

# CMS 招商证券

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

## 2022 ANNUAL REPORT







HUO Da  
Chairman of the Board

## Accelerating the transformation and reform of modern investment bank

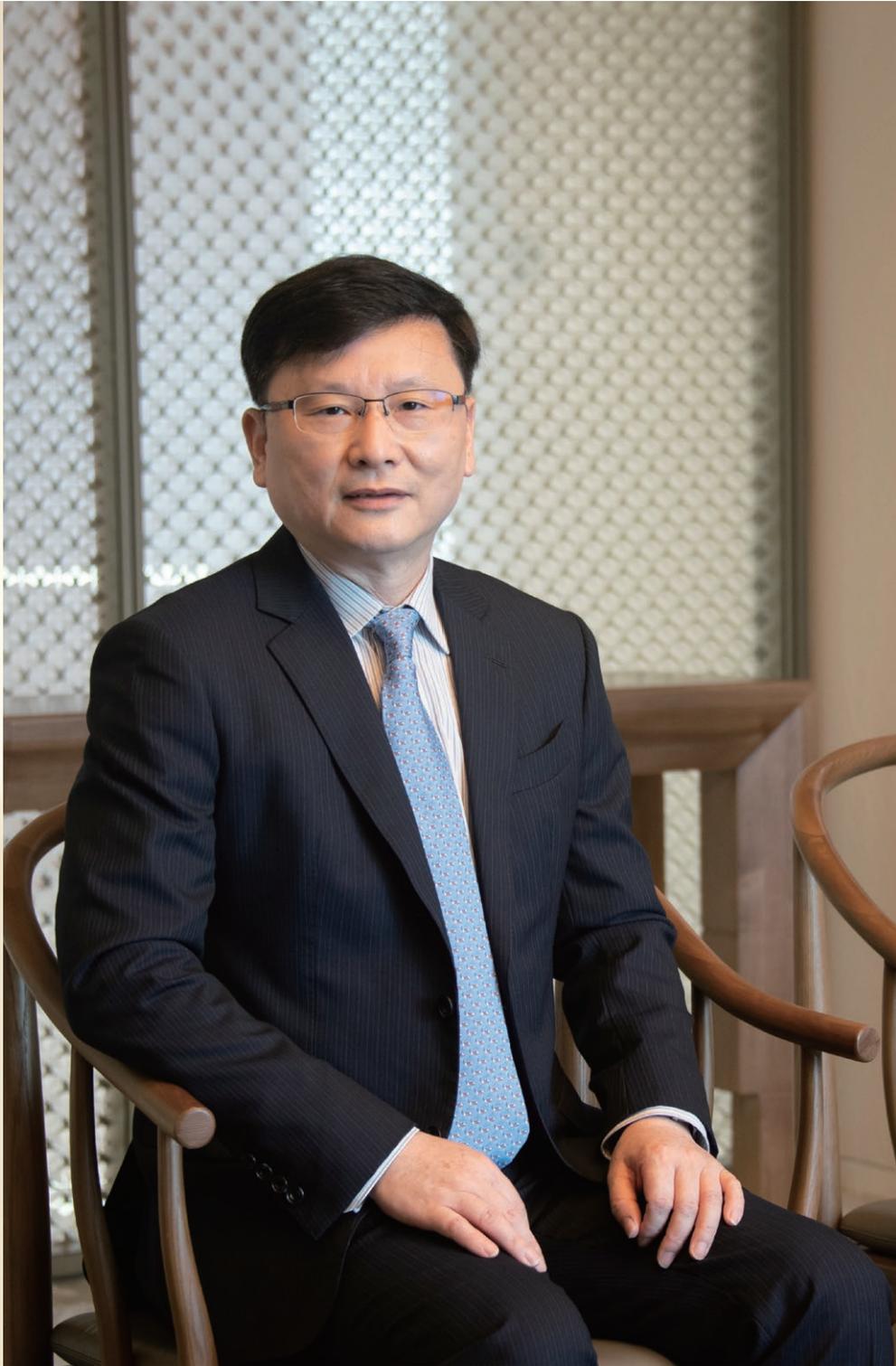
### – Statement of HUO Da, the Chairman of the Board, for the 2022 annual report

2022 was full of happy events and great events. The 20th National Congress of the Communist Party of China and the Beijing Olympic Winter Games were successfully held. The overall economic and social situation of China was stable, which steadily improved the quality of development. 2022 was also a year with many difficulties and rapid changes. Under the impact of multiple unexpected factors, the economic operation faced "triple pressures", resulting in increased volatility in financial market and decline in trading volume of stocks and funds. The securities industry was under short-term pressure and its performance has fallen. The challenges of controlling risks and stabilizing operations have increased.

Operational challenges from the external environment are not the only challenges faced by the China Merchants Securities. Internally, as the Company's transformation and reform entered the key "deep water zone", the challenges of enhancing transformation and promoting reform have been enlarged. In 2022, we maintained our strategic focus and continuously overcame difficulties through making every effort to stabilize the current operations while stepping up efforts to deepen strategic transformation. The operation throughout the Year reflected three points: **Firstly, the "fundamental keystone" (基本盤) is stable and the leading business advantages are maintained.** Wealth management and institutional business maintained a competitive position and ranked top three in the industry in terms of net income from agency trading of securities (including leasing of trading seats, using parent company as statistics caliber). The number of private fund products under custody ranked 1st in the industry for nine consecutive years in terms of market share. **Secondly, asset quality continues to be excellent and risks are controllable.** Five risk management capabilities namely "full coverage, monitorability, measurability, with analysis, and responsiveness" are continuously improved to resolve multiple risk challenges in an orderly manner. Risk loss indicators such as the financing default loss rate are well controlled, thereby maintaining excellent asset quality. **Thirdly, the key measures of transformation were implemented and the preliminary result was achieved.** The implementation of "client-oriented" corporate client manager system and institutional client manager system represented the initial establishment of a modern investment banking service system. The "Gazelle Incubator Project" (羚羊計劃) and the "Three Investment Coordination", namely investment research, investment banking and investment, began to show results, which solidified the foundation for developing a modern investment bank and strengthened our confidence in deepening transformation.

2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China. The economic growth of China has stabilized and recovered, and the market expectation tended to improve. Meanwhile, with the implementation of registration-based IPO system, the relationship between supply and demand in the market is facing in-depth adjustments, and the differentiation among peer institutions will be accelerated. Under the new competitive situation, it is a "difficult but correct" inevitable choice to firmly and unwaveringly take the road of transformation towards modern investment bank. In 2023, we will do a good job in two "deepening" and two "coordinating" while taking the high-quality development path of China Merchants Securities during transformation and reform. **Firstly, deepening the reform of state-owned enterprise** through focusing on in-depth benchmarking of selected leading financial institutions and focusing on key tasks, with an aim to effectively enhancing core competitiveness. **Secondly, deepening internal transformation** through setting the development of a strong modern investment bank as the top priority of annual business development, promoting the full implementation of the "upgraded" reform of wealth management transformation, and accelerating the creation of unique competitive advantages in institutional business. **Thirdly, coordinating development and safety** through doing a good job in prevention and control of key risks in a forward-looking manner, continuously improving the risk internal control system for key businesses such as investment banking and investment, and building a solid "safety protection net" for information technology. **Fourthly, coordinating corporate operation and social responsibility** through deeply integrating the ESG concept with the Company's strategy and operation, highlighting the characteristics of green finance, and supporting the development of green industries through multiple channels and multiple variety of green investment and financing tools.

Reforms and innovations are beneficial to the Company even though they are hard to achieve. Although the road of transformation of the Company towards modern investment bank is long and arduous, perseverance will lead us to a bright future. We will thoroughly implement the spirit of the 20th National Congress of the Communist Party of China, strengthen confidence in development, deepen reform and innovation and promote the "spirit of reforms and innovations" with the attitude of not taking refuge, confidence and self-reliance. The Company will utilize its high-quality development to serve the high-quality development of the real economy, so as to practice the ambition of "serving the country with financial services" in Chinese modernization and strive to create stable and continuous excellent returns for the shareholders.



