025,778,532.08	980,181,988.83	4.65
Bonds payable	131,505,890,570.71	143,122,625,166.26	-8.12	134,866,486,379.78	146,313,957,294.30	-7.82
<b>Total</b>	<b>284,338,258,507.78</b>	<b>300,711,762,516.48</b>	<b>-5.44</b>	<b>294,989,815,589.52</b>	<b>313,639,432,173.17</b>	<b>-5.95</b>

Note: As at the end of 2021 and the end of June 2022, the principal of the Company's perpetual subordinated bonds amounted to RMB15 billion, which was included in equity instruments and was not included in the above interest-bearing liabilities. For details, please see "Other equity instruments" in "Chapter 9: Financial Report".

## Chapter 8: Relevant Information of Bonds

### (2) Maturity of interest-bearing liabilities as at the end of the Reporting Period

Unit: Yuan, %

Type of liability	Parent company		Consolidated	
	Within one year	Over one year	Within one year	Over one year
Short-term borrowings	–	–	4,452,685,476.70	–
Short-term debt instruments	21,116,490,615.44	–	21,507,168,989.59	–
Placements from banks and other financial institutions	1,910,308,831.71	–	1,910,308,831.71	–
Financial assets sold under repurchase agreements	129,805,568,489.92	–	131,227,387,379.66	–
Long-term borrowings	–	–	779,477.56	1,024,999,054.52
Bonds payable	47,803,065,814.20	83,702,824,756.51	47,815,892,530.01	87,050,593,849.77
<b>Total</b>	<b>200,635,433,751.27</b>	<b>83,702,824,756.51</b>	<b>206,914,222,685.23</b>	<b>88,075,592,904.29</b>
<b>Proportion</b>	<b>70.56</b>	<b>29.44</b>	<b>70.14</b>	<b>29.86</b>

Note: As at the end of June 2022, the principal of the Company's perpetual subordinated bonds amounted to RMB15 billion, all with a maturity of over one year. For details, please see "Other equity instruments" in "Chapter 9: Financial Report".

### (3) Use of proceeds from corporate bonds during the Reporting Period

During the Reporting Period, the Company did not adjust or change the use of proceeds from corporate bonds. During the Reporting Period, proceeds from the Company's bonds were utilized as follows:

Unit: 100 Million Yuan Currency: RMB

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2022 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors	50.00	50.00	–	Operating normally	Nil	Yes
The 2022 Type One Short-term Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors	10.00	10.00	–	Operating normally	Nil	Yes
The 2022 Type Two Short-term Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors	20.00	20.00	–	Operating normally	Nil	Yes
The 2022 Perpetual Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors	43.00	43.00	–	Operating normally	Nil	Yes
The 2022 Perpetual Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors	47.00	47.00	–	Operating normally	Nil	Yes
The 2022 Perpetual Subordinated Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors	40.00	40.00	–	Operating normally	Nil	Yes
The 2022 Perpetual Subordinated Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors	20.00	20.00	–	Operating normally	Nil	Yes

## Chapter 8: Relevant Information of Bonds

### (II) Key accounting data and financial indicators

Unit: 100 Million Yuan Currency: RMB

Key indicators	End of the Reporting Period	End of last year	Change (%)	Reason for the change
Current ratio	1.60	1.76	-8.83	–
Quick ratio	1.60	1.76	-8.83	–
Gearing ratio (%)	77.27	77.37	-0.13	–

	The Reporting Period (January – June)	The Previous Period	Change (%)	Reason for the change
Net profit after deduction of non-recurring profit or loss	42.39	56.56	-25.05	–
EBITDA/debt ratio	2.89	3.32	-12.86	–
Interest coverage ratio	2.02	2.57	-21.51	–
Cash interest coverage ratio	10.00	-7.90	N/A	Attributable to the change in cash flow generated from operating activities from net outflow to net inflow
EBITDA/interest coverage ratio	2.09	2.65	-20.91	–
Loan repayment ratio (%)	100.00	100.00	–	–
Interest payment ratio (%)	100.00	100.00	–	–

#### Notes:

1. “Net profit after deduction of non-recurring profit or loss” in the above table refers to the net profit attributable to shareholders of the parent company after deduction of non-recurring profit or loss.
2. Gearing ratio = (Total liabilities – Amount of agency trading of securities – Amount of agency underwriting of securities)/(Total assets – Amount of agency trading of securities – Amount of agency underwriting of securities).

## Chapter 9: Financial Report

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

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

#### Introduction

We have reviewed the condensed consolidated financial statements of China Merchants Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 95 to 192, which comprise the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

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

#### Conclusion

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

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26 August, 2022

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

# Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended June 30,	
		2022	2021
		(Unaudited)	(Unaudited)
Fee and commission income	4	6,239,856	6,631,285
Interest income	5	5,205,174	5,535,320
Investment gains or losses, net	6	3,059,849	5,275,338
Other income and gains or losses, net	7	1,372,027	1,825,409
<b>Total revenue, gains and other income</b>		<b>15,876,906</b>	<b>19,267,352</b>
Depreciation and amortization	8	(340,632)	(315,467)
Staff costs	9	(3,025,459)	(4,461,036)
Fee and commission expenses	10	(1,270,931)	(1,188,896)
Interest expenses	11	(4,840,104)	(4,466,544)
Tax and surcharges		(70,695)	(73,351)
Other operating expenses	12	(2,218,022)	(2,551,715)
Impairment losses under expected credit loss model, net of reversal	13	(205,525)	(149,979)
Other impairment losses, net		(6,915)	—
<b>Total expenses</b>		<b>(11,978,283)</b>	<b>(13,206,988)</b>
Share of results of associates		856,522	752,548
<b>Profit before income tax</b>		<b>4,755,145</b>	<b>6,812,912</b>
Income tax expenses	14	(460,132)	(1,060,877)
<b>Profit for the period</b>		<b>4,295,013</b>	<b>5,752,035</b>
Attributable to:			
Shareholders of the Company		4,288,120	5,745,385
Non-controlling interests		6,893	6,650
		<b>4,295,013</b>	<b>5,752,035</b>
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)			
— Basic and diluted	15	0.46	0.61

The accompanying notes form an integral part of these condensed consolidated interim financial report.



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

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>4,295,013</b>	<b>5,752,035</b>
<b>Other comprehensive income (expense):</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Equity instruments designated as at fair value through other comprehensive income:		
Net fair value changes during the period	(171,461)	(296,111)
Income tax impact	41,315	74,028
Sub-total	(130,146)	(222,083)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Debt instruments at fair value through other comprehensive income:		
Net fair value changes during the period	(181,215)	31,936
Reclassification adjustment to profit or loss on disposal	186,364	(6,744)
Impairment losses under expected credit loss model, net of reversal	(14,266)	(1,585)
Income tax impact	2,271	(8,156)
Sub-total	(6,846)	15,451
Share of other comprehensive income of associates, net of related income tax	3,583	2,117
Exchange differences arising from translation of foreign operations	217,152	(65,906)
<b>Other comprehensive income (expense) for the period (net of tax)</b>	<b>83,743</b>	<b>(270,421)</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>4,378,756</b>	<b>5,481,614</b>
Attributable to:		
Shareholders of the Company	4,371,863	5,474,964
Non-controlling interests	6,893	6,650
	<b>4,378,756</b>	<b>5,481,614</b>

# Condensed Consolidated Statement of Financial Position

As at June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at June 30, 2022	As at December 31, 2021
		(Unaudited)	(Audited)
<b>Non-current assets</b>			
Property and equipment	16	1,451,198	1,480,506
Right-of-use assets	17	1,641,907	1,643,651
Goodwill		9,671	9,671
Other intangible assets		37,440	35,602
Interests in associates		9,949,750	9,648,858
Equity instruments at fair value through other comprehensive income	18	1,447,231	1,409,254
Debt instruments at amortized cost	19	41,101	164,506
Financial assets held under resale agreements	20	201,000	665,863
Financial assets at fair value through profit or loss	26	9,823,849	10,577,488
Deferred tax assets	21	1,216,935	1,561,415
Other non-current assets	22	757,956	747,041
<b>Total non-current assets</b>		<b>26,578,038</b>	<b>27,943,855</b>
<b>Current assets</b>			
Advances to customers	23	85,132,968	98,686,506
Current tax assets		307,414	139,954
Accounts and other receivables	24	6,152,889	5,260,246
Debt instruments at fair value through other comprehensive income	25	56,244,073	40,582,323
Debt instruments at amortized cost	19	381,389	953,120
Financial assets held under resale agreements	20	31,088,521	38,532,729
Financial assets at fair value through profit or loss	26	243,478,343	254,766,790
Derivative financial assets	27	3,829,792	3,204,641
Other current assets		80,746	197,539
Deposits with exchanges and non-bank financial institutions	28	11,972,323	13,141,791
Clearing settlement funds	29	21,863,380	25,873,373
Cash and bank balances	30	113,966,437	87,938,261
<b>Total current assets</b>		<b>574,498,275</b>	<b>569,277,273</b>
<b>Total assets</b>		<b>601,076,313</b>	<b>597,221,128</b>

## Condensed Consolidated Statement of Financial Position (Continued)

As at June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at June 30, 2022	As at December 31, 2021
		(Unaudited)	(Audited)
<b>Current liabilities</b>			
Short-term borrowings	32	4,452,685	5,248,006
Short-term debt instruments	33	21,507,169	26,935,839
Placements from banks and other financial institutions	34	1,910,309	6,743,717
Accounts payables to brokerage clients	35	110,593,909	99,605,342
Accrued staff costs	36	7,809,434	8,059,301
Other payables and accrued charges	37	34,394,575	32,690,883
Current tax liabilities		194,679	553,519
Financial liabilities at fair value through profit or loss	38	33,869,911	21,320,342
Derivative financial liabilities	27	5,631,460	4,616,992
Financial assets sold under repurchase agreements	39	131,227,387	127,417,730
Lease liabilities	40	343,422	321,889
Provisions		69,280	128,144
Long-term borrowings due within one year	45	779	642
Bonds payables due within one year	47	47,815,894	32,920,742
<b>Total current liabilities</b>		<b>399,820,893</b>	<b>366,563,088</b>
<b>Net current assets</b>		<b>174,677,382</b>	<b>202,714,185</b>
<b>Total assets less current liabilities</b>		<b>201,255,420</b>	<b>230,658,040</b>
<b>Equity</b>			
Share capital	41	8,696,526	8,696,526
Other equity instruments	42	14,985,849	15,000,000
Capital reserve		40,361,022	40,361,022
Investment revaluation reserve of financial assets at fair value through other comprehensive income	43	70,391	196,165
Translation reserve		(10,262)	(227,414)
General reserves	44	20,768,443	20,744,058
Retained profits		26,510,515	27,732,673
<b>Equity attributable to shareholders of the Company</b>		<b>111,382,484</b>	<b>112,503,030</b>
Non-controlling interests		94,314	87,421
<b>Total equity</b>		<b>111,476,798</b>	<b>112,590,451</b>

# Condensed Consolidated Statement of Financial Position (Continued)

As at June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at June 30, 2022	As at December 31, 2021
		(Unaudited)	(Audited)
<b>Non-current liabilities</b>			
Accrued staff costs	36	97,661	223,661
Deferred tax liabilities	21	474,575	491,857
Financial liabilities at fair value through profit or loss	38	23,481	1,867,596
Deferred income		114,544	116,144
Lease liabilities	40	992,769	995,576
Long-term borrowings	46	1,024,999	979,540
Bonds payables	48	87,050,593	113,393,215
<b>Total non-current liabilities</b>		<b>89,778,622</b>	<b>118,067,589</b>
<b>Total equity and non-current liabilities</b>		<b>201,255,420</b>	<b>230,658,040</b>

Approved and authorized for issue by the board of directors on August 26, 2022 and are signed on its behalf by:

**HUO Da**  
*Executive Director, Chairman*

**WU Zongmin**  
*Executive Director, President*

# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Equity attributable to shareholders of the Company								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve of financial assets at fair value through other comprehensive income	Translation reserve	General reserves	Retained profits	Sub-total		
	(note 41)	(note 42)		(note 43)		(note 44)				
At January 1, 2022 (Audited)	8,696,526	15,000,000	40,361,022	196,165	(227,414)	20,744,058	27,732,673	112,503,030	87,421	112,590,451
Profit for the period	—	—	—	—	—	—	4,288,120	4,288,120	6,893	4,295,013
Other comprehensive (expense) income for the period	—	—	—	(133,409)	217,152	—	—	83,743	—	83,743
<b>Total comprehensive (expense) income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(133,409)</b>	<b>217,152</b>	<b>—</b>	<b>4,288,120</b>	<b>4,371,863</b>	<b>6,893</b>	<b>4,378,756</b>
Issue of perpetual bonds (note 42)	—	14,985,849	—	—	—	—	—	14,985,849	—	14,985,849
Redemption of perpetual bonds (note 42)	—	(15,000,000)	—	—	—	—	—	(15,000,000)	—	(15,000,000)
Appropriation to general reserves	—	—	—	—	—	24,385	(24,385)	—	—	—
Distribution to holders of other equity instruments (note 49)	—	—	—	—	—	—	(782,134)	(782,134)	—	(782,134)
Dividends recognized as distribution (note 49)	—	—	—	—	—	—	(4,696,124)	(4,696,124)	—	(4,696,124)
Transfer to retained profits for cumulative fair value change of FVTOCI upon disposal (note 43)	—	—	—	7,635	—	—	(7,635)	—	—	—
At June 30, 2022 (Unaudited)	8,696,526	14,985,849	40,361,022	70,391	(10,262)	20,768,443	26,510,515	111,382,484	94,314	111,476,798

# Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Equity attributable to shareholders of the Company								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve of financial assets at fair value through other comprehensive income	Translation reserve	General reserves	Retained profits	Sub-total		
	(note 41)	(note 42)		(note 43)		(note 44)				
At January 1, 2021 (Audited)	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
Profit for the period	—	—	—	—	—	—	5,745,385	5,745,385	6,650	5,752,035
Other comprehensive expense for the period	—	—	—	(204,515)	(65,906)	—	—	(270,421)	—	(270,421)
<b>Total comprehensive (expense) income for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(204,515)</b>	<b>(65,906)</b>	<b>—</b>	<b>5,745,385</b>	<b>5,474,964</b>	<b>6,650</b>	<b>5,481,614</b>
Appropriation to general reserves	—	—	—	—	—	26,839	(26,839)	—	—	—
Distribution to holders of other equity instruments	—	—	—	—	—	—	(397,749)	(397,749)	—	(397,749)
Dividends recognized as distribution	—	—	—	—	—	—	(3,800,382)	(3,800,382)	(5,600)	(3,805,982)
Transfer to retained profits for cumulative fair value change of FVTOCI in associates upon disposal	—	—	—	22,101	—	—	(22,101)	—	—	—
At June 30, 2021 (Unaudited)	8,696,526	15,000,000	40,361,022	106,212	(109,000)	18,541,478	24,417,400	107,013,638	88,958	107,102,596

## Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Profit before income tax	4,755,145	6,812,912
<b>Adjustments for:</b>		
Interest expenses	4,840,104	4,466,544
Share of results of associates	(856,522)	(752,548)
Depreciation and amortization	340,632	315,467
Impairment losses under expected credit loss model, net of reversal and other impairment losses, net	212,440	149,979
Gains on disposal of property and equipment, other intangible assets and other non-current assets, net	(983)	(137)
Foreign exchange losses (gains), net	155,299	(29,111)
Gain on disposal of investments in associates	—	(134,220)
Net realized losses (gains) from disposal of financial assets at fair value through other comprehensive income	186,364	(6,744)
Net realized losses from derecognition of financial liabilities measured at amortised cost	5,197	—
Dividend income and interest income on financial assets at fair value through other comprehensive income and debt instrument at amortized cost	(686,401)	(1,161,077)
Unrealized fair value changes in financial instruments at fair value through profit or loss	72,494	(1,052,006)
Unrealized fair value changes in derivative financial instruments	1,095,406	328,684
<b>Operating cash flows before movements in working capital</b>	<b>10,119,175</b>	<b>8,937,743</b>
Decrease (Increase) in advances to customers	13,809,130	(22,752,281)
Increase in other current assets	(865,789)	(2,205,191)
Decrease in financial assets held under resale agreements	7,775,937	12,143,724
Decrease (Increase) in financial instruments at fair value through profit or loss, net	22,488,921	(55,997,772)
Decrease (Increase) in deposits with exchanges and non-bank financial institutions	1,183,879	(930,436)
Decrease (Increase) in pledged and restricted bank deposits	169,897	(278,643)
Decrease in clearing settlement funds	3,284,616	1,824,310
Increase in cash held on behalf of customers	(16,703,318)	(13,035,155)
Increase in accounts payables to brokerage clients	10,644,633	11,624,792
Decrease in accrued staff costs	(380,691)	(171,140)
(Decrease) Increase in other current liabilities	(3,173,339)	7,724,735
Increase in financial assets sold under repurchase agreements	3,916,336	20,669,545
Decrease in placements from other financial institutions	(4,827,316)	(6,500,000)
Cash from (used in) operations	47,442,071	(38,945,769)
Income taxes paid	(624,463)	(436,797)
Interest paid	(1,920,773)	(1,690,191)
<b>Net cash from (used in) operating activities</b>	<b>44,896,835</b>	<b>(41,072,757)</b>

## Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
<b>Investing activities</b>		
Dividends and interest received from investments	1,288,891	1,791,850
Purchases of property and equipment, other intangible assets and other non-current assets	(149,812)	(111,751)
Proceeds from disposals of property and equipment, other intangible assets and other non-current assets	1,015	187
Proceeds on disposal of interest in an associate	—	945,405
Net purchase or proceeds from purchases or disposals of financial instruments at fair value through other comprehensive income	(16,064,365)	1,205,495
Net purchase or proceeds from disposals of debt instruments at amortized cost	632,610	151,047
<b>Net cash (used in) from investing activities</b>	<b>(14,291,661)</b>	<b>3,982,233</b>
<b>Financing activities</b>		
Dividends paid to shareholders and other equity instruments holders	(802,090)	(807,690)
Interest payment of bonds and short-term debt instruments	(3,455,269)	(2,689,055)
Interest payment of borrowings	(42,855)	(57,166)
Interest payment of lease liabilities	(24,224)	(19,425)
Repayment of bonds and short-term debt instruments	(41,463,421)	(62,501,668)
Repayment of lease liabilities	(146,687)	(148,261)
Repayment of perpetual bonds	(15,000,000)	—
Proceeds from bonds and short-term debt instruments	24,724,683	85,150,998
Proceeds from perpetual bonds	15,000,000	—
Net repayment or proceeds from short-term borrowings	(1,042,785)	18,002,403
Repayment of long-term borrowings	—	201,497
<b>Net cash (used in) from financing activities</b>	<b>(22,252,648)</b>	<b>37,131,633</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,352,526</b>	<b>41,109</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>14,597,238</b>	<b>19,443,988</b>
Effect of foreign exchange rate changes	43,350	(38,213)
<b>Cash and cash equivalents at the end of the period</b>	<b>22,993,114</b>	<b>19,446,884</b>
<b>Net cash flows from operating activities include Interest received</b>	<b>4,393,335</b>	<b>4,392,901</b>



# Notes to the Condensed Consolidated Financial Information

For the period ended June 30, 2022

(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 the 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, in accordance 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 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 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 June 30, 2022, 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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(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 the "Group") are principally engaged in securities brokerage, securities financial advisory, financial advisory relating to securities trading and investment activities, securities underwriting and sponsorship, proprietary trading, asset management, margin financing and securities lending, securities investment fund distribution, agency sales of financial products, securities investment management, stock options market-making business, commodity futures brokerage, financial futures brokerage, futures investment consulting and other business approved by China Securities Regulatory Commission's ("CSRC").

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

## 2. BASIS OF PREPARATION

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

## 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

### Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4. FEE AND COMMISSION INCOME

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	4,525,197	4,663,195
Underwriting and sponsorship business	765,267	910,273
Investment advisory business	451,974	475,707
Asset management and fund management business	430,580	514,524
Financial advisory business	66,838	67,586
	<b>6,239,856</b>	<b>6,631,285</b>

### 5. INTEREST INCOME

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Interest income from advances to customers and securities lending	2,820,754	3,005,749
Interest income from deposits with exchanges and financial institutions	1,056,827	900,432
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")	663,431	698,260
Interest income from securities-backed lending and stock repurchase agreements	398,780	676,111
Interest income from other financial assets held under resale agreements	242,412	217,970
Interest income on debt instruments at amortized cost	22,970	36,798
	<b>5,205,174</b>	<b>5,535,320</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. INVESTMENT GAINS OR LOSSES, NET

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Dividend and interest income from financial assets at FVTPL	2,814,438	2,749,884
Net gains (losses) from derivative financial instruments	987,121	(582,211)
Net gains (losses) from financial liabilities at FVTPL	199,282	(443,224)
Dividend from financial assets at FVTOCI	14,377	426,019
Net gains on disposal of interests in an associate	—	134,220
Net losses on derecognition of debt instruments at amortized cost	(5,197)	—
Net (losses) gains from disposals of debt instruments measured at FVTOCI	(186,364)	6,744
Net (losses) gains from financial assets at FVTPL	(763,808)	2,983,906
	<b>3,059,849</b>	<b>5,275,338</b>

### 7. OTHER INCOME AND GAINS OR LOSSES, NET

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Income from commodity trading	1,321,093	1,686,875
Refund from tax withholding and remittance	81,419	31,755
Government grants <sup>(i)</sup>	73,889	22,791
Rental income	8,525	10,357
Foreign exchange (losses) gains, net	(155,299)	29,111
Others	42,400	44,520
	<b>1,372,027</b>	<b>1,825,409</b>

- (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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 8. DEPRECIATION AND AMORTIZATION

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	171,702	160,909
Depreciation of property and equipment	92,358	94,395
Amortization of other non-current assets	73,996	58,251
Amortization of other intangible assets	2,576	1,912
	<b>340,632</b>	<b>315,467</b>

### 9. STAFF COSTS

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	2,457,951	3,955,158
Contributions to retirement benefits	294,745	238,371
Other social welfare	207,215	180,483
Others	65,548	87,024
	<b>3,025,459</b>	<b>4,461,036</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 10. FEE AND COMMISSION EXPENSES

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	1,240,085	1,156,728
Underwriting and sponsorship business	18,551	21,309
Financial advisory business	9,645	9,701
Asset management and fund management business	1,956	944
Investment advisory business	694	214
	<b>1,270,931</b>	<b>1,188,896</b>

### 11. INTEREST EXPENSES

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Bonds payables	2,745,044	2,207,183
Financial assets sold under repurchase agreements	1,132,998	1,158,475
Short-term debt instruments	333,103	484,539
Placements from banks and other financial institutions	295,357	306,471
Accounts payables to brokerage clients	175,154	134,897
Borrowings	66,900	75,345
Lease liabilities	19,573	18,686
Others	71,975	80,948
	<b>4,840,104</b>	<b>4,466,544</b>

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Cost of commodity trading	1,325,223	1,686,088
Electronic equipment operation expenses	184,259	149,692
Member fees of stock exchange	183,576	98,331
Business and promotion expenses	127,916	179,616
Postal and communications expenses	93,291	74,004
Clearing fee	63,472	49,033
Securities and futures investor protection funds	41,078	47,693
Rental and property management expenses <sup>(i)</sup>	36,489	33,881
Business travel expenses	30,020	49,783
General and administrative expenses	21,109	22,768
Others	111,589	160,826
	<b>2,218,022</b>	<b>2,551,715</b>

- (i) In the current interim period, the expense relating to short-term leases is RMB3,702thousand (for six months ended June 30, 2021: RMB6,404 thousand).

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

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Impairment loss on financial assets held under resale agreements (note 20)	131,549	142,589
Impairment loss on debt instruments at amortized cost (note 19)	58,666	1,447
Impairment loss on accounts and other receivables	19,493	9,836
Impairment loss (Reversal of) on advances to customers (note 23)	10,083	(2,308)
Reversal of impairment loss on debt instruments at FVTOCI (note 25)	(14,266)	(1,585)
	<b>205,525</b>	<b>149,979</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 14. INCOME TAX EXPENSES

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
<b>Current tax:</b>		
— PRC Enterprise Income Tax	131,307	558,353
— Hong Kong Profits Tax	1,694	124,365
	<b>133,001</b>	<b>682,718</b>
<b>Over provision in respect of prior periods:</b>		
— PRC Enterprise Income Tax	(43,741)	(11,498)
— Hong Kong Profits Tax	(21)	—
	<b>(43,762)</b>	<b>(11,498)</b>
<b>Deferred taxation:</b>		
— Origination and reversal of temporary differences (note 21)	370,893	389,657
	<b>460,132</b>	<b>1,060,877</b>

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

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

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share:		
Profit attributable to shareholders of the Company and holders of other equity instruments	4,288,120	5,745,385
Less: Interest attributable to holders of perpetual subordinated bonds	(323,357)	(397,749)
	<b>3,964,763</b>	<b>5,347,636</b>
Earnings per share:		
Earnings per share (in RMB yuan)	0.46	0.61

Note: For the six months ended June 30, 2022 and 2021, there were no dilutive shares.