WU Zongmin  
**President**

## Striving to enter a new stage of high-quality development

### – Statement of WU Zongmin, the President of the Company, for the 2022 annual report

2022 was an extraordinary year. It marked the successful convention of the 20th National Congress of the Communist Party of China which described the grand scheme of the comprehensive construction of a modern socialist China. After delivering an excellent result for the development of the first 30 years, China Merchants Securities entered a new stage of development in which we forge ahead and start a new journey. Looking back on 2022, with the care and support from various sectors of the society, the Company stabilized its results, focused on reforms, enhanced its capacity and held its bottom line, and successfully resisted challenges from the complex operating environment, and further consolidated the foundation for future high-quality development:

**During the year, we responded calmly and stabilized the fundamentals of the operating results.** Under the impact from various unexpected factors, we adhered to the principle of seeking progress while maintaining stability. The market ranking of our core businesses remained relatively stable and the income structure continued to optimize and the proportion of income from risk-neutral strategic and institutional business further enhanced. The market share of net income from agency securities trading business remained in top three while the market share of the trading volume of stocks and funds reached another record high. The market share of the margin financing and securities lending and stock pledge repo businesses both ranked among top five while the custody business maintained its industry leading position. **We proactively achieved new progress in transformation and reform.** We deepened our reformed of organization and mechanism, effectively stimulating the vitality of the organization. We implemented the manager system for clients comprehensively, basically forming the “one-stop” comprehensive service model. We continued to improve the synergistic mechanism and the result of overall synergy has been achieved gradually. We deepened the transformation of wealth management and established a “big wealth management services system featuring the characteristic of stock broker”. We accelerated the development of financial technology and the effect of technology-enabled business became more prominent. **Staying true to our mission, we continuously strengthened our capabilities of serving the real economy.** We significantly enhanced the technology and financial services standard and facilitated the expansion of “specialized and sophisticated” enterprises with growth potential through capital market. We proactively explored the blue ocean of green finance development and leveraged on the advantages of the “emission peak and carbon neutrality” comprehensive service platform, thereby strongly supporting the green and low-carbon transition of the real economy. We continuously enhanced the capabilities of inclusive finance, fully implemented the “Gazelle Incubator Project (羚躍計劃)” and provided full life-cycle, comprehensive and personalized financial services for SMEs. **We strictly observed our bottom line and maintained a sound trend of stable operation in general.** We proactively resolved the risks left over by history and effectively responded to various unexpected risks. We strengthened the establishment of comprehensive risk management to accurately identify and prevent business risks and strive to realize loss reduction and efficiency enhancement through risk management. The quality of the Company’s assets remained excellent.

Looking forward in 2023, the trend of overall recovery of China’s economy will be further consolidated, and the fundamental factors affecting the operation of the capital market will improve significantly. With the full implementation of the registration-based IPO system, the establishment of a modern capital market with Chinese characteristics has entered a new course of development and China Merchants Securities has encountered new development opportunities as well as challenges. 2023 marks the first year of thorough implementation of the spirit of the 20th National Congress and the conclusion of the Company’s Five-Year Plan from 2019 to 2023. We will seize the opportunity of the expected upturn of the market and strive to expand our income while maintaining quality control and risk prediction. We will speed up the transformation and upgrade of the three main client service business for individual, institutional and corporate clients and build competitive strength with special features in aspects of digital technology, green technology and biotechnology, thereby enhancing the professional service capabilities comprehensively. We will proactively deepen the reform and continue to optimize the system and mechanism to stimulate new vitality for high-quality development.

We believe that with strong support and care from shareholders and various sectors of the society, under the solid leadership of the Board of the Company, China Merchants Securities will be able to enter a new stage of high-quality development, serve economic and social development with better operating results and write a new chapter of building China’s best investment bank in the new era and new journey!

## Important Notice

**I. The Board, the Supervisory Committee, Director(s), Supervisor(s) and senior management of the Company undertake that the information in this annual report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume joint and several liabilities to the information in this report.**

**II. All Directors of the Company attended the Board meeting.**

**III. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have issued standard unqualified auditor's reports for the Company.**

**IV. HUO Da, officer in charge of the Company, 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 annual 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**

The Company will not allocate profit to the statutory reserve for 2022. Based on the total share capital registered on the equity registration date for equity distribution, a cash dividend of RMB1.85 (tax inclusive) for every 10 shares will be distributed to all shareholders; no bonus shares will be distributed; and no capital reserve will be converted to share capital.

Based on the total number of shares of the Company of 8,696,526,806 shares as of December 31, 2022, the total distributed profit is RMB1,608,857,459.11. If the Company's total share capital changes on the equity registration date for equity distribution, the Company will keep the total distribution unchanged and adjust the distribution per share accordingly.

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

Upon consideration and approval of the 2022 annual profit distribution plan at the 2022 annual general meeting of the Company, the Company will distribute the 2022 annual cash dividend before August 30, 2023. The Company will make separate announcement regarding the record date of such H Share dividend distribution, the period of closure of register of members, the equity registration date for A Share dividend distribution and the specific payment date.

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

No

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

No

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

No

**X. This annual report is prepared in both Chinese and English versions. In the event of any discrepancy between the Chinese and English versions of this annual 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: Report of the Board of Directors" of this report.

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# Chapter 1: Definitions

## I. Definitions

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

Common terms and expressions	
"Civil Code"	the Civil Code of the PRC (《中華人民共和國民法典》)
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》)
"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》)
"Articles of Association"	the Articles of Association of China Merchants Securities Co., Ltd. (as amended from time to time)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"CSRC Shenzhen Office"	the Shenzhen office of the China Securities Regulatory Commission
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SSE"	the Shanghai Stock Exchange (上海證券交易所)
"SZSE"	the Shenzhen Stock Exchange (深圳證券交易所)
"BSE"	the Beijing Stock Exchange (北京證券交易所)
"SSE website"	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , the website of the Shanghai Stock Exchange
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange website"	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> , the website of The Stock Exchange of Hong Kong Limited (HKExnews)
"SOE(s)"	state-owned enterprise(s) (國有企業)
"Company", "China Merchants Securities", "us"	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: 06099) and on the SSE (stock code: 600999), respectively
"Group"	China Merchants Securities Co., Ltd. (招商證券股份有限公司) and its controlled subsidiaries
"Company's website"	<a href="https://www.cmschina.com">https://www.cmschina.com</a> , the website of China Merchants Securities Co., Ltd.
"SAFSA"	the State Administration of Financial Supervision and Administration (國家金融監督管理總局)
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)

## Chapter 1: Definitions

Common terms and expressions	
“China Merchants Group”	China Merchants Group Limited (招商局集團有限公司)
“China Merchants Finance Holdings”	China Merchants Finance Holdings Co., Ltd. (招商局金融集團有限公司)
“CM Financial Holdings”	China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司), formerly known as China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)
“CM Finance Investment”	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司), currently known as China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司)
“Shanghai Pilot Free Trade Zone Branch”	the Shanghai Pilot Free Trade Zone branch of China Merchants Securities Co., Ltd.
“Jisheng Investment”	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)
“China Ocean Shipping”	China Ocean Shipping Co., Ltd. (中國遠洋運輸有限公司)
“China Merchants Bank”	China Merchants Bank Co., Ltd. (招商銀行股份有限公司)
“CMS International”	China Merchants Securities International Company Limited (招商證券國際有限公司)
“China Merchants Futures”	China Merchants Futures Co., Limited (招商期貨有限公司)
“CMS Zhiyuan”	China Merchants Zhiyuan Capital Investment Co., Ltd. (招商致遠資本投資有限公司)
“CMS Investment”	China Merchants Securities Investment Co., Ltd. (招商證券投資有限公司)
“CMS Asset Management”	China Merchants Securities Asset Management Co., Ltd. (招商證券資產管理有限公司)
“Bosera Funds”	Bosera Asset Management Co., Limited (博時基金管理有限公司)
“China Merchants Fund”	China Merchants Fund Management Co., Ltd. (招商基金管理有限公司)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Common terms and expressions	
"A Share(s)"	domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (stock code: 600999)
"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 Stock Exchange of Hong Kong Limited (stock code: 06099)
"A Shareholder(s)"	holders of A Shares
"H Shareholder(s)"	holders of H Shares
"RMB", "RMB10,000", and "RMB100 million"	Renminbi 1 Yuan, Renminbi 10,000 Yuan and Renminbi 100 million Yuan
"NEEQ"	the National Equities Exchange and Quotations for medium and small-sized enterprises
"STAR Market"	the Science and Technology Innovation Board of the SSE
"VaR"	value at risk
"APP"	application
"IPO"	initial public offering
"Reporting Period", "Current Period"	from January 1, 2022 to December 31, 2022
"Previous Period"	from January 1, 2021 to December 31, 2021
"Latest Practicable Date"	March 24, 2023
"%"	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 Zongmin, WU Huifeng, KWONG Yin Ping Yvonne (as the alternate authorized representative to WU Zongmin and WU Huifeng)

#### Registered capital and net capital of the Company

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of Last Year
Registered capital	8,696,526,806.00	8,696,526,806.00
Net capital	70,444,812,948.68	72,735,158,477.64

#### 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 listed securities market making trading	The Securities and Fund Institution Supervision Department of the CSRC	October 2022
2	Qualification of issuing credit-protected warrants for providing pledge repo to protected bonds	CSDC	June 2021
3	Pilot optimization for account management function	Securities Association of China	June 2021
4	Fund investment advisory business	The Securities and Fund Institution Supervision Department of the CSRC	June 2021
5	Issuer of credit protection warrants launched in SZSE	SZSE	November 2020
6	Standard forward contract on bond of Agricultural Development Bank of China	Shanghai Clearing House	October 2020