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 16. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
<b>Unaudited</b>						
<b>Cost</b>						
As at January 1, 2022	1,277,180	60,431	964,112	63,934	30,900	2,396,557
Additions	—	628	56,725	391	21,301	79,045
Disposals	—	(514)	(336)	(171)	—	(1,021)
Transfer	—	—	83	—	(17,301)	(17,218)
Exchange differences	—	52	1,803	1,385	502	3,742
As at June 30, 2022	1,277,180	60,597	1,022,387	65,539	35,402	2,461,105
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2022	310,909	51,643	515,446	38,053	—	916,051
Charge for the period	16,009	1,261	69,658	5,430	—	92,358
Disposals	—	(488)	(289)	(162)	—	(939)
Exchange differences	—	52	1,432	953	—	2,437
As at June 30, 2022	326,918	52,468	586,247	44,274	—	1,009,907
<b>Carrying values</b>						
<b>As at June 30, 2022</b>	<b>950,262</b>	<b>8,129</b>	<b>436,140</b>	<b>21,265</b>	<b>35,402</b>	<b>1,451,198</b>
<b>Audited</b>						
<b>Cost</b>						
As at January 1, 2021	1,329,857	60,464	945,547	58,539	39,146	2,433,553
Additions	—	—	176,150	12,863	64,298	253,311
Disposals	—	—	(159,478)	(6,493)	—	(165,971)
Transfer	—	—	3,803	—	(72,053)	(68,250)
Final account	(52,677)	—	—	—	—	(52,677)
Exchange differences	—	(33)	(1,910)	(975)	(491)	(3,409)
As at December 31, 2021	1,277,180	60,431	964,112	63,934	30,900	2,396,557
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2021	278,700	48,303	524,635	34,886	—	886,524
Charge for the year	32,803	3,373	146,722	8,482	—	191,380
Disposals	—	—	(154,272)	(5,229)	—	(159,501)
Final account	(594)	—	—	—	—	(594)
Exchange differences	—	(33)	(1,639)	(86)	—	(1,758)
As at December 31, 2021	310,909	51,643	515,446	38,053	—	916,051
<b>Carrying values</b>						
<b>As at December 31, 2021</b>	<b>966,271</b>	<b>8,788</b>	<b>448,666</b>	<b>25,881</b>	<b>30,900</b>	<b>1,480,506</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. RIGHT-OF-USE ASSETS

	Property leasing	Land-use rights	Total
<b>Unaudited</b>			
<b>Cost</b>			
As at January 1, 2022	2,426,752	432,600	2,859,352
Additions	165,838	—	165,838
Disposals	(4,699)	—	(4,699)
Exchange differences	9,084	—	9,084
<b>As at June 30, 2022</b>	<b>2,596,975</b>	<b>432,600</b>	<b>3,029,575</b>
<b>Accumulated depreciation and impairment</b>			
As at January 1, 2022	1,181,861	33,840	1,215,701
Charge for the period	166,214	5,488	171,702
Deductions	(4,537)	—	(4,537)
Exchange differences	4,802	—	4,802
<b>As at June 30, 2022</b>	<b>1,348,340</b>	<b>39,328</b>	<b>1,387,668</b>
<b>Carrying values</b>			
<b>As at June 30, 2022</b>	<b>1,248,635</b>	<b>393,272</b>	<b>1,641,907</b>
<b>Audited</b>			
<b>Cost</b>			
As at January 1, 2021	2,087,869	432,600	2,520,469
Additions	559,067	—	559,067
Disposals	(213,684)	—	(213,684)
Exchange differences	(6,500)	—	(6,500)
<b>As at December 31, 2021</b>	<b>2,426,752</b>	<b>432,600</b>	<b>2,859,352</b>
<b>Accumulated depreciation and impairment</b>			
As at January 1, 2021	888,640	22,865	911,505
Charge for the year	315,530	10,975	326,505
Other additions	54,666	—	54,666
Deductions	(73,340)	—	(73,340)
Exchange differences	(3,635)	—	(3,635)
<b>As at December 31, 2021</b>	<b>1,181,861</b>	<b>33,840</b>	<b>1,215,701</b>
<b>Carrying values</b>			
<b>As at December 31, 2021</b>	<b>1,244,891</b>	<b>398,760</b>	<b>1,643,651</b>

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Equity investments	1,447,231	1,409,254

### 19. DEBT INSTRUMENTS AT AMORTIZED COST

#### (1) Analyzed by nature

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Non-current</b>		
Bonds	41,117	164,590
Less: Expected credit losses	(16)	(84)
	<b>41,101</b>	<b>164,506</b>
<b>Current</b>		
Bonds	466,744	977,320
Less: Expected credit losses	(85,355)	(24,200)
	<b>381,389</b>	<b>953,120</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
At the beginning of the period/year	24,284	1,134
Expected credit losses recognized	58,666	23,505
Exchange differences	2,421	(355)
<b>At the end of the period/year</b>	<b>85,371</b>	<b>24,284</b>

	As at June 30, 2022 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	404,671	—	103,190	507,861
Expected credit losses	132	—	85,239	85,371

	As at December 31, 2021 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	1,048,443	93,467	—	1,141,910
Expected credit losses	660	23,624	—	24,284

For the six months ended June 30, 2022, the stage 3 expected credit losses on debt instruments at amortized cost was entirely transferred from the stage 2 carrying balance as of December 31, 2021. (December 31, 2021: There was no transfer between the stages of expected credit losses.)

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Non-current</b>		
<b>Analyzed by collateral type:</b>		
Stocks <sup>(i)</sup>	201,000	665,863
<b>Analyzed by market:</b>		
Stock exchanges	201,000	665,863
Less: Expected credit losses	—	—
	<b>201,000</b>	<b>665,863</b>
<b>Current</b>		
<b>Analyzed by collateral type:</b>		
Stocks <sup>(i)</sup>	13,118,612	13,774,595
Bonds	16,848,041	25,498,711
Precious metal	1,993,994	—
<b>Sub-total</b>	<b>31,960,647</b>	<b>39,273,306</b>
<b>Analyzed by market:</b>		
Stock exchanges	14,313,061	18,422,481
Interbank bond market	15,653,592	20,850,825
Over-the-counter	1,993,994	—
<b>Sub-total</b>	<b>31,960,647</b>	<b>39,273,306</b>
Less: Expected credit losses	(872,126)	(740,577)
	<b>31,088,521</b>	<b>38,532,729</b>

- (i) Financial assets (pledged by stocks) held under resale agreements and securities back-lending are resale agreements entered into by the Group with qualified investors with a commitment to purchasing the specified securities at a future date with an agreed price.

As at June 30, 2022, the Group received collateral amounting to RMB63,835 million (December 31, 2021: RMB78,449 million) in connection with financial assets held under resale agreements.

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
At the beginning of the period/year	740,577	463,061
Expected credit losses recognized	131,549	277,516
<b>At the end of the period/year</b>	<b>872,126</b>	<b>740,577</b>

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

	As at June 30, 2022 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	12,101,249	—	1,218,363	13,319,612
Expected credit losses	8,535	—	863,591	872,126
Collateral	41,201,040	—	574,354	41,775,394

	As at December 31, 2021 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	13,157,522	—	1,282,936	14,440,458
Expected credit losses	17,448	—	723,129	740,577
Collateral	47,768,310	—	888,916	48,657,226

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21. DEFERRED TAX ASSETS (LIABILITIES)

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Deferred tax assets	1,216,935	1,561,415
Deferred tax liabilities	(474,575)	(491,857)

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

	Financial instruments at fair value through profit and loss/ derivatives	Accrued staff cost	Deferred income	Impairment allowances	Financial instruments at fair value through other comprehensive income	Property and equipment	Others	Total
<b>Audited</b>								
<b>At December 31, 2020</b>	(596,943)	1,461,359	29,835	147,914	(94,889)	—	80,987	1,028,263
(Charge) credit to profit or loss	(148,994)	92,032	(799)	63,005	—	(2,815)	2,736	5,165
Credit to other comprehensive income	—	—	—	—	35,300	—	—	35,300
Exchange differences	—	—	—	1,331	(513)	—	12	830
<b>At December 31, 2021</b>	(745,937)	1,553,391	29,036	212,250	(60,102)	(2,815)	83,735	1,069,558
<b>Unaudited</b>								
<b>At January 1, 2022</b>	(745,937)	1,553,391	29,036	212,250	(60,102)	(2,815)	83,735	1,069,558
(Charge) credit to profit or loss	(401,228)	41,668	(400)	15,350	—	2,815	(29,098)	(370,893)
Credit to other comprehensive income	—	—	—	—	43,586	—	—	43,586
Exchange differences	—	—	—	—	(78)	—	187	109
<b>At June 30, 2022</b>	(1,147,165)	1,595,059	28,636	227,600	(16,594)	—	54,824	742,360

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 22. OTHER NON-CURRENT ASSETS

#### (1) Analyzed by nature

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Leasehold improvements and long-term deferred expenses	466,141	455,226
Prepayments for investments	291,815	291,815
	<b>757,956</b>	<b>747,041</b>

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
At the beginning of period/year	455,226	348,166
Additions	70,664	182,547
Transfer from construction in progress (note 16)	14,247	47,368
Amortization	(73,996)	(122,855)
<b>At the end of period/year</b>	<b>466,141</b>	<b>455,226</b>



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23. ADVANCES TO CUSTOMERS

#### (1) Analyzed by nature

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Advances to customers	85,289,548	98,832,293
Less: Expected credit losses	(156,580)	(145,787)
	<b>85,132,968</b>	<b>98,686,506</b>

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 35 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.

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Collateral measured at fair value</b>		
Cash	11,237,612	9,019,690
Bonds	2,320,758	1,929,661
Equity securities	262,078,337	272,671,945
Funds	4,826,498	2,207,212
	<b>280,463,205</b>	<b>285,828,508</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 23. ADVANCES TO CUSTOMERS (Continued)

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
At the beginning of the period/year	145,787	107,239
Expected credit losses recognized	10,083	43,055
Write-off of expected credit losses	—	(3,996)
Exchange differences	710	(511)
<b>At the end of the period/year</b>	<b>156,580</b>	<b>145,787</b>

	As at June 30, 2022 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	84,951,280	73,753	264,515	85,289,548
Expected credit losses	56,199	66	100,315	156,580

	As at December 31, 2021 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	98,444,765	126,754	260,774	98,832,293
Expected credit losses	55,219	113	90,455	145,787

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

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

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24. ACCOUNTS AND OTHER RECEIVABLES

#### (1) Analyzed by nature

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Accounts and other receivables from/related to:</b>		
Brokers, dealers and clearing houses	3,625,184	2,184,661
Fee and commission income	895,697	1,040,738
Other receivables	100,973	110,449
Deposits of OTC derivative business <sup>(i)</sup>	1,119,687	1,627,462
Dividends receivable	1,846	456
Prepayments	296,328	215,733
Others	173,191	120,990
<b>Sub-total</b>	<b>6,212,906</b>	<b>5,300,489</b>
Less: Expected credit losses of accounts and other receivables	(60,017)	(40,243)
	<b>6,152,889</b>	<b>5,260,246</b>

(i) Fair value gains or losses arising from these business are recorded in derivative assets or liabilities.

#### (2) Analyzed by aging

As at the end of the period/year, the aging analysis of accounts and other receivables, is as follow:

	As at June 30, 2022 (Unaudited)		As at December 31, 2021 (Audited)	
	Amount	Expected credit losses	Amount	Expected credit losses
Within 1 year	5,807,051	(536)	5,109,520	(671)
Between 1 and 2 years	252,042	(19,289)	55,699	(2,236)
Between 2 and 3 years	43,539	(2,856)	53,325	(18,549)
Over 3 years	110,274	(37,336)	81,945	(18,787)
	<b>6,212,906</b>	<b>(60,017)</b>	<b>5,300,489</b>	<b>(40,243)</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

### (1) Analyzed by nature

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Current</b>		
Government bonds	31,766,799	22,599,689
Bonds issued by policy banks	9,964,616	4,254,253
Bonds issued by commercial banks and other financial institutions	3,138,729	—
Others	11,373,929	13,728,381
	<b>56,244,073</b>	<b>40,582,323</b>

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 25. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
At the beginning of the period/year	21,840	18,575
Expected credit losses recognized	—	3,697
Reversal of expected credit losses	(14,266)	—
Exchange differences	493	(432)
At the end of the period/year	8,067	21,840

	As at June 30, 2022 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	56,244,073	—	—	56,244,073
Expected credit losses	8,067	—	—	8,067

	As at December 31, 2021 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	40,534,828	47,495	—	40,582,323
Expected credit losses	4,982	16,858	—	21,840

During the six months ended June 30, 2022 and the year ended December 31, 2021, there was no transfer between the stages of expected credit losses.

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Current</b>		
Debt securities	154,867,868	155,037,861
Funds	33,225,166	23,603,284
Equity investments <sup>(i)</sup>	14,773,621	17,758,074
Others <sup>(ii)</sup>	40,611,688	58,367,571
<b>Sub-total</b>	<b>243,478,343</b>	<b>254,766,790</b>
<b>Non-current</b>		
Funds	126,754	153,177
Equity investments <sup>(i)</sup>	3,831,240	4,536,836
Others <sup>(ii)</sup>	5,865,855	5,887,475
<b>Sub-total</b>	<b>9,823,849</b>	<b>10,577,488</b>

- (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 55.