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
7	Interest option business	China Foreign Exchange Trading Center	March 2020
8	Market maker of stock index options	The Securities and Fund Institution Supervision Department of the CSRC	December 2019
9	Lead market maker of the CSI 300 ETF options	SZSE	December 2019
10	Trading authority for access to stock options business	SZSE	December 2019
11	Sale and settlement of foreign exchange business	State Administration of Foreign Exchange	August 2019
12	Participation in margin securities loan business of the STAR Market	China Securities Finance Co., Ltd.	July 2019
13	Market maker of treasury bond futures	The Securities and Fund Institution Supervision Department of the CSRC	May 2019
14	Credit protection contract business	SSE	February 2019
15	Lead market maker of listed funds business	SSE	February 2019
16	Credit derivatives business	The Securities and Fund Institution Supervision Department of the CSRC	December 2018
17	Market maker of crude oil futures business	Shanghai International Energy Exchange	October 2018
18	Market maker of nickel futures	Shanghai Futures Exchange	October 2018
19	Market maker of copper options	Shanghai Futures Exchange	September 2018
20	Dealer of OTC options business	Securities Association of China	August 2018
21	Market maker of Bond Connect "Northbound Trading"	China Foreign Exchange Trading Center	July 2018
22	Conducting pilot cross-border businesses	The Securities and Fund Institution Supervision Department of the CSRC	April 2018
23	Core dealer of credit risk mitigation instruments	National Association of Financial Market Institutional Investors	January 2017
24	Qualification to issue credit risk mitigation certificates	National Association of Financial Market Institutional Investors	January 2017
25	Qualification to issue credit-linked notes	National Association of Financial Market Institutional Investors	January 2017
26	Non-bank member of the Shanghai Commercial Paper Exchange	General Administration Department of the People's Bank of China	November 2016
27	Trading authority for access to Southbound Trading business under Shenzhen-Hong Kong Stock Connect	SZSE	November 2016
28	Approval for provision of online account opening service	The Securities and Fund Institution Supervision Department of the CSRC	April 2015
29	Ordinary member for centralized settlement of standard forward bond	Shanghai Clearing House	April 2015

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
30	Approval for financing through exercising incentive share options of listed companies	SZSE	March 2015
31	Licence for spot gold proprietary trading business	The Securities and Fund Institution Supervision Department of the CSRC	March 2015
32	Licence for providing payment services for customers' funds	China Securities Investor Protection Fund Corporation Limited	March 2015
33	Licence for stock options market making business	CSRC	January 2015
34	Licence for market making business for SSE 50 ETF options trading	SSE	January 2015
35	Proprietary trading of stock options	SSE	January 2015
36	Licence for options settlement	CSDC	January 2015
37	Stock options trading participant on the SSE	SSE	January 2015
38	Licence for pilot online securities business	Securities Association of China	November 2014
39	Trading authority for access to Southbound Trading business	SSE	October 2014
40	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
41	Qualification of lead manager business (market making business)	NEEQ Co., Ltd.	June 2014
42	Licence for OTC options trading business	Securities Association of China	February 2014
43	Ordinary member for centralized settlement of interest rate swaps	Shanghai Clearing House	February 2014
44	Licence for securities investment fund custody business	CSRC	January 2014
45	Qualification for agency business of securities pledge registration	The Registration and Custody Department of CSDC	July 2013
46	Authority for stock-pledged repo business	SSE	June 2013
47	Authority for stock-pledged repo	SZSE	June 2013
48	Participation in interest rate swap transactions	CSRC Shenzhen Office	May 2013
49	Permit for conducting insurance agency businesses	CIRC (currently known as SAFSA)	April 2013 (latest certificate obtained in April 2020)
50	Qualification of lead manager business (recommendation and brokerage businesses)	NEEQ Co., Ltd.	March 2013

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
51	Licence for OTC trading business	Securities Association of China	February 2013
52	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
53	Licence for special institutional client business of insurance companies	CIRC (currently known as SAFSA)	January 2013
54	Qualification for sale of financial products	CSRC Shenzhen Office	December 2012
55	Qualification of lead underwriting debt financing instruments of non-financial enterprises	National Association of Financial Market Institutional Investors	November 2012
56	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
57	Licence for margin and securities refinancing	China Securities Finance Co., Ltd.	August 2012
58	Qualification of underwriting private placement bonds of small and medium enterprises	Securities Association of China	June 2012
59	Licence for stock repurchase business	CSRC	May 2012
60	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
61	Qualification for third-party custodian services for one customer – multiple bank services	CSRC Shenzhen Office	June 2011
62	Ordinary member for settlement	Shanghai Clearing House	November 2010
63	Qualification for margin financing and securities lending business	CSRC	June 2010
64	Licence for direct investment business	CSRC	August 2009
65	Qualification for intermediary introduction business for China Merchants Futures	CSRC	February 2008
66	Category A clearing participant of CSDC	CSDC	February 2008
67	Licence for overseas securities investment management business	CSRC	August 2007
68	Primary dealer on the integrated e-platform for fixed-income securities of the SSE	SSE	July 2007
69	Permit for foreign exchange operation in the securities business	State Administration of Foreign Exchange	December 2006 (latest certificate obtained in November 2012)

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
70	Clearing participant of CSDC	CSDC	March 2006
71	Primary dealer of SSE 180 Index Exchange Traded Fund	SSE	March 2006
72	Qualification for quote transfer business	Securities Association of China	January 2006
73	Licence for underwriting business of commercial paper	The People's Bank of China	July 2005
74	Qualification for operation of foreign shares business	CSRC	September 2002
75	Qualification for open-end securities investment fund consignment business	CSRC	August 2002
76	Qualification for trusted investment management business	CSRC	May 2002
77	Qualification for online securities agency business	CSRC	February 2001
78	Qualified member of interbank market	General Administration Department of the People's Bank of China	September 1999
79	Qualification for RMB special stocks business (unrestricted) in Shanghai	Shanghai Securities Management Office	November 1996
80	Licence for starting foreign exchange business	Shenzhen Office of the State Administration of Foreign Exchange	October 1996
81	Pilot unit of equity trading agency system for non-listed companies	Property Right Transfer Leading Group Office of the Shenzhen Municipal Government	January 1996
82	Licence for starting proprietary business	Shenzhen Securities Management Office	August 1993

Qualifications of each of the business lines 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

## Chapter 2: Corporate Profile and Key Financial Indicators

Qualifications of each of the business lines 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 making business	China Futures Association	March 2018
3	Member of Shanghai International Energy Exchange	Shanghai International Energy Exchange	May 2017
4	Licence for basis trading	China Futures Association	April 2017
5	Licence for OTC derivatives business	China Futures Association	April 2017
6	Licence for warehouse receipt services	China Futures Association	December 2016
7	Filing for entry of the interbank bond market	The People's Bank of China	July 2016
8	Licence for 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 consulting	CSRC	August 2011
11	Member of Zhengzhou Commodity Exchange	Zhengzhou Commodity Exchange	March 2009
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

## Chapter 2: Corporate Profile and Key Financial Indicators

Qualification of each of the business lines of CMS Zhiyuan, a wholly-owned subsidiary of the Company, is as follow:

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

Qualifications of each of the business lines of CMS Asset Management, a wholly-owned subsidiary of the Company, are as follows:

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

## II. Contact Persons and Contact Methods

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

	Joint Company Secretaries	
Name	WU Huifeng	KWONG Yin Ping Yvonne
Correspondence address	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC	40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

## Chapter 2: Corporate Profile and Key Financial Indicators

### III. Basic Information

Registered address of the Company	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC
Historical change of the registered address of the Company	In August 1991, the registered address of the Company was 1/F, New Energy Building, Nanyou Industrial Zone, Shenzhen. In October 1993, it was changed to 1/F, Block C, Shenfeng Industrial Building, Huaqiang North Road, Futian District, Shenzhen. In August 1998, it was changed to 8/F-11/F, Block A, Huaqiang Jiahe Building, Shenzhen. In May 2002, it was changed to 38/F-45/F, Block A, Jiangsu Building, Futian District, Shenzhen. In November 2018, it was changed to No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen.
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

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

The name and website of the media where the Company discloses its annual report	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
The websites where the Company discloses its annual report	<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)
Place of inspection for the Company's annual report	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC

## Chapter 2: Corporate Profile and Key Financial Indicators

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

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	06099	–

### VI. Other Information

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

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

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

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

## Chapter 2: Corporate Profile and Key Financial Indicators

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

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

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

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

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

## Chapter 2: Corporate Profile and Key Financial Indicators

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

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

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

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

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

## Chapter 2: Corporate Profile and Key Financial Indicators

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

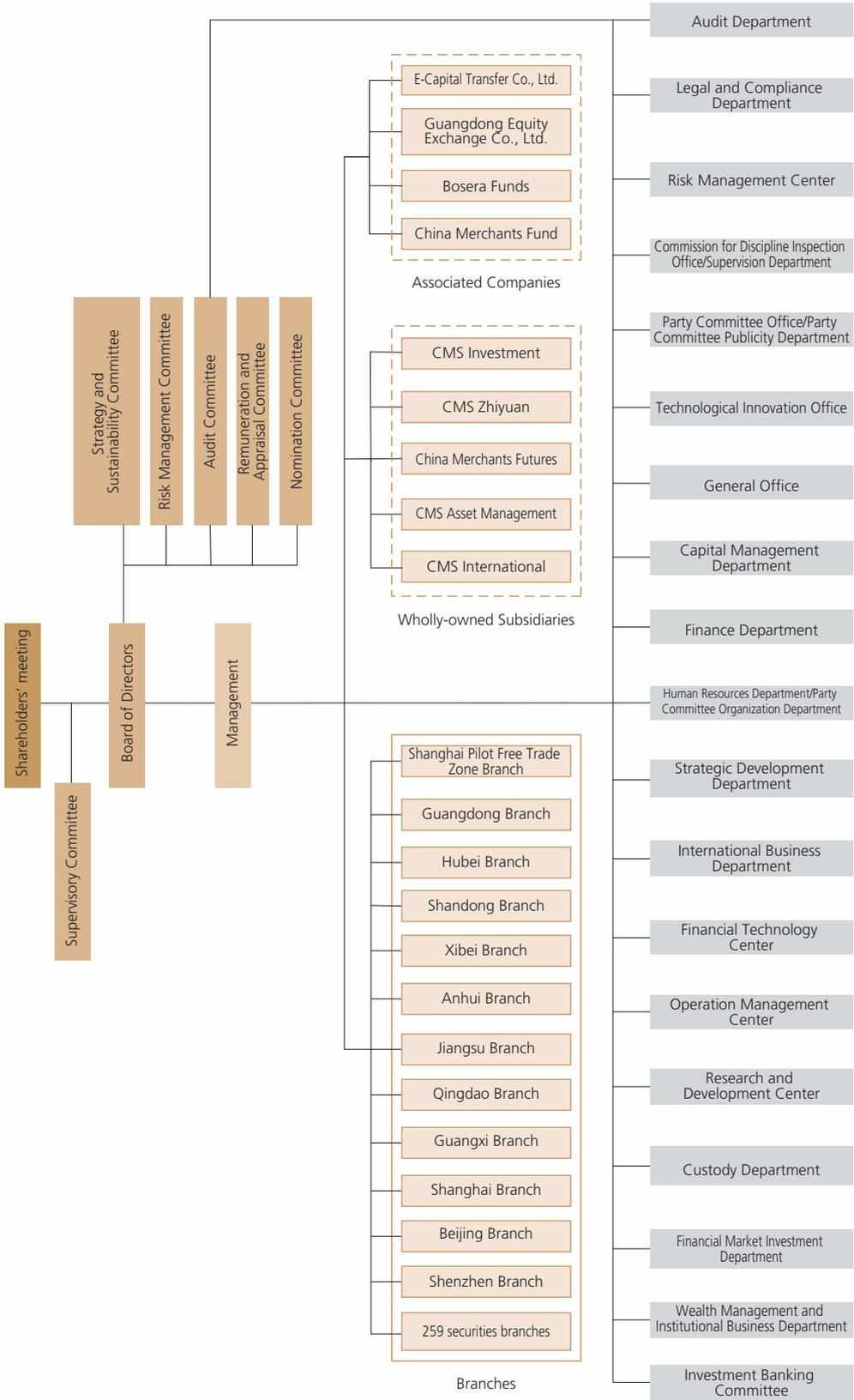
In November and December 2018, the registered address and office address of the Company were changed to “No.111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC (中國深圳市福田區福田街道福華一路111號)”.

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

## Chapter 2: Corporate Profile and Key Financial Indicators

### (II) Corporate organizational structure

As at the Latest Practicable Date, our corporate organizational structure was as follows:



## Chapter 2: Corporate Profile and Key Financial Indicators

As of the Latest Practicable Date, the Company has 5 first-level wholly-owned subsidiaries, the details of which are as follows:

No.	Company name	Address	Date of incorporation	Registered capital (RMB10,000)	Person-in-charge	Contact number
1	China Merchants Securities International Company Limited	48/F, One Exchange Square, Central, Hong Kong	July 14, 1999	N/A	ZHAO Bin (趙斌)	0755-82943666
2	China Merchants Futures Co., Ltd.	16/F and Room 1703, 17/F, China Merchants Securities Building, No. 111, Fuhua Yi Road, Fuan Community, Futian Street, Futian District, Shenzhen	January 4, 1993	359,800	LIU Rui (劉銳)	0755-82943666
3	China Merchants Zhiyuan Capital Investment Co., Ltd.	Unit 1501, 15/F, Building 3, Courtyard No. 1, Yuetan South Street, Xicheng District, Beijing	August 28, 2009	210,000	LIU Rui (劉銳)	0755-82943666
4	China Merchants Securities Investment Co., Ltd.	Room 201, Block A, No. 1 Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen (settled in Shenzhen Qianhai Business Secretary Company Limited)	December 2, 2013	1,010,000	LING Jianghong (凌江紅)	0755-82943666
5	China Merchants Securities Asset Management Co., Ltd.	Room 2902, Phase II, Qianhai Shimao Financial Center (Room 2-8, 29/F, Qianhai Shimao Building), 3040 Xinghai Avenue, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen	April 3, 2015	100,000	YANG Yang (楊陽)	0755-82943666

### (III) Number and distribution of securities branches of the Company

As of the Latest Practicable Date, the Company operated 259 securities branches. The distribution of those operating securities branches is as follow:

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

## Chapter 2: Corporate Profile and Key Financial Indicators

### (IV) Number and distribution of other branches

As of the Latest Practicable Date, the Company had 12 branches, the basic information of which is as follows:

No.	Name of the branch	Date of incorporation	Place of business	Person-in-charge	Contact number
1	Shenzhen Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司深圳分公司)	February 1, 2010	Suite 16F2, 16G & 16H, Times Fortune Building, South Eastern Part, Central Area, Futian District, Shenzhen	GAO Xiang (高翔)	0755-82922188
2	Shanghai Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司上海分公司)	February 12, 2010	Room 3008, Orient Building, No. 1500 Century Avenue, China (Shanghai) Pilot Free Trade Zone	SHEN Yun (沈雲)	021-68407177
3	Beijing Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司北京分公司)	February 26, 2010	Room 1901, 19/F, Building 3, Courtyard No. 1, Yuetan South Street, Xicheng District, Beijing	FAN Wenmeng (范文孟)	010-65666012
4	Guangxi Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司廣西分公司)	May 25, 2011	3/F, Shidailidu Mansion, No.38-1 Jinhu Road, Xinxu District, Nanning, Guangxi	HU Yi (胡毅)	0771- 5596333
5	Qingdao Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司青島分公司)	September 1, 2011	Level 2, 100 Duplex, No.17-21 Xian Xia Ling Road, Laoshan District, Qingdao, Shandong	PENG Xiuling (彭秀玲)	0532-66889555
6	Jiangsu Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司江蘇分公司)	December 28, 2012	7/F, Nanjing China Merchants Bank Tower, No. 199 Lushan Road, Jianye District, Nanjing	GUO Xiaoli (郭曉莉)	025-52868380
7	Anhui Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司安徽分公司)	January 4, 2013	Suite 1-501 to 1-511, Hui Feng Plaza, No. 118 Sui Xi Road, Luyang District, Hefei, Anhui Province	ZHANG Bing (張兵)	0551-65697178
8	Shandong Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司山東分公司)	January 9, 2013	2001-1, 17/F, Zhongrun Century Plaza, No. 13777 Jingshi Road, Lixia District, Jinan	LI Hongying (李紅英)	0531-67885777
9	Xibei Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司西北分公司)	February 5, 2013	Semiconductor Industrial Park, No. 125 Jin Ye Road, Hi-Tech Industries Development Zone, Xi'an, Shaanxi Province	WANG Feng (王鋒)	029-38013258
10	Guangdong Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司廣東分公司)	May 16, 2013	Room 1101B, No. 5 Huasui Road, Tianhe District, Guangzhou	YU Jinbiao (余錦標)	020-38394801
11	Hubei Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司湖北分公司)	January 4, 2013	No. 236 Zhong Bei Road, Wuchang District	ZHANG Yin (張銀)	027-86770878
12	Shanghai Pilot Free Trade Zone Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司上海自貿試驗區分公司)	January 3, 2017	Room 603, 6/F, 68 Bohang Road, China (Shanghai) Pilot Free Trade Zone	LI Pengcheng (李鵬程)	021-58835206

## Chapter 2: Corporate Profile and Key Financial Indicators

### VII. Other Relevant Information

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Huangpu 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
	Name of the signing accountant	WOO King Wa (胡景華)
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

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

#### (I) Key accounting data

Unit: Thousand Yuan Currency: RMB

Key accounting data	2022	2021	Year-on-year increase/decrease (%)	2020
Total revenue, other income and gains	29,335,800	40,342,422	-27.28	32,469,316
Profit for the year attributable to shareholders of the Company	8,072,319	11,645,065	-30.68	9,491,639
Profit for the year attributable to shareholders of the Company after deduction of non-recurring profit or loss	8,180,934	11,586,851	-29.39	9,487,684
Net cash from operating activities	55,303,455	-54,318,605	-	-33,343,495
Other comprehensive income (expense) for the year (net of tax)	76,138	-276,368	-	-575,883

Key accounting data	As at the end of 2022	As at the end of 2021	Year-on-year increase/decrease (%)	As at the end of 2020
Total assets	611,661,882	597,221,128	2.42	499,726,679
Total liabilities	496,420,316	484,630,677	2.43	393,901,966
Equity attributable to shareholders of the Company	115,159,078	112,503,030	2.36	105,736,805
Total owners' equity	115,241,566	112,590,451	2.35	105,824,713

## Chapter 2: Corporate Profile and Key Financial Indicators

### (II) Key financial indicators

Key financial indicator	2022	2021	Year-on-year increase/decrease (%)	2020
Basic earnings per share (RMB per share)	0.86	1.25	-31.20	1.06
Diluted earnings per share (RMB per share)	0.86	1.25	-31.20	1.06
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.87	1.24	-29.84	1.06
Weighted average return on net assets (%)	7.54	11.52	Decreased by 3.98 percentage points	10.85
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	7.65	11.46	Decreased by 3.81 percentage points	10.84

## Chapter 2: Corporate Profile and Key Financial Indicators

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

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

Unit: Yuan Currency: RMB

Item	As at the end of the Reporting Period	As at the end of Last Year
Net capital	70,444,812,948.68	72,735,158,477.64
Net assets	104,624,880,414.15	103,607,681,425.67
Sum of risk capital provisions	26,588,380,475.21	27,379,486,801.43
Total assets on- and off-balance sheet	365,779,258,909.46	344,980,694,933.99
Risk coverage ratio (%)	264.95	265.66
Capital leverage ratio (%)	13.39	15.24
Liquidity coverage ratio (%)	210.95	294.70
Net stable funding ratio (%)	151.73	139.36
Net capital/net assets (%)	67.33	70.20
Net capital/liabilities (%)	19.55	20.10
Net assets/liabilities (%)	29.04	28.63
Value of proprietary equity securities and security derivatives/net capital (%)	28.11	22.15
Value of proprietary non-equity securities and its derivatives/net capital (%)	361.22	318.59

## Chapter 2: Corporate Profile and Key Financial Indicators

### (IV) Key financial data for the past five years

#### 1. Earnings

Unit: Million Yuan Currency: RMB

Item	2022	2021	2020	2019	2018
Total revenue, other income and gains	29,336	40,342	32,469	25,659	18,070
Total expenses	22,466	28,239	22,203	17,767	13,540
Profit before income tax	8,532	13,704	11,309	8,774	5,447
Profit for the year attributable to shareholders of the Company	8,072	11,645	9,492	7,282	4,425

#### 2. Assets

Unit: Million Yuan Currency: RMB

Item	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total assets	611,662	597,221	499,727	381,772	304,931
Total liabilities	496,420	484,631	393,902	296,644	224,138
Accounts payable to brokerage clients	106,378	99,605	85,441	61,724	48,912
Equity attributable to shareholders of the Company	115,159	112,503	105,737	85,048	80,723
Share capital	8,697	8,697	8,697	6,699	6,699

## Chapter 2: Corporate Profile and Key Financial Indicators

### 3. Key financial indicators

Item	2022	2021	2020	2019	2018
Basic earnings per share (RMB per share)	0.86	1.25	1.06	0.82	0.46
Diluted earnings per share (RMB per share)	0.86	1.25	1.06	0.82	0.46
Weighted average return on net assets (%)	7.54	11.52	10.85	9.51	5.58
Gearing ratio (%)	77.19	77.37	74.46	73.40	68.44

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

Note 2: In July and August 2020, the Company completed the A Share and H Share rights issue respectively. Pursuant to Accounting Standards for Business Enterprises No. 34 – Earnings per Share and the Application Guidance for Accounting Standards for Business Enterprises No. 34 – Earnings per Share, in consideration of the bonus shares involved in the rights issue, the weighted average number of ordinary shares outstanding for each period (including prior years) presented in the above table has been adjusted when calculating the earnings per share. The basic earnings per share prior to the adjustment for 2018 and 2019 was RMB0.54 and RMB0.97 per share, respectively, and the diluted earnings per share prior to the adjustment for 2018 and 2019 was RMB0.54 and RMB0.97 per share, respectively.

# Chapter 3: Report of the Board of Directors

## I. Discussion and Analysis of Operations

### (I) General operations

2022 was a momentous and exciting year. The 20th National Congress of the Chinese Communist Party (CCP) was successfully held, devising a grand blueprint for building a modern socialist country in all respects. 2022 was also a year of rapid progress and fruitful harvest. Along with stable economic operation, steady improvement in development quality and stability in general social situation, China's development has accomplished new achievements amid strenuous challenges.

In 2022, facing the expedition of changes unseen in a century, along with the Russo-Ukrainian conflict as well as inflation and global interest rate hikes, China's economy encountered "three pressures" – shrinking demand, disrupted supply and weakening expectations. The capital market saw heightened volatility due to multiple internal and external factors. Amid the fluctuations and downturn in the stock market and the frequent exposure to risks of the bond market, the operating performance of the industry declined as a whole.

In the face of market changes and risk challenges, the Company insisted on seeking progress while maintaining stability, and actively responded to the impact of multiple unexpected factors. The Company pursued sound operation, reform implementation and capability improvement in a timely, prudent and steady manner, thereby accomplishing new achievements in terms of high-quality development. In 2022, the Company's total revenue, other income and gains amounted to RMB29.336 billion; net profit attributable to shareholders of the parent company amounted to RMB8.072 billion; and weighted average return on net assets was 7.54%. The market ranking of its core businesses generally remained stable. The Company achieved remarkable results in business transformation and income structure optimization, and the proportion of income from market-neutral strategic investment and institutional business increased. The Company intensified reform, steadily promoted client-oriented transformation and reform, undertook and successfully concluded the three-year action of SOE reform, and solidly facilitated the "Open Competition" (揭榜掛帥) mechanism. Breakthroughs have been made in the reforms in key areas, such as the mechanism establishment of "staff can get in and out; cadre can go up and down; salary can be high and low" (六能機制), the implementation of the client manager system as well as the integration and coordination of the tripartite system of "investment, research and investment banking" (三投). The Company strived to improve its professional capabilities by profoundly promoting the establishment of three major capabilities – wealth management, financial technology and risk management, thereby further enhancing its core competitiveness. Meanwhile, the Company reinforced the foundation for safe operation, actively resolved the risks that have not been mitigated in order to effectively address various unexpected risks, and continued to be included in the "White list" (白名單) of the CSRC, thereby maintaining a sound development momentum for stable operations.

### (II) 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.

## Chapter 3: Report of the Board of Directors

### 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 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).

#### (1) Brokerage and wealth management

In 2022, the one-way trading volume of stocks and funds in the SSE and SZSE amounted to RMB247.67 trillion, representing a year-on-year decrease of 7.59%. There were 14.73 million new investors in the market, representing a year-on-year decrease of 24.99%. The establishment of a multi-tier capital market system continued to advance and has achieved staged progress. As at the end of 2022, there were over 5.26 million qualified investors in the BSE market, and annual one-way trading volume of stocks amounted to RMB198.013 billion.

During the Reporting Period, the Company closely focused on “increasing quantity and enhancing quality” to carry out the marketing business, and continuously enhanced the quality of new accounts. There were 2.26 million new accounts opened during the year, ranking at the forefront of the industry. As at the end of the year, the number of clients of the Company amounted to approximately 16.44 million, representing a year-on-year increase of 11.16%, and the amount of clients’ assets under custody amounted to RMB3.66 trillion. The market share in terms of trading volume of stocks and funds was 5.22%, representing a year-on-year increase of 0.32 percentage point. The brokerage business for stock options had a market share of 8.32% in terms of the cumulative number of clients opening accounts, ranking 2nd in the industry. Due to the vigorous promotion of cross-border product trading, the market share of trading under the Hong Kong Stock Connect increased to 4.67%.

The Company vigorously promoted the transformation of wealth management business by establishing a comprehensive wealth management service system with the features of a securities firm leveraging “technology, professional allocation and all-time support” (科技賦能、專業配置、全程陪伴). The Company continued to give full play to its research advantages to establish a selected product system focusing on “Private Fund 50” and “Selected Mutual Fund”. By optimizing the selection, allocation and sales of financial products, the Company was able to expand the scale of financial products of clients and enhance clients’ experience. The Company continued to establish the buy-side investment advisory services, focused on the development of the distinctive businesses of “CMS Fund Investment Adviser” (e招投) and “CMS Private Banking” (智遠私行) to strengthen the entire lifecycle, so as to meet the different needs of inclusive finance clients and high-net-worth clients. According to the statistics from the Asset Management Association of China, in the fourth quarter of 2022, the Company’s equity plus hybrid mutual funds and non-monetary market mutual funds held by clients amounted to RMB68.3 billion and RMB73.6 billion, respectively, both ranking 5th among securities firms. As of the end of 2022, the Company’s “CMS Fund Investment Adviser” had a total of 40.2 thousand contracted clients, with total contracted assets amounted to RMB9.652 billion. In November 2022, the Company was successfully included in the list of the first batch of fund sales institutions for individual pensions. In the future, the Company will fully rely on its investment research capability to provide investors with “one-stop” individual pension services.