As at June 30, 2022, debt securities of RMB1,745,743 thousand (December 31, 2021: RMB1,708,716 thousand) and RMB17,108,981 thousand (December 31, 2021: RMB15,466,674 thousand) classified as FVTPL were pledged as collateral for certain derivative transactions and securities borrowing, respectively.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	As at June 30, 2022			As at December 31, 2021		
	Non-hedging instruments			Non-hedging instruments		
	Notional Principal amounts	Fair Value		Notional Principal amounts	Fair Value	
		Assets	Liabilities		Assets	Liabilities
(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	
<b>Interest derivative instrument</b>						
Interest rate swaps <sup>(i)</sup>	438,348,600	725,868	712,561	242,069,097	685,971	704,685
Bond futures <sup>(i)</sup>	18,060,836	19,079	315	36,239,998	—	—
<b>Equity derivative instrument</b>						
Equity return swaps	52,974,267	1,656,438	3,498,685	59,611,174	1,626,204	2,308,822
Stock index futures <sup>(i)</sup>	7,350,773	6,667	23,884	7,696,569	31,495	3,179
Options <sup>(ii)</sup>	58,386,104	845,084	1,156,908	68,210,866	718,654	1,395,596
<b>Currency derivatives</b>						
Foreign exchange contracts <sup>(i)</sup>	38,097,331	77,365	—	39,815,437	2,001	48,427
Currency futures	2,494,208	8,703	15,204	730,523	1,523	532
<b>Credit derivatives</b>						
Credit default swaps	1,105,558	5,486	39	860,000	9,861	345
<b>Other derivative instrument</b>						
Commodity futures <sup>(i)</sup>	43,976,845	481,142	102,890	32,952,140	52,408	137,945
Commodity swaps	6,201,745	—	117,057	3,788,703	71,834	17,461
Commodity forward contracts	424,215	3,960	3,715	591,854	3,849	—
Bond forward contracts <sup>(i)</sup>	171,440	—	202	780,000	841	—
	<b>667,591,922</b>	<b>3,829,792</b>	<b>5,631,460</b>	<b>493,346,361</b>	<b>3,204,641</b>	<b>4,616,992</b>

- (i) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC futures contracts were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net onshore position of these contracts was nil at the period/year-end date.
- (ii) Options: Included in options are over-the-counter options, exchanged-traded options and embedded derivatives of income certificates.

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 28. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Deposits with stock exchanges and clearing houses:</b>		
China Securities Depository and Clearing Corporation Limited	687,884	1,115,266
Shanghai Clearing House	570,052	576,337
Hong Kong Securities Clearing Company Limited	132,526	134,668
The SEHK Options Clearing House Limited	15,243	12,804
China Beijing Equity Exchange	2,252	2,878
Hong Kong Stock Exchange	577	552
<b>Deposits with futures and commodity exchanges and financial institutions:</b>		
China Financial Futures Exchange	5,397,543	6,784,949
Dalian Commodity Exchange	1,789,187	1,548,864
Shanghai Futures Exchange	1,255,312	1,189,585
Zhengzhou Commodity Exchange	718,815	459,432
Shanghai International Energy Exchange	329,722	109,126
Jianxin Futures Co., Ltd.	328,542	502,564
Huatai Futures Co., Ltd.	207,824	149,556
ShenYin & WanGuo Futures Co., Ltd	134,763	—
Hong Kong Futures Exchange	72,712	93,645
Baocheng Futures Co., Ltd	52,294	—
COFCO Futures Co., Ltd.	44,333	43,438
Haitong Futures Co., Ltd.	41,650	59,139
Pingan Futures Co., Ltd.	37,448	—
Guotai Junan Futures Co., Ltd.	36,200	—
Yongan Futures Co., Ltd	28,708	89,930
Everbright Futures Co., Ltd	24,075	—
China International Futures Co., Ltd.	18,288	40,292
Western Futures Co., Ltd	17,016	—
Goldstate Futures Co., Ltd.	13,975	—
Shanghai Gold Exchange	5,402	6,626
Nanhua Futures Co., Ltd.	483	60,486
Others	9,497	161,654
	<b>11,972,323</b>	<b>13,141,791</b>



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29. CLEARING SETTLEMENT FUNDS

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Clearing settlement funds held with clearing houses for:</b>		
House accounts (note 31)	6,168,091	6,893,468
Clients	15,695,289	18,979,905
	<b>21,863,380</b>	<b>25,873,373</b>

### 30. CASH AND BANK BALANCES

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Bank balances (note 31)</b>	<b>18,728,814</b>	<b>9,777,458</b>
House accounts	16,825,023	7,703,770
Pledged and restricted bank deposits		
— Restricted bank deposits for purchases of bond, stock and as risk reserve and credit (note 31)	1,903,791	2,073,688
<b>Cash held on behalf of customers</b>	<b>95,237,623</b>	<b>78,160,803</b>
	<b>113,966,437</b>	<b>87,938,261</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Bank balances (note 30)	18,728,814	9,777,458
Clearing settlement funds - house accounts (note 29)	6,168,091	6,893,468
Less: Pledged and restricted bank deposits (note 30)	(1,903,791)	(2,073,688)
	<b>22,993,114</b>	<b>14,597,238</b>

### 32. SHORT-TERM BORROWINGS

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Unsecured bank borrowings <sup>(i)</sup>	4,450,898	5,246,025
Interest accrued	1,787	1,981
	<b>4,452,685</b>	<b>5,248,006</b>

- (i) As at June 30, 2022, the floating interest rates of Group's short-term unsecured bank borrowings ranged from 1.15%-3.60% (December 31, 2021:0.96%-1.44%) per annum while the Group has no fixed interest rate borrowings (December 31 2021: 4.00% fixed interest rate per annum).

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33. SHORT-TERM DEBT INSTRUMENTS

	Interest rate as at June 30, 2022	As at January 1, 2022	Issuance	Redemption	As at June 30, 2022
	(Unaudited)				(Unaudited)
Short-term bond payables	1.88%-2.03%	4,200,000	3,000,000	4,200,000	3,000,000
Short-term financing bills payable	1.84%-2.75%	1,800,000	11,000,000	—	12,800,000
Principals of income certificates	0.74%-3.70%	20,609,046	5,153,467	20,198,495	5,564,018
Interest accrued		326,793	328,590	512,232	143,151
		<b>26,935,839</b>	<b>19,482,057</b>	<b>24,910,727</b>	<b>21,507,169</b>

	Interest rate as at December 31, 2021	As at January 1, 2021	Issuance/ Other Transfer	Redemption	As at December 31, 2021
	(Audited)				(Audited)
Short-term bond payables	3.25%	2,100,000	4,200,000	2,100,000	4,200,000
Short-term financing bills payable	2.75%	—	50,800,000	49,000,000	1,800,000
Principals of income certificates	0.74%-3.70%	33,841,112	31,872,390	45,104,456	20,609,046
Interest accrued		275,646	998,541	947,394	326,793
		<b>36,216,758</b>	<b>87,870,931</b>	<b>97,151,850</b>	<b>26,935,839</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Placements from banks <sup>(i)</sup>	402,684	2,230,000
Placements from other financial institutions <sup>(ii)</sup>	1,500,000	4,500,000
Interest accrued	7,625	13,717
	<b>1,910,309</b>	<b>6,743,717</b>

- (i) As at June 30, 2022, the effective interest rates on amounts due to banks ranged from 1.01%-2.57% (December 31, 2021: 2.23%-3.10%) per annum.
- (ii) As at June 30, 2022, the effective interest rate on due to other financial institutions was 2.80% (December 31, 2021: 2.80%) per annum.

### 35. ACCOUNTS PAYABLES TO BROKERAGE CLIENTS

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Clients' deposits for margin financing and securities lending	11,237,612	9,019,690
Clients' deposits for other brokerage business	99,356,297	90,585,652
	<b>110,593,909</b>	<b>99,605,342</b>

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

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

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36. ACCRUED STAFF COSTS

	As at	As at
	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>Non-current</b>		
Salaries, bonus and allowances	97,661	223,661
<b>Current</b>		
Salaries, bonus and allowances	7,696,711	7,927,716
Short-term social welfare	52,053	52,054
Defined contribution plans <sup>(i)</sup>	949	1,218
Others	59,721	78,313
	<b>7,809,434</b>	<b>8,059,301</b>

- (i) The defined contribution plans refer to social pension insurance plan and unemployment insurance plan required by the government, and an 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.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 37. OTHER PAYABLES AND ACCRUED CHARGES

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Settlement payables to brokers and clearing houses	6,580,249	5,106,756
Dividends payables to holders of ordinary shares and other equity instruments	5,268,364	592,196
Deposits of OTC derivative business <sup>(i)</sup>	19,588,673	23,617,908
Other tax payable	384,749	556,606
Commission and handling fee payable	139,464	134,191
Futures risk reserve	127,487	116,382
Notes payable	1,656,500	1,772,900
Others <sup>(ii)</sup>	649,089	793,944
	<b>34,394,575</b>	<b>32,690,883</b>

- (i) As at June 30, 2022 and December 31, 2021, the balance mainly 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 indexes or specific stock prices. For those embedded derivatives with significant fair values, they are accounted for in note 27 to the condensed financial statements after having been bifurcated from their respective host contracts.
- (ii) Others mainly represent payables of annual membership fees, investor protection fund and other payables arising from normal course of business.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at	As at
	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>Non-current</b>		
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities <sup>(i)</sup>	23,481	1,867,596
<b>Current</b>		
<b>Financial liabilities held for trading</b>		
— Equity securities	1,200,941	383,159
— Debt securities	28,674,453	18,621,982
— Structured notes	1,812,277	1,753,125
— Others	269,294	434,603
	<b>31,956,965</b>	<b>21,192,869</b>
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities <sup>(i)</sup>	1,912,946	127,473
	<b>33,869,911</b>	<b>21,320,342</b>

- (i) In these condensed 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.

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Current</b>		
<b>Analyzed by collateral type:</b>		
Bonds	119,245,258	106,741,683
Gold	11,917,135	20,676,047
Stocks	64,994	—
	<b>131,227,387</b>	<b>127,417,730</b>
<b>Analyzed by market:</b>		
Stock exchanges	29,354,047	45,340,025
Interbank bond market	100,886,752	79,482,490
Over-the-counter	986,588	2,595,215
	<b>131,227,387</b>	<b>127,417,730</b>

### 40. LEASE LIABILITIES

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Within 1 year	343,422	321,889
Within a period of more than 1 year but not more than 2 years	275,490	260,417
Within a period of more than 2 years but not more than 5 years	453,386	451,283
Within a period of more than 5 years	263,893	283,876
	<b>1,336,191</b>	<b>1,317,465</b>
Less: Amount due for settlement within 12 months shown under current liabilities	(343,422)	(321,889)
Amount due for settlement after 12 months shown under non-current liabilities	992,769	995,576



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 41. SHARE CAPITAL

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Registered, issued and fully paid ordinary shares of RMB1 each:		
<b>At the beginning of the period/year</b>		
— Domestic shares	7,422,006	7,422,006
— Foreign invested shares	1,274,520	1,274,520
	<b>8,696,526</b>	<b>8,696,526</b>
<b>At the end of the period/year</b>		
— Domestic shares	7,422,006	7,422,006
— Foreign invested shares	1,274,520	1,274,520
	<b>8,696,526</b>	<b>8,696,526</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 42. OTHER EQUITY INSTRUMENTS

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Perpetual subordinated bonds	14,985,849	15,000,000

The 2019 Annual General Meeting of Shareholders convened by the Company on 19 May 2020 passed the Proposal on the General Authorization of the Company's Debt Financing Instruments, and approved the Bond Issuance Plan and related matters at the 35th General Meeting of Presidents' Office held on October 25, 2021 within the scope of the authorization of the General Meeting of Shareholders and the Board of Directors; On 26 January 2022, the China Securities Regulatory Commission issued the Approval of China Merchants Securities Co., Ltd. to Publicly Issue Perpetual Subordinated Corporate Bonds Registration to Professional Investors (CSRC Permit [2022] No. 222), agreeing to the Company's application for publicly issuing perpetual subordinate corporate bonds with a total face value of not more than RMB 15 billion to professional investors; On March 24, April 19, April 26 and June 8, 2022, the Company completed the issuance of the first tranche of 2022 RMB4,300,000,000, the second tranche of RMB 4,700,000,000, the third tranche of RMB 4,000,000,000 and the fourth tranche of RMB 2,000,000,000, respectively, with a cumulative issuance amount of RMB 15 billion.

The Company shall have the right of redemption attached to the above bonds, and on the 5th and subsequent coupon payment days of the above bonds, the Company shall be entitled to redeem the above bonds at par value plus interest payable; Subject to the Company's option to defer interest payments, the Company may, at its option, on each coupon date, postpone the payment of current interest and all interest and fruits already deferred under these terms to the next interest payment date, without any deferral of interest, which is not a failure of the Company to pay interest in full and agreed terms, and the mandatory interest payment event is limited to the Company's distribution of dividends and a reduction in registered capital to ordinary shareholders.

The Company redeemed four matured batches of perpetual subordinated bonds with principals of RMB 4,000,000,000, RMB 5,000,000,000, RMB 3,700,000,000 and RMB 2,300,000,000, which were issued in February, March, May and June 2017.

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

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at	As at
	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>At the beginning of the period/year</b>	196,165	288,626
<b>Debt instruments at fair value through other comprehensive income</b>		
Net changes in fair value during the period/year	(181,215)	74,805
Reclassification to profit or loss	186,364	5,827
Income tax impact	2,190	(26,047)
<b>Expected credit losses of debt instruments at fair value through other comprehensive income</b>		
Net changes in profit or loss for expected credit losses	(14,266)	3,697
Income tax impact	81	513
<b>Equity instruments at fair value through other comprehensive income</b>		
Net changes in fair value during the period/year	(171,461)	(220,830)
Transfer to retained profits	7,635	(22,508)
Income tax impact	41,315	60,834
<b>Share of other comprehensive income of associates</b>		
Transfer to retained profits	—	22,095
Share of other comprehensive income that will be reclassified subsequently to profit or loss	3,583	9,153
<b>At the end of the period/year</b>	<b>70,391</b>	<b>196,165</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 44. GENERAL RESERVES

General reserve 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 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. appropriated 10% of its management fees earned from large-size collective assets management business as general risk reserve since December 2018.

In accordance with the application guidance of Financial Rules for Financial Enterprises (Cai Jin [2007] No. 23) issued by the Ministry of Finance People's Republic of China ("MOF"), China Merchants Futures Co., Ltd. is required to appropriate 10% of profit after making up for losses in previous years and paying taxes as general risk reserve.

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 presented in these condensed consolidated statement of changes in equity for the six months ended June 30, 2022.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Interest accrued	779	642

As at June 30, 2022 and December 31, 2021, the Group had no long-term borrowings due within one year.

### 46. LONG-TERM BORROWINGS

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Unsecured bank borrowings	1,024,999	979,540

As at June 30, 2022, the Group's unsecured long-term bank borrowings bore floating interest rate of 1.7481%-2.68179% (December 31, 2021: 1.259%-1.711%) per annum.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 47. BONDS PAYABLES DUE WITHIN ONE YEAR

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Non-convertible bonds <sup>(1)</sup>	22,408,221	29,996,864
Subordinated bonds <sup>(2)</sup>	7,124,934	—
Income certificates	15,713,976	338,298
Interest accrued	2,568,763	2,585,580
	<b>47,815,894</b>	<b>32,920,742</b>

(1) The details of non-convertible bonds as at June 30, 2022 are as follows:

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
12CM03	CNY	5,500,000	2013/03/05	2023/03/05	5.15%
19CM01BC	CNY	5,000,000	2019/10/11	2022/10/11	3.45%
CMSEC N2301	USD	300,000	2020/01/21	2023/01/21	2.625%
20CMG4	CNY	2,900,000	2020/09/21	2022/09/21	3.55%
20CMG6	CNY	3,000,000	2020/10/26	2022/10/26	3.43%
21CMG1	CNY	1,500,000	2021/01/18	2023/01/18	3.24%
21CMF1	CNY	2,500,000	2021/02/26	2022/08/26	3.55%

(2) The details of subordinated bonds as at June 30, 2022 are as follows:

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
20CMC1	CNY	4,430,000	2020/12/03	2023/06/03	4.38%
21CMC5	CNY	2,700,000	2021/06/24	2023/06/24	3.48%

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48. BONDS PAYABLES

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Non-convertible bonds <sup>(1)</sup>	56,383,889	60,117,993
Subordinated bonds <sup>(2)</sup>	27,841,774	34,955,405
Income certificates	2,824,930	18,125,187
Interest accrued	—	194,630
	<b>87,050,593</b>	<b>113,393,215</b>

(1) The details of non-convertible bonds as at June 30, 2022 are as follows:

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
14CM bond	CNY	5,500,000	2015/05/26	2025/05/26	5.08%
20CMG1	CNY	3,000,000	2020/07/22	2023/07/22	3.55%
20CMG3	CNY	3,000,000	2020/08/13	2023/08/13	3.50%
20CMG5	CNY	2,900,000	2020/09/21	2023/09/21	3.78%
20CMG7	CNY	1,000,000	2020/10/26	2023/10/26	3.63%
21CMG2	CNY	4,500,000	2021/01/18	2024/01/18	3.53%
21CMG3	CNY	1,400,000	2021/01/28	2024/01/28	3.58%
21CMF2	CNY	7,500,000	2021/02/26	2023/08/26	3.85%
21CMG4	CNY	2,000,000	2021/07/12	2023/07/12	3.00%
21CMG5	CNY	4,000,000	2021/07/12	2024/07/12	3.22%
21CMG6	CNY	2,000,000	2021/07/29	2023/10/12	2.95%
21CMG7	CNY	4,300,000	2021/07/29	2024/06/13	3.12%
21CM10	CNY	2,000,000	2021/08/12	2026/08/12	3.41%
21CMG9	CNY	5,000,000	2021/08/12	2024/08/12	3.08%
CMSI GEM N2409	USD	500,000	2021/09/16	2024/09/16	1.295%
22CMG1	CNY	5,000,000	2022/01/17	2025/01/17	2.89%

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 48. BONDS PAYABLES (Continued)

(2) The details of subordinated bonds as at June 30, 2022 are as follows:

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
20CMC2	CNY	1,070,000	2020/12/03	2023/12/03	4.43%
21CMC1	CNY	4,800,000	2021/01/27	2024/01/27	3.95%
21CMC2	CNY	6,000,000	2021/03/09	2024/03/09	3.95%
21CMC3	CNY	6,000,000	2021/04/15	2024/04/15	3.80%
21CMC4	CNY	3,000,000	2021/05/18	2023/11/18	3.55%
21CMC6	CNY	2,000,000	2021/06/24	2023/12/23	3.60%
21CMC7	CNY	4,000,000	2021/11/11	2024/11/11	3.40%
21CMC8	CNY	1,000,000	2021/11/11	2026/11/11	3.70%

### 49. DIVIDENDS

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Dividends recognized as distribution	4,696,124	3,800,382
Distribution to holders of other equity instruments	782,134	802,090

Pursuant to a resolution of the shareholder's meeting held on June 30, 2022, the Company declared cash dividends of RMB5.40 for every 10 shares (tax included) based on 8,696,526,806 shares held and the aggregate amount was RMB4,696,124 thousand for the year ended December 31, 2021.

Pursuant to the resolution of the shareholders meeting held on June 4, 2021, the Company declared cash dividends of RMB4.37 for every 10 shares (tax included) based on 8,696,526,806 shares held amounting to RMB3,800,382 thousand in total for the year ended December 31, 2020.



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group include asset management schemes, limited partnership, trust products and investment funds where the Group involves as a manager or as an investor. The Group assesses whether, as a whole, 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.

As at June 30, 2022, the Group consolidated 51 structured entities (December 31, 2021: 48). The total assets of the consolidated structured entities were RMB23,254,162 thousand (December 31, 2021: RMB20,539,335 thousand).

### 51. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group is principally involved in unconsolidated 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 below:

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

Unconsolidated structured entities sponsored by the Group mainly include asset management schemes and limited partnership. The nature and aim of 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 unconsolidated structured entities are mainly management and performance fees collected by the Group.

As at June 30, 2022, total assets of these unconsolidated structured entities managed by the Group amounted to RMB417,350,329 thousand (December 31, 2021: RMB475,795,492 thousand).

Fee income derived from these unconsolidated structured entities managed by the Group are detailed in note 4.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 51. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

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

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

The carrying amount of these structured entities held by the Group in the condensed consolidated statement of financial position is the maximum exposure to the Group as at June 30, 2022 and December 31, 2021, which are listed below:

	As at	As at
	June 30,	December 31,
	2022	2021
	(Unaudited)	(Audited)
	Financial assets at fair value through profit or loss	
Funds	33,351,920	23,756,461
Trust schemes	1,604,212	3,495,651
Wealth management products	429,500	401,000
Others	45,278,714	68,060,297
	<b>80,664,346</b>	<b>95,713,409</b>

As at June 30, 2022, the Group's FVTPL amounting to RMB27,245,991 thousand (December 31, 2021: RMB34,756,981 thousand), derivative financial assets amounting to RMB43,361 thousand (December 31, 2021: RMB176,488 thousand) and derivative financial liabilities amounting to RMB2,287,752 thousand (December 31, 2021: RMB1,573,335 thousand) were arranged as a combination of contracts with an aim to lock in the gain or loss of these FVTPL.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 52. 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 June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
China Merchants Finance Investment Holdings Co., Ltd.	23.55%	23.55%
Shenzhen Jisheng Investment Development Co., Ltd.	19.59%	19.59%
China Ocean Transportation Co., Ltd.	6.26%	6.26%

##### b. Associates of the Group

During this period, the Group has no new or reduced associates.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 52. 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
Shanghai Rural Commercial Bank Co., Ltd.	The director of the Company acts as a director of the entity
Shenzhen Merchants Property Management Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Shenzhen Merchants Daojiahui Technology Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants (Shanghai) Investment Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Property Management Co., Ltd.	Fellow subsidiary of the ultimate controlling company
Liaoning Port Co., Ltd.	Fellow subsidiary of the ultimate controlling company
Shenzhen Expressway Co., Ltd. (Former name: Shenzhen Expressway Corporation Limited)	Significant influence by 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
China Merchants Real Estate (Suzhou) Co. Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Capital Management (Beijing) Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Capital Holdings Co., Ltd.	Fellow subsidiary of the ultimate controlling company
Zhuhai Yiyun Real Estate Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Beijing Zhaoyi Enterprise Management Co., Ltd.*	Fellow subsidiary of the ultimate controlling company

\* English name translation is for identification purpose only.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

Transactions between the Group and the associates:

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
<b>Fee and commission income</b>		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	104,629	126,915

Balance between the Group and the associates:

	As at	As at
	June 30,	December 31,
	2022	2021
	(Unaudited)	(Audited)
<b>Accounts and other receivables</b>		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	29,356	66,908

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

##### b. The Group's major transactions and balances with its other related parties are as below

Transactions between the Group and other related parties:

Name of related parties	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
<b>Fee and commission income</b>		
— China Merchants Bank Co., Ltd.	25,227	26,989
— China Merchants Property Management Co., Ltd.	5,187	—
— Liaoning Port Co., Ltd.	3,019	—
<b>Interest income</b>		
— China Merchants Bank Co., Ltd.	244,657	229,266
<b>Investment gains or losses, net</b>		
— China Merchants Bank Co., Ltd.	7,712	9,781
<b>Other income and gains or losses, net</b>		
— Shenzhen Expway Co., Ltd.	873	2,677
<b>Fee and commission expenses</b>		
— China Merchants Bank Co., Ltd.	82,377	129,459
— Shanghai Rural Commercial Bank Co., Ltd.	4,242	1,553
<b>Interest expenses of placement and borrowings from banks</b>		
— China Merchants Bank Co., Ltd.	8,565	5,268
<b>Other operating expenses</b>		
— Shenzhen Merchants Property Management Co., Ltd.*	16,994	15,399
<b>Purchase of software and office supplies</b>		
— Shenzhen Merchants Daojiahui Technology Co., Ltd.*	7,069	7,003
<b>Interest expenses of lease liabilities</b>		
— China Merchants Bank Co., Ltd.	8,355	9,237
<b>Interest expenses of repurchase agreements business</b>		
— China Merchants Bank Co., Ltd.	36,852	9,863
— Shanghai Rural Commercial Bank Co., Ltd.	10,535	6,956

\* English name translation is for identification purpose only.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 52. 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	As at
	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
<b>Accounts and other receivables</b>		
— Zhuhai Yiyun Real Estate Co., Ltd.* <sup>(i)</sup>	291,815	291,815
<b>Cash and bank balances</b>		
— China Merchants Bank Co., Ltd.	35,008,702	25,643,886
<b>Short-term borrowings</b>		
— China Merchants Bank Co., Ltd.	171,127	408,954
<b>Other payables and accrued charges</b>		
— Beijing Zhaoyi Enterprise Management Co., Ltd.*	—	341,506
<b>Lease liabilities</b>		
— China Merchants Bank Co., Ltd.	509,382	545,400
— China Merchants (Shanghai) Investment Co., Ltd.*	39,639	44,083

\* English name translation is for identification purpose only.

- (i) The balance was paid for establishing a joint venture with Zhuhai Yiyun Real Estate Co. Ltd. This transaction was terminated and the entire balance was refunded to the Group under a co-operation framework. Further details of this transaction were disclosed in the announcement dated 8 August 2022.

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

#### (3) Key management personnel

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

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Short-term benefits		
— Salaries, bonus and allowances	5,720	4,826
Post-employment benefits		
— Contribution to retirement schemes	1,277	943
	<b>6,997</b>	<b>5,769</b>

#### (4) Other related party transactions

Joint investments between the Group and its other related parties are as follows:

Investors of the Group	Other related parties	Invested enterprises or projects	Joint investments
China Merchants Securities Investment Co., Ltd.	China Merchants Shekou Industrial Zone Holdings Co., Ltd.*	Hengxi (Jiaxing) Equity Investment Partnership (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	China Merchants Real Estate (Suzhou) Co. Ltd.*	Wuxi Ruishang Real Estate Co. Ltd.*	Joint investment
China Merchants Securities Investment Co., Ltd.	China Merchants Capital Management (Beijing) Co., Ltd.*	Service Trade Innovation and Development Guide Fund (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	China Merchants Capital Management (Beijing) Co., Ltd.*	Wuxi Tongfu Digital Model Investment Management Partnership (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	China Merchants Capital Holdings Co., Ltd.	Nantong Zhaohua Zhaozheng Equity Investment Partnership (Limited Partnership)	Joint investment

\* English name translated is for identification purpose only.