The Company further enhanced the digital operation capability of its wealth management business by upgrading and optimizing the CMS APP, strengthening platform operations and creating a unique business model of private domain traffic based on the corporate WeChat account and the “CMS wealth management +” (招商證券財富+) WeChat Mini Program, thereby improving client service quality and reach efficiency. In 2022, the Company served approximately 6 million clients through the WeChat ecosystem. According to the statistics from Analysys Qianfan, in 2022, the average monthly active users (MAU) of the CMS APP grew by 7.33% year-on-year, ranking 5th among the top ten securities firms, and the average monthly visit duration of APP users ranked 1st among the top ten securities firms.

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Operating indicators	2022	2021	Year-on-year change
Trading volume of stocks and funds in the SSE and SZSE (RMB trillion) (Note 1)	25.86	26.27	-1.56%
Market share of trading volume of stocks and funds in the SSE and SZSE	5.22%	4.90%	Increased by 0.32 percentage point
Market share of net income from agency trading of securities	4.68%	4.80%	Decreased by 0.12 percentage point
Net income from agency sale of financial products (RMB100 million)	8.21	10.06	-18.39%
Number of wealth management advisors	1,329	1,208	10.02%
Number of wealth management clients (10 thousand) (Note 2)	52.12	56.35	-7.51%
Amount of assets of wealth management clients (RMB trillion)	1.40	1.67	-16.17%
Number of high-net-worth clients (10 thousand) (Note 3)	3.00	3.06	-1.96%

Source: SSE, SZSE, internal statistics of the Company

- Notes:
1. Trading volume of stocks and funds represents two-way trading volume;
  2. Wealth management clients refer to individual clients with assets under custody amounting to RMB300,000 and above;
  3. High-net-worth clients refer to clients with assets under custody amounting to RMB8 million and above;
  4. The above data are data of the parent company.

For futures brokerage business, in 2022, the cumulative trading volume and turnover of China's futures market amounted to 6.768 billion lots and RMB534.93 trillion, representing a year-on-year decrease of 9.93% and 7.96%, respectively. As at the end of the 2022, clients' equity in the market amounted to RMB1.48 trillion, representing a year-on-year increase of 25.00%. Leveraging its shareholder resources, China Merchants Futures focused on financial institutional clients and industrial clients, and deeply promoted the transformation and reform of its institutional business, thereby achieving rapid growth of clients' equity. As at the end of 2022, China Merchants Futures' clients' equity amounted to RMB33.378 billion, representing a year-on-year increase of 66.22%.

For the overseas market, CMS International strengthened its client service capability by establishing new systems, new platforms, new channels and new products. As at the end of 2022, CMS International's clients' assets under custody amounted to HK\$194.088 billion, and the annual trading volume of stocks in the Hong Kong market amounted to HK\$183.765 billion.

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### (2) Capital-based intermediary business

In 2022, the margin financing and securities lending business once again received policy support, e.g. the lowering of refinancing rate by China Securities Finance and the expansion of scope of stocks for margin financing and securities lending by the SSE and SZSE. However, affected by market conditions, the overall scale of business declined. As at the end of the year, the balance of margin financing and securities lending in the SSE and SZSE amounted to RMB1.54 trillion, representing a year-on-year decrease of 15.93%. Of which, the balance of margin financing amounted to RMB1.44 trillion, representing a year-on-year decrease of 15.93%, and the market size of securities lending amounted to RMB95.881 billion, representing a year-on-year decrease of 20.19%. The balance of stock pledge repo business amounted to RMB212.425 billion, representing a year-on-year decrease of 6.44%.

During the Reporting Period, the Company kept close track of market and client demands, strengthened internal coordination, actively carried out product and service innovation, and vigorously expanded the channels for securities lending. As at the end of the year, the market share of securities lending was 3.14%, representing a year-on-year increase of 0.67 percentage point. The Company strengthened technologies, and launched the “eZhaorong” (e招融) platform and the intelligent management platform for stock pledge business, thereby greatly improving client service efficiency. The Company continuously implemented the counter-cyclical adjustment mechanism of the policy of capital-based intermediary business, improved the stress test and early warning working mechanism, prudently controlled business risks, and reduced and withdrew a number of risky projects, thereby maintaining excellent asset quality.

As at the end of the Reporting Period, the balance of the Company’s margin financing and securities lending amounted to RMB80.034 billion, and the maintenance coverage ratio was 288.55%. The balance of stock pledge repo to be repurchased (including contribution from asset management plans) amounted to RMB20.095 billion, and the overall collateral coverage ratio was 234.08%. Of which, the balance of contribution from self-owned capital amounted to RMB14.076 billion, and the collateral coverage ratio was 279.74%. In 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 5th in the industry.

For the overseas market, as at the end of the Reporting Period, the balance of margin trading of CMS International amounted to HK\$3.272 billion, representing a year-on-year decrease of 34.18%.

Operating indicators	As at the end of 2022	As at the end of 2021	Year-on-year change
Balance of margin financing and securities lending (RMB100 million)	800.34	964.68	-17.04%
Market share of margin financing and securities lending	5.20%	5.26%	Decreased by 0.06 percentage point
Of which: Balance of securities lending (RMB100 million)	30.07	29.71	1.21%
Market share of balance of securities lending	3.14%	2.47%	Increased by 0.67 percentage point
Balance of stock pledge repo (including contribution from asset management plans) (RMB100 million)	200.95	223.10	-9.93%
Balance of stock pledge repo by self-owned capital (RMB100 million)	140.76	142.22	-1.03%
Balance of overseas margin financing (HK\$100 million)	32.72	49.71	-34.18%

Source: Internal statistics of the Company

### (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 fund administrative services, OTC derivatives, 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 2022, there was continuous acceleration in the progress of institutionalization of the capital market. The Company adhered to be innovation-driven, continued to further develop its institutional business, vigorously facilitated the transformation and reform of the institutional business, implemented the institutional client manager system, and established a coordinated and integrated institutional business service system, so as to comprehensively improve business synergy and further reinforce the leading edge of institutional integrated services.

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The Company constantly promoted the establishment of the prime brokerage business, and remained at the industry-leading position in terms of its professional trading service capability. The Company's self-developed investment management system is deeply integrated with the securities lending, derivatives as well as custody and fund administrative service businesses, thereby effectively meeting clients' demand for one-stop comprehensive financial services, which has become a kind of distinctive services of the Company. The Company continued to upgrade and improve the "CMS institutional +" (招商證券機構+) series of marketing service tools, so as to facilitate the marketing team in enhancing service efficiency.

In 2022, the Company's trading volume of stocks and funds of private fund clients increased by 21.61% year-on-year, and its market share grew against the trend. As at the end of 2022, the trading service coverage ratio of key private fund clients with asset size over RMB5 billion reached 81%.

### ② Research

As at the end of 2022, CMS has research coverage of nearly 2,000 listed companies in China and overseas. The Company takes industry-leading positions in the research of a wide range of sectors, including quantitative trading and fund evaluation, fixed-income investment, electronics, media, light industry and textiles, real estate, strategy, electric devices and new energy, food and beverage, macro-economy, finance, communications, computers, automobiles, transportation, non-ferrous metals, home appliances and military industries.

During the Reporting Period, CMS continued to promote the transformation of the research business, actively explored the "research +" businesses, deepened the integration of research and business, and focused on key sectors such as new economies and new industries to conduct in-depth research on the industry chain and empower business development. The Company established seven research groups, including common prosperity, post-real estate era, country risk, industrial chain reshaping, commodity pricing, supply chain security and digital economy, to strengthen research on long-term cycles and major trends. CMS also continued to improve service levels for core clients in the fields of mutual funds, insurance and private funds. Furthermore, CMS hosted influential large-scale conferences such as the "2nd New Consumer Industry High-end Forum" (第二屆新消費產業高端論壇), "Robot Online Summit" (機器人線上峰會) and "2023 Capital Market Annual Meeting" (2023年資本市場年會) to further reinforce and enhance the Company's research brand influence. In 2022, CMS published 6,944 research reports, organized 35,867 research roadshows, conducted 713 joint field researches, and held 3,563 online meetings.

In 2022, CMS was awarded the titles of "Most Influential Research Institution" (最具影響力研究機構) and "Best ESG Practice Research Institution" (最佳ESG實踐研究機構) in the 20th New Fortune Best Analyst Awards, as well as "Most Popular and Influential Research Institution" (最具人氣和影響力研究機構) in the 13th China Securities Journal Golden Bull Awards.

### ③ Custody and fund administrative services

In 2022, competition in the custody and fund administrative service industry further intensified, with another 3 firms obtained qualification for securities investment fund custody. Affected by market conditions, existing private securities investment funds amounted to RMB5.56 trillion, representing a year-on-year decrease of 9.18%. The concentration of the custody and fund administrative service industry further decreased. As at the end of 2022, the market share of the CR3 of custody and fund administrative services in the securities industry dropped from 81.93% as at the end of 2014 to 51.88%.

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During the Reporting Period, the Company flexibly adjusted its client marketing and service strategies, strengthened internal and external collaboration, utilized financial engineering methods, consolidated its advantages in terms of traditional key clients, and vigorously secured new clients such as small and medium-sized private fund managers in the growth stage. The Company was innovation-driven and developed new business models, and was the first in the industry to roll out innovative services such as T0 valuation as well as T0 subscription and redemption confirmation of private funds. The Company successfully completed its first case of cross-border fund manager business and its first case of fund administrative service business for wholly foreign-owned mutual funds, thereby accelerating internationalization of business.