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53. SEGMENT INFORMATION

#### (1) Business segment

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

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 53. SEGMENT INFORMATION (Continued)

### (1) Business segment (Continued)

The operating and reportable segment information provided to the chief operating decision makers (hereinafter refer as "CODM") for the six months ended June 30, 2022 and 2021 is as follows:

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>Unaudited</b>							
<b>For the six months ended June 30, 2022</b>							
Segment revenue and results							
Segment revenue	9,073,886	827,567	650,596	3,804,373	176,561	(28,104)	14,504,879
Segment other income and gains or losses	36,099	—	29,422	132	1,306,374	—	1,372,027
Segment revenue and other income	9,109,985	827,567	680,018	3,804,505	1,482,935	(28,104)	15,876,906
Segment expenses	(6,427,915)	(380,056)	(253,371)	(3,116,057)	(1,828,988)	28,104	(11,978,283)
Segment result	2,682,070	447,511	426,647	688,448	(346,053)	—	3,898,623
Share of results of associates	—	—	175	—	856,347	—	856,522
Profit before income tax	2,682,070	447,511	426,822	688,448	510,294	—	4,755,145
<b>Unaudited</b>							
<b>As at June 30, 2022</b>							
Segment assets and liabilities							
Segment assets	223,482,211	1,486,786	10,143,886	349,321,226	24,169,247	(7,527,043)	601,076,313
Segment liabilities	(165,787,147)	(1,262,686)	(3,907,501)	(306,219,899)	(19,949,325)	7,527,043	(489,599,515)
<b>For the six months ended June 30, 2022</b>							
Other segment information							
Amounts included in the segment profit or loss or segment assets:							
Interest income	4,096,717	—	25,512	934,490	176,559	(28,104)	5,205,174
Interest expenses	(2,197,329)	(29,857)	(22,997)	(2,610,744)	(7,281)	28,104	(4,840,104)
Capital expenditure	(72,538)	(5,812)	(347)	(5,421)	(65,694)	—	(149,812)
Depreciation and amortization	(191,985)	(25,717)	(7,144)	(13,887)	(101,899)	—	(340,632)
Impairment losses, net of reversal	(80,240)	—	(80,885)	(44,400)	(6,915)	—	(212,440)

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53. SEGMENT INFORMATION (Continued)

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

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>Unaudited</b>							
<b>For the six months ended June 30, 2021</b>							
Segment revenue and results							
Segment revenue	9,565,173	972,347	793,093	6,005,993	121,367	(16,030)	17,441,943
Segment other income and gains or losses	11,055	500	7,744	106	1,806,004	—	1,825,409
Segment revenue and other income	9,576,228	972,847	800,837	6,006,099	1,927,371	(16,030)	19,267,352
Segment expenses	(6,525,638)	(474,491)	(229,638)	(3,686,999)	(2,306,252)	16,030	(13,206,988)
Segment result	3,050,590	498,356	571,199	2,319,100	(378,881)	—	6,060,364
Share of results of associates	—	—	1,533	2,897	748,118	—	752,548
Profit before income tax	3,050,590	498,356	572,732	2,321,997	369,237	—	6,812,912
<b>Audited</b>							
<b>As at December 31, 2021</b>							
Segment assets and liabilities							
Segment assets	224,140,044	2,239,887	10,136,704	347,039,300	21,384,211	(7,719,018)	597,221,128
Segment liabilities	(167,423,698)	(2,071,599)	(3,764,729)	(302,617,600)	(16,472,069)	7,719,018	(484,630,677)
<b>Unaudited</b>							
<b>For the six months ended June 30, 2021</b>							
Other segment information							
Amounts included in the segment profit or loss or segment assets:							
Interest income	4,426,271	—	68,165	935,547	121,367	(16,030)	5,535,320
Interest expenses	(2,051,348)	(51,529)	(25,560)	(2,347,170)	(6,967)	16,030	(4,466,544)
Capital expenditure	(53,416)	(3,496)	(4,846)	(3,260)	(46,733)	—	(111,751)
Depreciation and amortization	(180,153)	(25,592)	(4,688)	(13,634)	(91,400)	—	(315,467)
Impairment losses, net of reversal	(150,116)	—	—	137	—	—	(149,979)

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 53. SEGMENT INFORMATION (Continued)

### (2) Geographical information

The Group has two major geographical operations in the PRC, namely Mainland China and Hong Kong, where the Group's revenue is derived from and the Group's assets located. 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
<b>For the six months ended June 30, 2022 (Unaudited)</b>			
<b>Segment revenue and results</b>			
Revenue	14,332,024	172,855	14,504,879
Other income and gains or losses, net	1,454,304	(82,277)	1,372,027
	<b>15,786,328</b>	<b>90,578</b>	<b>15,876,906</b>
<b>For the six months ended June 30, 2021 (Unaudited)</b>			
<b>Segment revenue and results</b>			
Revenue	16,121,285	1,320,658	17,441,943
Other income and gains, net	1,816,902	8,507	1,825,409
	<b>17,938,187</b>	<b>1,329,165</b>	<b>19,267,352</b>

### Specified non-current assets

	Mainland China	Outside Mainland China	Total
<b>As at June 30, 2022 (Unaudited)</b>			
Specified non-current assets	13,666,036	181,886	13,847,922
<b>As at December 31, 2021 (Audited)</b>			
Specified non-current assets	13,380,630	184,699	13,565,329

### (3) Information about major customers

There were no customers for each of the six months period ended June 30, 2022 and 2021 contributed over 10% of the total revenue of the Group.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. 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 can be aligned with its operational strategy and focuses on its frontier departments at business unit level. The structure of the risk management of the Group consists of five levels including the strategical arrangement by the Board of Directors, supervision and scrutiny by the Supervisory Committee, decision-making by the senior management and the Risk Management Committee, check-and-balance and internal controls maintained by 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 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 the Directors 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 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 suggestions on business decisions. The Risk Management Committee consists of Securities Investment Decision Committee, Credit Risk Committee, Valuation Committee, Capital Commitment Committee and 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 subsidiaries into an overall risk management system and carries out vertical management. The person in charge of the risk management of any subsidiary shall be nominated, appointed, removed and assessed by the chief risk officer of the Group.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. FINANCIAL RISK MANAGEMENT (Continued)

### (1) Risk management structure (Continued)

The overall risk management duties of departments or posts under the risk management organization structure are as follows: (Continued)

- (iv) Risk Management Department is the leading department in respect of management of market, credit and operational risks of the Company. It is also responsible for managing market risk and credit risk, assisting and guiding all units in performing risk management. Capital Management Department is the leading department in respect 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 the compliance director in reviewing, supervising and scrutinizing compliance issues of the Group, promoting the implementation of anti-money laundering work. Administration Department together with 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 the 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 economic loss that may arise from the failure of a debtor or counterparty to meet its obligation according to their contractual commitment. The Group is primarily exposed to four types of credit risk: (a) risk arising from default of customers to repay debts in businesses of margin financing and securities lending, securities-backed lending or stock repurchases; (b) risk of losses of principal and interest for investments in debt securities, trust products and other credit products due to default of the issuers or borrowers; (c) risk arising from default of a counterparty to meet its payment obligation arising from trading of over the counter ("OTC") derivatives such as equity swaps, interest rate swap, OTC futures, forward contracts, or spot market transactions; (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.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. FINANCIAL RISK MANAGEMENT (Continued)

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

For debt security investments, trust products and other credit products business, the Group implements entry management for investable bonds by establishing a bond pool. The entry of bonds into the pool needs to be evaluated by professional credit evaluators and meets the relevant internal and external credit rating entry standards, industrial entry standards, product entry standards, financial entry standards, etc. The concentration risk is controlled through hierarchical approvals and authorization of investments, and the latest risk information of the issuer is monitored in real time through a public opinion monitoring system.

For OTC derivatives trading business, the Group has formulated a set of management measures and rules in respect of eligibility of investors, due diligence of customers, credit approval, potential risk exposure measurement rules, margin collection and mark to market mechanism, liquidation or disposal management of the underlying securities and follow-up measures on default of customers, in order to strengthen the management before, during and after the transactions.

In respect of brokerage business, for the brokerage business that the Company may bear the responsibility of guaranteed settlements, the default risk of customers is controlled by monitoring indicators such as the lowest rating of the underlying securities, position concentration and leverage ratio. With regard to the trading of securities and other financial products for overseas customers, the Group has effectively controlled the credit risk by strengthening the management of customer credit granted and margin management.

#### *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.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

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

- If the financial instrument becomes 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 is recognized in the profit and loss as impairment losses under expected credit loss model, net of reversal.

The criteria for the three-stage classification of ECL of the principal 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 classified as Stage 3; exposures with collateral coverage ratio less than 100% for less than 30 days are considered to have experienced significant increase in risk and classified as Stage 2; for exposures that have not experienced the above situations are regarded as having no significant increase in credit risk and classified as Stage 1.
- Financial assets (pledged by stocks) held under resale agreements: based on the obligors’ credit quality, contract maturity dates, the information of collateral securities, which includes the sectors, liquidity discount factor, concentration, volatility and related information, the Group establishes 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 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 classified as Stage 3; exposures with collateral coverage ratios below the pre-determined force liquidation thresholds for less than 30 days or those past due for less than 30 days are considered to have experienced significant increase in credit risks and classified as Stage 2; for exposures that have not experienced the above situations are regarded as having no significant increase in credit risk and classified 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 classified in Stage 1; financial instruments whose credit risk has increased significantly since its initial recognition, even no credit loss has occurred, that is, there is no objective evidence of a credit loss event, will be classified in Stage 2; purchased or originated credit-impaired financial instruments, or those are not purchased or originated financial instruments but have been credit-impaired will be classified in Stage 3.



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. 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 margin maintenance ratio and the degree of collateral concentration, etc., and ensure the above factors are reflected in parameters such as the probability of default (“PD”), loss given default (“LGD”) and maturity of borrowers. Then stress tests and sensitivity analyses are performed as supplementary measurement for monitoring 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 borrowers’ credit quality, contract maturity date, the information of related collateral securities, which including the sectors, liquidity discount factor, restriction, concentration, volatility, prices, operations of issuers etc., the Group consider margin maintenance ratios to individually assess the loss ratios 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 having incorporated forward-looking 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 margin maintenance ratio, concentration and restriction on trading, the loss rates on advances to customers range from 0.00% to 1.25%, while the loss rates on financial assets under resale agreements range from 0.00% to 3.78%.

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

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

#### *SICR*

The Group uses the following criteria to determine if there is 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 principal 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 scenarios, or occurrence of any event that may affect debt repayment abilities; 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 there is 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 establishes 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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. 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 rates 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 interim period, the weighted average forecasted (weighted average of optimistic, neutral and pessimistic scenarios) growth rate of the Gross Domestic Product made by the Group was 5.58%, and the weighted forward looking adjustment factors for bonds of AAA, AA+, AA, and AA- and below were 1.0, 1.2, 1.7, and 2.0, respectively.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

The table below sets forth the Group's maximum credit risk exposure as at the end of the reporting period, without taking into account of the effect of collaterals or other credit enhancements:

#### a. Maximum credit risk exposure

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Financial assets at fair value through profit or loss <sup>(i)</sup>	156,717,253	159,073,122
Derivative financial assets	3,829,792	3,204,641
Advances to customers	85,132,968	98,686,506
Financial assets held under resale agreements	31,289,521	39,198,592
Accounts and other receivables	6,152,889	5,260,246
Deposits with exchanges and non-bank financial institutions	11,972,323	13,141,791
Clearing settlement funds	21,863,380	25,873,373
Cash and bank balances	113,966,437	87,938,261
Debt instruments at amortized cost	422,490	1,117,626
Debt instruments at fair value through other comprehensive income	56,244,073	40,582,323
Equity instruments at fair value through other comprehensive income <sup>(ii)</sup>	992,329	1,003,092
Other non-current assets	291,815	291,815
<b>Maximum credit risk exposure</b>	<b>488,875,270</b>	<b>475,371,388</b>

- (i) Financial assets at fair value through profit or loss represent investments in debt securities, trust products, equity securities lent to customers and asset-backed securities.
- (ii) Equity instruments at fair value through other comprehensive income subjected to credit risk represent equity securities lent to customers.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. FINANCIAL RISK MANAGEMENT (Continued)

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

##### 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 June 30, 2022 (Unaudited)

	Mainland China	Outside Mainland China	Total (Unaudited)
Financial assets at fair value through profit or loss	156,407,845	309,408	156,717,253
Derivative financial assets	3,244,580	585,212	3,829,792
Advances to customers	81,898,049	3,234,919	85,132,968
Financial assets held under resale agreements	31,281,399	8,122	31,289,521
Accounts and other receivables	2,834,366	3,318,523	6,152,889
Deposits with exchanges and non-bank financial institutions	11,740,169	232,154	11,972,323
Clearing settlement funds	21,187,615	675,765	21,863,380
Cash and bank balances	104,585,958	9,380,479	113,966,437
Debt instruments at amortized cost	401,800	20,690	422,490
Debt instruments at fair value through other comprehensive income	55,757,362	486,711	56,244,073
Equity instruments at fair value through other comprehensive income	992,329	—	992,329
Other non-current assets	291,815	—	291,815
<b>Maximum credit risk exposure</b>	<b>470,623,287</b>	<b>18,251,983</b>	<b>488,875,270</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. FINANCIAL RISK MANAGEMENT (Continued)