In 2022, the Company's custody and fund administrative service business maintained its industry-leading position. As at the end of the year, the number of custody and fund administrative service products of the Company amounted to 41.2 thousand, representing a year-on-year increase of 16.50%, and the size of which amounted to RMB3.47 trillion, representing a year-on-year decrease of 3.84%. According to the statistics from the Asset Management Association of China and Wind, the Company's market share in terms of the number of private fund products under custody reached 22.32%, ranking 1st in the industry for nine consecutive years. In 2022, the Company ranked 1st in the securities industry in terms of the total amount of WFOE products under custody and number of new WFOE products, and ranked 2nd in the securities industry in terms of the amount of mutual fund products under custody.

In 2022, the Company has been named as the "Best Private Fund Custody Broker" (最佳私募託管券商) by China Fund News for six consecutive years.

### **2. Investment banking business**

In 2022, the Company advanced the transformation to a modern investment bank and promoted the strategic upgrade of its investment banking business. Based on the mission of "China Merchants Securities can serve the nation's needs", the Company actively served the national strategy, and continued to establish its professional and regional core competitiveness while focusing on technological finance, green finance and other relevant fields and seizing business development opportunities under the goal of "emission peak and carbon neutrality". The Company actively resolved historical risk events, strengthened the whole-process management and quality control of investment banking business, and effectively improved the practice quality of investment banking business. Through the in-depth facilitation of the corporate client manager system, the optimization of the coordination mechanism of "investment, research and investment banking", the enhancement of the "Gazelle Incubator Project" (羚躍計劃) and the digital transformation of the investment banking business, the Company established a client-oriented "one-stop" comprehensive service model to meet the diverse financial service demand of enterprises.

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### (1) Equity underwriting

In 2022, the pace of equity financing in the A share market slowed down. According to the statistics from Wind, the total amount of equity financing in the A share market was RMB1.41 trillion (excluding share issuance for asset acquisition, same for below), representing a year-on-year decrease of 11.77%. A total of 416 IPOs were completed in the A share market with raised proceeds of RMB522.255 billion, representing a year-on-year decrease of 20% and 13.39%, respectively. Of which, the proceeds raised from IPOs completed in the STAR Market, ChiNext Board and BSE under the registration-based IPO system accounted for 83.47% of the total value of IPOs completed in the A share market. The proceeds raised from refinancing amounted to RMB887.727 billion, representing a year-on-year decrease of 10.78%. There was differentiation in the performance of the refinancing business. Of which, the proceeds raised from additional issuance and convertible bonds decreased by 10.67% and 22.58% year-on-year, respectively, while the proceeds raised from rights issue increased by 83.54% year-on-year.

Despite the gradual recovery of the Hong Kong IPO market in the second half of the year, the number of listing and the total amount of financing both dropped during the year. According to the statistics from Bloomberg, in 2022, a total of 81 IPOs were completed in the Hong Kong market with raised proceeds of US\$13.363 billion, representing a year-on-year decrease of 14.74% and 68.83%, respectively. Benefiting from the continuous listing of Chinese Concept Stocks in Hong Kong and the introduction of the SPAC (Special Purpose Acquisition Company) listing mechanism, a total of 11 Chinese Concept Stocks returned to Hong Kong for listing and a total of 5 SPACs were listed during the year.

During the Reporting Period, affected by the reduction in the Company's IPO pipeline in 2021, the number and amount of A share projects underwritten by the Company as a leading underwriter declined to a certain extent. The Company deepened the professional transformation of investment banking business, and vigorously developed the refinancing business of major clients. According to the statistics from Wind, the Company ranked 7th and 13th in the industry in terms of the amount of A share projects and the amount of IPOs underwritten as a leading underwriter, respectively. The Company ranked 6th in terms of the amount of refinancing projects underwritten as a leading underwriter, up by 3 places year-on-year. According to the statistics from Bloomberg, in the overseas market, the Company completed a total of 9 underwriting projects, with an underwritten amount of US\$561 million, ranking 5th among Chinese brokers. Of which, the value of IPOs underwritten amounted to US\$116 million; and the value of refinancing projects underwritten amounted to US\$445 million. Based on the nation's needs, the Company vigorously developed technological finance, green finance and inclusive finance to establish distinctive financial competitiveness. The Company completed the A share IPO listing of 6 companies and the equity refinancing of 8 companies in relevant industries, with an underwritten amount of RMB19.141 billion.

In 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 shares small and medium-sized banks), the A+H shares rights issue of CITIC Securities, the non-public issuance of shares of China Merchants Port, as well as the A share IPO projects of Piotech (拓荆科技) (a leading enterprise in the field of integrated circuit thin film deposition equipment), Guobo Electronics (國博電子) (a leading enterprise in the field of military electronics and radio frequency integrated circuits) and Yidong Electronics Technology (奕東電子) (a leading enterprise in the field of precision electronic components). The Company completed the Hong Kong IPO projects of Sunshine Insurance Group (陽光保險集團) (one of the top five IPO projects in the Hong Kong market in terms of the amount of proceeds raised), Mega Genomics (美因基因) (the largest consumer-grade genetic testing and cancer screening genetic testing platform in China), Yunkang Group (雲康集團) (a comprehensive medical operation service platform in China) and Hongjiu Fruit (洪九果品) (a leading fruit company in China). The Company won various awards such as the "Best Investment Bank in China" (本土最佳投行) in the 15th New Fortune Awards and the "Junding Award for All-round Investment Bank in China in 2022" (2022中國證券業全能投行君鼎獎) by the Securities Times.

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In 2022, the Company continuously pushed forward the transformation and upgrade of its corporate client marketing service model, and constantly strengthened the pipeline of high-quality investment bank projects. According to the statistics from the CSRC, SSE, SZSE and BSE, as at the end of 2022, 39 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, up by 3 places year-on-year. 9 refinancing projects were pending approval. During the Reporting Period, the Company applied for 31 new IPO projects, representing a year-on-year increase of 72.22%. The Company vigorously developed inclusive finance, continued to serve technological innovation enterprises in the growth stage, and actively promoted the business transformation of companies in the “Gazelle Incubator Project” (羚躍計劃) company database. As at the end of the year, a total of 358 companies have been selected into the “Gazelle Incubator Project” company database.

	2022		2021		Year-on-year change in amount (%)
	Lead underwriting amount (RMB100 million)	Number of projects	Lead underwriting amount (RMB100 million)	Number of projects	
A share projects					
IPOs	101.32	7	219.57	23	-53.86%
Refinancing	308.94	14	210.03	20	47.09%
<b>Total</b>	<b>410.26</b>	<b>21</b>	<b>429.60</b>	<b>43</b>	<b>-4.50%</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.

### (2) Bond underwriting

In 2022, China’s central bank’s prudent monetary policy became more flexible and moderate, and market liquidity remained reasonably sufficient. China promulgated a number of policies to support economic and social development, and effectively prevent and mitigate financial risks. China’s bond market fluctuated sharply, and the yield of the bond market fluctuated within a range. As such, the pace of issuance in the bond market slowed down. According to the statistics from Wind, the total domestic bonds (excluding central bank bills and inter-bank deposit certificates) issued amounted to RMB40.76 trillion, representing a year-on-year increase of 2.91%. 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 RMB17.85 trillion, representing a year-on-year decrease of 9.76%. The total corporate bonds issued amounted to RMB3.09 trillion, representing a year-on-year decrease of 10.49%. The total ABS issued amounted to RMB2.01 trillion, representing a year-on-year decrease of 35.91%. According to the statistics from Bloomberg, affected by the Federal Reserve’s interest rate hikes and frequent defaults of real estate companies, the Chinese offshore bonds (excluding RMB bonds) issued amounted to US\$76.078 billion, representing a year-on-year decrease of 55.48%.

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During the Reporting Period, the Company continued to focus on developing credit bond business in key regions, actively developed innovative businesses such as infrastructure REITs, increased the underwriting for green bonds, and implemented the rural revitalization strategy. According to the statistics from Wind, in 2022, the domestic bonds lead underwritten by the Company amounted to RMB274.976 billion, ranking 10th in the industry. Of which, the credit bonds underwritten amounted to RMB272.088 billion, ranking 8th in the industry. The Company ranked 6th in the industry in terms of the amount of ABS underwritten, 1st in the industry for eight consecutive years in terms of the amount of credit ABS underwritten, and 2nd in the industry in terms of the issuance amount of infrastructure REITs for which the Company acted as a financial advisor. The Company continuously optimized the structure of its bond business. As a result, the corporate bond and corporate ABS businesses recorded outstanding performance, with underwritten amount increased by 20.40% and 36.00% year-on-year, respectively. According to the statistics from Bloomberg, during the Reporting Period, the Company completed 4 Chinese offshore bond (excluding RMB bond) issuance projects, with an underwritten amount of US\$85.86 million.