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

##### b. Risk concentration (Continued)

As at December 31, 2021 (Audited)

	Mainland China	Outside Mainland China	Total (Audited)
Financial assets at fair value through profit or loss	158,412,559	660,563	159,073,122
Derivative financial assets	1,620,023	1,584,618	3,204,641
Advances to customers	94,637,589	4,048,917	98,686,506
Financial assets held under resale agreements	39,198,592	—	39,198,592
Accounts and other receivables	2,391,715	2,868,531	5,260,246
Deposits with exchanges and non-bank financial institutions	12,736,867	404,924	13,141,791
Clearing settlement funds	25,636,147	237,226	25,873,373
Cash and bank balances	77,492,268	10,445,993	87,938,261
Debt instruments at amortized cost	912,335	205,291	1,117,626
Debt instruments at fair value through other comprehensive income	39,900,470	681,853	40,582,323
Equity instruments at fair value through other comprehensive income	1,003,092	—	1,003,092
Other non-current assets	291,815	—	291,815
<b>Maximum credit risk exposure</b>	<b>454,233,472</b>	<b>21,137,916</b>	<b>475,371,388</b>

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. 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 June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Rating</b>		
Issuers in Mainland China		
— PRC sovereign bonds <sup>(i)</sup>	113,264,897	115,533,692
— AAA	88,700,124	68,044,591
— AA+	6,128,540	7,518,267
— AA	1,464,790	1,921,413
— AA-	62,692	—
— AA- below	41,008	41,022
— A-1	92,080	798,041
— Non-rated	1,107,316	1,344,281
<b>Sub-total</b>	<b>210,861,447</b>	<b>195,201,307</b>
Issuers in Hong Kong and other regions <sup>(ii)</sup>		
— A	308,995	241,803
— B	332,422	1,196,239
— C	31,567	—
— Non-rated	—	98,462
<b>Sub-total</b>	<b>672,984</b>	<b>1,536,504</b>
	<b>211,534,431</b>	<b>196,737,811</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

#### c. Credit rating analysis of financial assets (Continued)

- (i) PRC sovereign bonds represent 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.
- (ii) Credit rating of bonds whose issuers are in Hong Kong and other regions were derived from the lowest of Moody, Stand & Poor's ("S&P") 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 bonds rated Baa1~B3 by Moody, BBB+~B- by S&P and BBB+~B- by Fitch; C rating are 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.

### (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, or 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 reserve and minimum excess reserve quota. 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 payment risks 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 arising from operation of each business and at each branch. Moreover, the Group takes measures to promote safe, sound and sustainable operations of each business and each branch.



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### b. Undiscounted cash flows by contractual maturities

At June 30, 2022 (Unaudited)

	Carrying amount	On demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Non-derivative financial liabilities</b>								
Borrowings	5,478,463	—	3,665,644	93,418	727,312	1,040,843	—	5,527,217
Short-term debt instruments	21,507,169	—	4,427,682	12,844,321	4,311,359	—	—	21,583,362
Placements from banks and other financial institutions	1,910,309	—	1,912,901	—	—	—	—	1,912,901
Bonds payable	134,866,487	—	549,669	6,103,229	43,645,570	91,308,586	—	141,607,054
Financial assets sold under repurchase agreements	131,227,387	—	119,723,637	1,940,313	9,776,472	—	—	131,440,422
Financial liabilities at fair value through profit or loss	33,893,392	3,394,438	28,713,433	38,980	1,723,060	—	23,481	33,893,392
Accounts payable to brokerage clients	110,593,909	110,588,654	5,255	—	—	—	—	110,593,909
Other payables and accrued charges	33,633,961	31,936,382	421,679	191,000	1,084,900	—	—	33,633,961
Lease liabilities	1,336,191	—	46,979	51,026	249,559	784,251	329,738	1,461,553
<b>Sub-total</b>	<b>474,447,268</b>	<b>145,919,474</b>	<b>159,466,879</b>	<b>21,262,287</b>	<b>61,518,232</b>	<b>93,133,680</b>	<b>353,219</b>	<b>481,653,771</b>
Derivative financial liabilities — net settlement	5,631,460	1,385,768	269,893	531,977	1,014,986	2,428,836	—	5,631,460
<b>Total</b>	<b>480,078,728</b>	<b>147,305,242</b>	<b>159,736,772</b>	<b>21,794,264</b>	<b>62,533,218</b>	<b>95,562,516</b>	<b>353,219</b>	<b>487,285,231</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Liquidity risk (Continued)

##### b. Undiscounted cash flows by contractual maturities (Continued)

At December 31, 2021 (Audited)

	Carrying amount	On demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Non-derivative financial liabilities</b>								
Borrowings	6,228,188	—	3,998,541	248,744	1,021,818	997,732	—	6,266,835
Short-term debt instruments	26,935,839	—	4,330,890	4,652,119	18,228,883	—	—	27,211,892
Placements from banks and other financial institutions	6,743,717	—	3,741,618	3,021,233	—	—	—	6,762,851
Bonds payable	146,313,957	—	567,413	4,014,991	30,348,605	120,191,211	—	155,122,220
Financial assets sold under repurchase agreements	127,417,730	—	106,595,960	12,069,232	9,334,784	—	—	127,999,976
Financial liabilities at fair value through profit or loss	23,187,938	2,585,954	18,696,919	37,469	—	1,867,596	—	23,187,938
Accounts payables to brokerage clients	99,605,342	99,605,342	—	—	—	—	—	99,605,342
Other payables and accrued charges	31,972,742	30,141,695	58,147	—	1,772,900	—	—	31,972,742
Lease liabilities	1,317,465	—	28,415	51,921	247,617	771,901	358,803	1,458,657
<b>Sub-total</b>	<b>469,722,918</b>	<b>132,332,991</b>	<b>138,017,903</b>	<b>24,095,709</b>	<b>60,954,607</b>	<b>123,828,440</b>	<b>358,803</b>	<b>479,588,453</b>
Derivative financial liabilities — net settlement	4,616,992	870,941	265,254	479,632	1,154,125	1,845,068	1,972	4,616,992
<b>Total</b>	<b>474,339,910</b>	<b>133,203,932</b>	<b>138,283,157</b>	<b>24,575,341</b>	<b>62,108,732</b>	<b>125,673,508</b>	<b>360,775</b>	<b>484,205,445</b>

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. 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 portfolio held by the Group are derived from 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. Risk Management Department also continuously communicates directly with the business departments/business lines to discuss issues such as the latest market conditions, current risk exposures and possible extreme stress scenarios.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. 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 stock prices over a specified time period and at a given level of confidence.

The analysis of the Group's VaR (confidence level of 95% and a holding period of one trading day) by types of risks is as follows:

Final	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
Market risk of equity price	114,592	158,679
Market risk of interest rate	64,816	37,035
Market risk of commodity price	13,236	11,931
Market risk of foreign exchange	222	435
Diversification effect	(42,832)	(34,788)
<b>Total</b>	<b>150,034</b>	<b>173,292</b>

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. 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 end 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 June 30, 2022 (Unaudited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial assets</b>							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	1,447,231	1,447,231
Debt instruments at fair value through other comprehensive income	467,541	1,039,853	8,370,343	44,369,920	1,996,416	—	56,244,073
Financial assets at fair value through profit or loss	3,084,230	5,869,988	42,101,568	61,369,871	41,303,071	99,573,464	253,302,192
Derivative financial assets	—	16,649	120,647	—	—	3,692,496	3,829,792
Advances to customers	10,087,464	17,227,499	57,818,005	—	—	—	85,132,968
Financial assets held under resale agreements	19,699,099	1,423,490	9,965,932	201,000	—	—	31,289,521
Debt instruments at amortized cost	23,997	187,233	152,207	41,101	—	17,952	422,490
Accounts and other receivables	—	—	30,675	—	—	6,122,214	6,152,889
Other non-current assets	—	—	—	—	—	291,815	291,815
Deposits with exchanges and non-bank financial institutions	5,550,256	—	—	—	—	6,422,067	11,972,323
Clearing settlement funds	21,863,380	—	—	—	—	—	21,863,380
Cash and bank balances	112,481,514	174,000	810,915	500,000	—	8	113,966,437
<b>Sub-total</b>	<b>173,257,481</b>	<b>25,938,712</b>	<b>119,370,292</b>	<b>106,481,892</b>	<b>43,299,487</b>	<b>117,567,247</b>	<b>585,915,111</b>

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk (Continued)

##### c. Interest rate risk (Continued)

	At June 30, 2022 (Unaudited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Financial liabilities							
Borrowings	4,257,977	513,354	707,132	—	—	—	5,478,463
Short-term debt instruments	4,415,590	12,727,395	2,102,781	—	—	2,261,403	21,507,169
Placements from banks and other financial institutions	1,910,309	—	—	—	—	—	1,910,309
Bonds payable	467,654	5,854,076	41,371,516	84,717,487	—	2,455,754	134,866,487
Financial assets sold under repurchase agreements	119,714,586	1,912,026	9,600,775	—	—	—	131,227,387
Derivative financial liabilities	1,257	5,164	939	2,030	—	5,622,070	5,631,460
Financial liabilities at fair value through profit or loss	28,674,453	—	—	—	—	5,218,939	33,893,392
Accounts payable to brokerage clients	98,865,376	—	—	—	—	11,728,533	110,593,909
Other payables and accrued charges	380,600	191,000	1,084,900	—	—	31,977,461	33,633,961
Lease liabilities	46,958	50,837	245,627	728,876	263,893	—	1,336,191
<b>Sub-total</b>	<b>258,734,760</b>	<b>21,253,852</b>	<b>55,113,670</b>	<b>85,448,393</b>	<b>263,893</b>	<b>59,264,160</b>	<b>480,078,728</b>
<b>Net position</b>	<b>(85,477,279)</b>	<b>4,684,860</b>	<b>64,256,622</b>	<b>21,033,499</b>	<b>43,035,594</b>	<b>58,303,087</b>	<b>105,836,383</b>

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk (Continued)

##### c. Interest rate risk (Continued)

	At December 31, 2021 (Audited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial assets</b>							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	1,409,254	1,409,254
Debt instruments at fair value through other comprehensive income	621,711	2,505,289	7,412,054	27,925,722	2,117,547	—	40,582,323
Financial assets at fair value through profit or loss	2,117,918	3,774,394	42,201,049	73,439,008	32,146,857	111,665,052	265,344,278
Derivative financial assets	2,912	7,580	2,224	—	—	3,191,925	3,204,641
Advances to customers	10,608,283	20,992,084	67,086,139	—	—	—	98,686,506
Financial assets held under resale agreements	25,617,085	3,314,576	9,601,068	665,863	—	—	39,198,592
Debt instruments at amortized cost	63,134	42,985	852,006	159,501	—	—	1,117,626
Accounts and other receivables	—	—	—	—	—	5,260,246	5,260,246
Other non-current assets	—	—	—	—	—	291,815	291,815
Deposits with exchanges and non-bank financial institutions	3,140,787	—	—	—	—	10,001,004	13,141,791
Clearing settlement funds	25,873,373	—	—	—	—	—	25,873,373
Cash and bank balances	70,679,103	—	12,059,150	5,200,000	—	8	87,938,261
<b>Sub-total</b>	<b>138,724,306</b>	<b>30,636,908</b>	<b>139,213,690</b>	<b>107,390,094</b>	<b>34,264,404</b>	<b>131,819,304</b>	<b>582,048,706</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. FINANCIAL RISK MANAGEMENT (Continued)

### (4) Market risk (Continued)

#### c. Interest rate risk (Continued)

	At December 31, 2021 (Audited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial liabilities</b>							
Borrowings	5,573,967	654,221	—	—	—	—	6,228,188
Short-term debt instruments	4,324,160	4,608,064	16,599,414	—	—	1,404,201	26,935,839
Placements from banks and other financial institutions	3,737,728	3,005,989	—	—	—	—	6,743,717
Bonds payable	442,609	3,836,403	28,303,378	110,867,337	—	2,864,230	146,313,957
Financial assets sold under repurchase agreements	106,312,180	11,972,507	9,133,043	—	—	—	127,417,730
Derivative financial liabilities	—	13,763	18,018	499	—	4,584,712	4,616,992
Financial liabilities at fair value through profit or loss	18,621,982	—	—	—	—	4,565,956	23,187,938
Accounts payables to brokerage clients	87,081,216	—	—	—	—	12,524,126	99,605,342
Other payables and accrued charges	—	—	1,772,900	—	—	30,199,842	31,972,742
Lease liabilities	28,269	51,452	242,168	711,700	283,876	—	1,317,465
<b>Sub-total</b>	<b>226,122,111</b>	<b>24,142,399</b>	<b>56,068,921</b>	<b>111,579,536</b>	<b>283,876</b>	<b>56,143,067</b>	<b>474,339,910</b>
<b>Net position</b>	<b>(87,397,805)</b>	<b>6,494,509</b>	<b>83,144,769</b>	<b>(4,189,442)</b>	<b>33,980,528</b>	<b>75,676,237</b>	<b>107,708,796</b>



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. 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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Change in basis points</b>		
Increase by 100bps	(1,770,748)	(2,954,670)
Decrease by 100bps	1,735,799	3,034,860

#### Sensitivity to equity

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Change in basis points</b>		
Increase by 100bps	(2,930,541)	(3,773,844)
Decrease by 100bps	2,935,521	3,884,582

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. 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 to equity arising from 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

	As at June 30, 2022	As at December 31, 2021
	(Unaudited)	(Audited)
<b>Change in exchange rate</b>		
Depreciation of USD by 3%	(57,338)	2,376
Depreciation of HKD by 3%	(90,288)	(59,319)

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.

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. FINANCIAL RISK MANAGEMENT (Continued)

#### (5) Operational risk

The Group's operational risks arise from imperfect 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 interim period, the Group continued to strengthen operational risk management, and had 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) self-assessment of operational risk control, (2) operational risk key risk indicators and (3) operational risk event had been used to effectively enhance the depth and breadth of operational risk management through various special sorting and investigations for industry hotspot events and frequent risk-prone areas.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

### (1) Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis (including financial liabilities included in the condensed consolidated statement of financial position of the Group at amortized cost) approximate their fair values as at June 30, 2022 and December 31, 2021.

### (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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The valuation techniques and input used in the fair value measurements of financial instruments are as set out below:

Financial assets/financial liabilities	Fair value as at June 30, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>1) Financial assets at fair value through profit or loss</b>						
<b>Debt securities</b>						
– Traded on stock exchanges	1,431,546	1,963,237	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchange or interbank market	152,447,936	151,697,356	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	988,386	1,377,268	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 that 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.
<b>Equity investments</b>						
– Traded on stock exchanges	13,714,728	14,989,525	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchanges (inactive)	518	5,821	Level 2	Quoted closing prices for stocks suspended for trading adjusted by fair value changes of similar securities.	N/A	N/A
– Traded on stock exchanges (restricted)	1,230,100	3,079,842	Level 3	Market prices adjusted by option pricing model for liquidity.	Liquidity discount.	The higher the discount, the lower the fair value.
– Traded on National Equities Exchange and Quotations	154,931	177,593	Level 2	Bid prices quoted by market dealers.	N/A	N/A
– Traded on National Equities Exchange and Quotations	11,220	12,011	Level 2	Bid prices or negotiated prices.	N/A	N/A

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>1) Financial assets at fair value through profit or loss (Continued)</b>						
– Unlisted Equity	2,691,631	2,498,030	Level 2	Latest observable transaction prices.	N/A	N/A
– Unlisted Equity	82,645	156,348	Level 3	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	332,670	347,854	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.
– Unlisted Equity	360,485	870,004	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 that 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	25,933	157,882	Level 3	Latest transaction price adjusted by option pricing model for liquidity.	Latest transactions prices adjusted by differences in rights of equity interest holders using derivatives models. Historical volatilities.	The high the historical volatilities, the higher the fair value
<b>Funds</b>						
– Traded on stock exchanges	4,584,378	6,067,197	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on over-the-counter market	28,767,542	17,689,264	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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>1) Financial assets at fair value through profit or loss (Continued)</b>						
<b>Other investments</b>						
- Wealth management and trust products and others	77,742	103,972	Level 1	Quoted closing prices in an active market.	N/A	N/A
- Wealth management and trust products and others	38,991,736	56,256,982	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	816,253	1,709,570	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 that 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	6,591,812	6,184,522	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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>2) Debt instruments at fair value through other comprehensive income</b>						
<b>Bonds</b>						
– Traded on stock exchanges	388,012	681,853	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchange or interbank market	55,856,061	39,900,470	Level 2	Discounted cash flow method. Estimated cash flows discounted at observable yield curve reflecting credit risk of counterparties.	N/A	N/A
<b>3) Equity instruments at fair value through other comprehensive income</b>						
<b>Equity investments</b>						
– Traded on stock exchanges	1,444,343	1,405,908	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchanges (inactive)	2,888	3,346	Level 2	Quoted closing prices for stocks suspended for trading adjusted by fair value changes of similar securities.	N/A	N/A



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>4) Derivative financial instruments</b>						
– Interest rate swap – assets	725,868	685,971	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	712,561	704,685	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
– Bond futures – assets	19,079	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Bond futures – liabilities	315	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Equity return swaps – assets	1,656,438	1,626,204	Level 2	Calculated based on the difference between the equity return of underlying securities and the fixed income agreed in the swap agreements.	N/A	N/A
– Equity return swaps – liabilities	3,498,685	2,308,822	Level 2	Calculated based on the difference between the equity return of underlying securities and the fixed income agreed in the swap agreements.	N/A	N/A
– Stock index futures – assets	6,667	31,495	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Stock index futures – liabilities	23,884	3,179	Level 1	Quoted closing prices in an active market.	N/A	N/A

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>4) Derivative financial instruments (Continued)</b>						
– Options – assets	455,769	234,403	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Options – liabilities	658,315	655,621	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Over-the-counter option – assets	389,315	484,251	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	498,593	739,975	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 – assets	64,556	—	Level 2	Broker quoted price.	N/A	N/A
– Foreign exchange contracts – liabilities	—	48,427	Level 2	Broker quoted price.	N/A	N/A
– Foreign exchange contracts – assets	12,809	2,001	Level 2	Discounted cash flows. Future cash flows are estimated based on forward and contractual interest rates, discounted at rates that reflects the credit risk.	N/A	N/A
– Currency futures – assets	208	1,523	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Currency futures – liabilities	441	532	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Currency futures – assets	8,495	—	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
– Currency futures – liabilities	14,763	—	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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>4) Derivative financial instruments (Continued)</b>						
– Credit default swaps – assets	5,486	9,861	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 swaps – liabilities	39	345	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.
– Commodity futures – assets	481,142	52,408	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Commodity futures – liabilities	102,890	137,945	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Commodity swaps – assets	—	71,834	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 swaps – liabilities	117,057	17,461	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 forward contracts – assets	3,960	3,849	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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>4) Derivative financial instruments (Continued)</b>						
– Commodity forward contracts – liabilities	3,715	—	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
– Bond forward contracts – assets	—	841	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.	The settlement price agreed in the agreements.	The higher the settlement price, the higher the fair value.
– Bond forward contracts – liabilities	202	—	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.	The settlement price agreed in the agreements.	The higher the settlement price, the higher the fair value.
<b>5) Financial liabilities at fair value through profit or loss</b>						
– Structured entities	1,881,596	1,949,008	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
– Equity securities	1,200,941	383,159	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Debt securities	28,674,453	18,621,982	Level 2	Discounted cash flow method. Estimated cash flows discounted at observable yield curve reflecting credit risk of counterparties.	N/A	N/A

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value as at June 30, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>5) Financial liabilities at fair value through profit or loss (Continued)</b>						
– Structured notes	1,812,277	1,753,125	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
– Income right	54,831	46,061	Level 3	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.
– Others	77,960	112,406	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Others	191,334	322,197	Level 2	Calculated based on the difference between the equity return of underlying securities and the fixed income agreed in the swap agreements.	N/A	N/A

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Analysis of financial instruments, measured at fair value at the end of the current interim period and at December 31, 2021, by level in the fair value hierarchy into which the fair value measurement is categorized as follows:

	As at June 30, 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	19,808,394	223,065,514	10,428,284	253,302,192
— Debt securities	1,431,546	152,447,936	988,386	154,867,868
— Equity investments	13,714,728	2,858,300	2,031,833	18,604,861
— Funds	4,584,378	28,767,542	—	33,351,920
— Others	77,742	38,991,736	7,408,065	46,477,543
Derivative financial assets	962,865	2,472,126	394,801	3,829,792
Debt instruments at fair value through other comprehensive income	388,012	55,856,061	—	56,244,073
Equity instruments at fair value through other comprehensive income	1,444,343	2,888	—	1,447,231
	<b>22,603,614</b>	<b>281,396,589</b>	<b>10,823,085</b>	<b>314,823,288</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	1,278,901	32,559,660	54,831	33,893,392
Derivative financial liabilities	785,901	4,346,725	498,834	5,631,460
	<b>2,064,746</b>	<b>36,906,441</b>	<b>553,665</b>	<b>39,524,852</b>

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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	As at December 31, 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	23,123,931	228,337,057	13,883,290	265,344,278
— Debt securities	1,963,237	151,697,356	1,377,268	155,037,861
— Equity investments	14,989,525	2,693,455	4,611,930	22,294,910
— Funds	6,067,197	17,689,264	—	23,756,461
— Others	103,972	56,256,982	7,894,092	64,255,046
Derivative financial assets	319,829	2,389,859	494,953	3,204,641
Debt instruments at fair value through other comprehensive income	681,853	39,900,470	—	40,582,323
Equity instruments at fair value through other comprehensive income	1,405,908	3,346	—	1,409,254
	<b>25,531,521</b>	<b>270,630,732</b>	<b>14,378,243</b>	<b>310,540,496</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	495,565	22,646,312	46,061	23,187,938
Derivative financial liabilities	797,277	3,079,395	740,320	4,616,992
	<b>1,292,842</b>	<b>25,725,707</b>	<b>786,381</b>	<b>27,804,930</b>

There was no significant transfer of financial instruments measured at fair value between level 1 and level 2 of the Group during the period/year.

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

For the period ended June 30, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (2) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

##### *Reconciliation of Level 3 fair value measurements*

	Financial assets	Financial liabilities
	(Unaudited)	(Unaudited)
As at January 1, 2022	14,378,243	786,381
Gains or losses for the period	291,794	154,997
Additions	970,983	302,753
Sales and settlements	(3,149,697)	(690,466)
Transfers into Level 3	—	—
Transfers out of Level 3	(1,668,238)	—
As at June 30, 2022	10,823,085	553,665
<b>Total unrealized gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting period</b>	<b>149,176</b>	<b>(247,388)</b>

	Financial assets	Financial liabilities
	(Audited)	(Audited)
As at January 1, 2021	12,211,873	1,278,950
Gains or losses for the year	137,816	19,162
Additions	6,435,698	436,181
Sales and settlements	(4,319,643)	(963,783)
Transfers into Level 3	611,745	15,871
Transfers out of Level 3	(699,246)	—
As at December 31, 2021	14,378,243	786,381
<b>Total unrealized gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting year</b>	<b>537,497</b>	<b>16,617</b>

During the period ended June 30, 2022, the Group transferred certain equity investments from Level 3 to Level 1 primarily as these investments were no longer restricted in sales and their fair values were measured by using quoted prices in active market without adjustments for liquidity discounts. Moreover, certain equity investments were transferred from Level 3 to Level 2 due to changes in the valuation method from using other valuation techniques with significant unobservable inputs to recent market transaction prices. Apart from these transfers, for the period ended June 30, 2022 and the year ended December 31, 2021, there was no other material transfers among Level 1, Level 2 and Level 3 for the Group's assets and liabilities measured at fair values.



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

For the period ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. CONTINGENCIES

During the current period, 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. As at June 30, 2022, the Company has received lawsuit materials and relevant notices initiated by 4,096 investors (as at December 31, 2021: 3,818 investors) from Shanghai Financial Court and Wuhan Intermediate People's Court. According to the loss appraisal opinion from Court, the aggregate loss of these investments involved above was RMB563 million (as at December 31, 2021: RMB525 million). According to the court judgement, the Company expects to be jointly and severally liable for damages within 25% of the above-mentioned investment losses. The impact of the above civil litigations has been considered in the condensed consolidated financial statements.

In addition, on August 12, 2022, the Company received notice of case filing from the CSRC for its engagement as an independent financial advisor to China Securities Co. Ltd. and details were disclosed in the announcement dated August 12, 2022.

As at June 30, 2022, except for the above litigations and the regulatory actions of the CSRS, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, the Group expects that they would materially and adversely affect its financial position or results of operations.

### 57. EVENTS AFTER THE REPORTING PERIOD

#### Bond issue

On July 12, 2022, the Company issued the second tranche of public short-term corporate bonds, with the type I named as "22CMS3" and the type II named as "22CMS4". The total principal amount of 22CMS3 is RMB2.6 billion with duration of 100 days and the interest rate is 1.94% per annum. The total principal amount of 22CMS4 is RMB1.0 billion with duration of 135 days and the interest rate is 1.96% per annum.

On July 26, 2022, the Company issued the second tranche of public corporate bonds named as "22CMG2". The aggregate principal amount of 22CMG2 is RMB4.0 billion, its duration is 3 years and the interest rate is 2.70% per annum.

On August 11, 2022, the Company issued the third tranche of public corporate bonds, with the type I named as "22CMG3" and the type II named as "22CMG4". The total principal amount of 22CMG3 is RMB3.0 billion with duration of 916 days and the interest rate is 2.54% per annum. The total principal amount of 22CMG4 is RMB5.0 billion with duration of 3 years and the interest rate is 2.59% per annum.

Except for the above disclosures, no material events occurred during the period from June 30, 2022 to the date of this report have to be disclosed.

# CMS 招商证券

Address : 111 Fuhua First Road,  
Futian Street, Futian District, Shenzhen

Telephone : 0755-82943666

Fax : 0755-82943100

Postal code : 518046

[www.cmschina.com.cn](http://www.cmschina.com.cn)

Customer Service Hotline : 95565