In 2022, the Company completed a number of market influential projects, including the China Merchants – Gezhoubu Neisui Expressway Yangtze River Economic Belt ABS Special Program (the first off-balance sheet expressway quasi-REITs issued by a central enterprise), the CICC Anhui Transportation Holding Expressway Closed-end Infrastructure Securities Investment Fund (the largest REITs), the ICBC – China Merchants – SPIC Sichuan Hydropower ABS Special Program (the first single SPV structured REITs of SPIC) and Fosun Hi-Tech’s US\$150 million 3-year senior unsecured notes (the first USD SBLC structured free trade zone offshore bonds in China). The Company also assisted in the issuance of multiple domestic and overseas green bonds and rural revitalization-themed bonds, with an underwritten amount of approximately RMB19.310 billion and RMB3.128 billion, respectively, including the first domestic “sustainable development-linked” financial bonds, the first rural revitalization-themed green financial bonds, the first green rural revitalization corporate bonds (supporting old revolutionary base) and the first low-carbon transition-linked corporate bonds in the leasing industry. The Company won various awards such as the 2022 “Excellent Bond Underwriter” (優秀債券承銷機構) by China Central Depository and Clearing Co., Ltd. and the “Best Debt Underwriting Investment Bank” (最佳債權承銷投行) in the 15th New Fortune Awards.

	2022		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	8.40	2	4.50	1	86.67%
Corporate bonds	591.53	165	491.32	143	20.40%
Financial bonds	734.66	79	2,265.23	156	-67.57%
Short-term financing bonds	85.10	27	110.25	31	-22.81%
Medium-term notes	141.07	30	179.89	49	-21.58%
Private placement notes	77.60	30	145.52	51	-46.68%
Asset-backed securities	1,111.41	499	1,708.17	496	-34.94%
Others	—	—	2.50	3	-100.00%
<b>Total</b>	<b>2,749.76</b>	<b>832</b>	<b>4,907.38</b>	<b>930</b>	<b>-43.97%</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 2022, global M&A transactions slowed down significantly. According to the statistics from Bloomberg, there were a total of 62.8 thousand transactions in the global M&A market, and the total transaction value amounted to US\$3.64 trillion, representing a year-on-year decrease of 31.2%. The transaction value of China's M&A market also showed a general downward trend. According to the statistics from Wind, in 2022, 9,525 transactions were announced in China's M&A market (excluding overseas M&A), and the transaction value amounted to RMB2.44 trillion, representing a year-on-year decrease of 18.09%. 4,510 transactions were completed, and the transaction value amounted to RMB1.09 trillion, representing a year-on-year decrease of 22.67%.

During the Reporting Period, the Company seized the opportunities arising from SOE reform, actively facilitated economic structural transformation and industrial upgrade, continued to deepen close cooperation with strategic clients such as central enterprises and SOEs, and actively promoted the development of industry-finance integration and financial sector integration projects within China Merchants Group. According to the statistics from Wind, in 2022, the Company completed 7 M&A and restructuring projects in the A share market, ranking 8th in the industry, with a transaction value of RMB10.033 billion.

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### 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. 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 2022, asset management companies entered the comprehensive NAV-based era. The asset management industry developed from scale growth to high-quality structural transformation, and residents' asset allocation gradually shifted to highly standardized and NAV-based mutual fund products. Securities firms accelerated the development of wealth management business, promoted the establishment of asset management subsidiaries, and strengthened the development of mutual fund product lines. According to the statistics from the Securities Association of China, as at the end of 2022, AUM of securities companies amounted to RMB9.76 trillion, representing a year-on-year decrease of 9.69%.

During the Reporting Period, CMS Asset Management expedited the transformation of active management. First, it continued to promote the transformation of massive collective asset management products to mutual funds. It completed the transformation of 4 massive collective asset management products to mutual funds during the year, and completed the transformation of a total of 7 massive collective asset management products to mutual funds as at the end of the year. As at the end of the year, the AUM of the transformed massive collective asset management products reached RMB37.060 billion. In January 2023, CMS Asset Management's application for mutual fund license was processed and pending approval by the CSRC. Second, it continuously optimized its investment research structure, vigorously introduced investment research talents, and established a digital platform for investment transactions to facilitate business development. Third, it focused on clients' demand, took multiple measures to optimize product composition, improved the four product lines of fixed-income investment, equity investment, multi-strategy funds and FOF, and focused on the fixed-income product line to vigorously develop banking, insurance and other institutional clients.

Affected by market fluctuations and declining client demand, as at the end of 2022, the AUM of CMS Asset Management amounted to RMB317.134 billion, representing a year-on-year decrease of 34.36%. According to the statistics from the Securities Association of China and Asset Management Association of China, as at the end of the year, CMS Asset Management ranked 9th in terms of AUM and 7th in terms of average monthly private AUM during the year.

In 2022, CMS Asset Management won the "2022 Golden Bull Broker – Massive Collective Asset Manager" (2022年度金牛券商集合資產管理人) award from China Securities Journal.

Category	AUM (RMB100 million)		Net income from asset management business (RMB100 million)	
	2022	2021	2022	2021
Collective asset management	1,380.08	2,028.09	6.40	7.73
Separately managed account	1,153.57	2,151.94	2.57	4.03
Specialized asset management	637.69	651.50	0.35	0.46
<b>Total</b>	<b>3,171.34</b>	<b>4,831.53</b>	<b>9.32</b>	<b>12.22</b>

Source: Internal statistics of the Company

### (2) Private equity fund management

In 2022, China's equity investment market developed steadily. Driven by the increase in participation of equity investment by state-owned capital, the advancement of planning for new infrastructure and the intensive establishment of large-scale policy funds and infrastructure investment funds, the amount of funds raised in the market remained high. Along with the slowdown of the investment market and the structural upgrade of industries, key and core technology, semiconductors, clean technology, automobiles and other relevant fields have become the key industries for investment. In terms of IPO exits, due to the impact of the turbulent global financial market, the amount of overseas listings declined. In China, benefiting from the continuous deepening of reform of the registration-based IPO system and the establishment of a multi-tier capital market, the issuance of new shares maintained a good momentum. According to the statistics from Zero2IPO Research, in 2022, the amount of newly raised funds in China's equity investment market reached RMB2 trillion, representing a year-on-year decrease of 2.3%. Total investment amounted to RMB907.679 billion, representing a year-on-year decrease of 36.2%. There were 4,365 exit cases, representing a year-on-year decrease of 3.7%.

During the Reporting Period, CMS Zhiyuan continued to promote the establishment of the fundraising system, and vigorously developed its fundraising business. It further implemented the coordination strategy of "investment, research and investment banking" and coordinated with various sectors of China Merchants Group and China Merchants Securities to establish industry-specific investment capabilities. In terms of fundraising, it mainly cooperated with local governments and SOEs to facilitate local investment, industrial upgrade and economic development. During the year, it set up 6 new funds with a total amount of RMB5.748 billion, hitting a record high since 2016. In terms of investment, focusing on national strategies and being industrial-oriented, it successfully invested in a number of projects in the fields of new energy and new materials, with an investment amount of approximately RMB900 million. In terms of post-investment management, 2 investees have undergone IPOs; 2 investees have been approved for IPOs; and 3 investees have filed for IPOs. It recorded exiting proceeds of approximately RMB1.8 billion. According to the statistics from the Asset Management Association of China, in the fourth quarter of 2022, the average monthly private AUM of CMS Zhiyuan amounted to RMB18.633 billion, ranking 8th in the securities industry.

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### (3) Fund management

In 2022, China's equity market underwent continuous adjustment, and its bond market became more volatile. Amid market downturn, the mutual fund industry aimed to pursue high-quality development and therefore achieved steady development. As at the end of 2022, there were more than 10 thousand of mutual fund products with a total AUM of RMB26.03 trillion, representing an increase of 13.87% and 1.83%, respectively, as compared to that of the end of 2021. Meanwhile, along with the launch of individual pension business, the expedited expansion of infrastructure REITs and the emergence of innovative products such as ETFs and ESG, the comprehensive wealth management capabilities for mutual funds required further improvement, in order to meet the asset allocation needs of different clients.

#### ① Boserer Funds

The Company holds 49% of the equity of Boserer Funds. During the Reporting Period, adhering to the core objectives of building the three capabilities of "wealth management, financial technology and risk management", Boserer Funds aimed at establishing investment capability, actively facilitating product and growth model innovation, and taking the lead in the planning for digital technology, green technology and life technology. It actively developed new business models such as individual pension investment, fund investment advisory and NAV-based transformation of wealth management products, and assisted in the listing of the first batch of bond ETFs of China Development Bank. Its individual pension fund products were included in the list of the first batch of individual pension fund products. It profoundly developed various client channels, strictly maintained compliance principles, and improved the quality of risk control, so as to continuously create competitive advantages for high-quality development.

As at the end of the Reporting Period, the AUM of Boserer Funds amounted to RMB1,501.1 billion (excluding the assets managed by subsidiaries), representing a decrease of 9.32% as compared to that of the end of 2021. Of which, AUM of mutual funds (excluding feeder funds) amounted to RMB953.7 billion, and AUM of non-monetary mutual funds amounted to RMB509.7 billion, representing a decrease of 3.59% and 2.58%, respectively, as compared to that of the end of 2021. According to the statistics from Wind, as at the end of 2022, Boserer Funds ranked 8th in the industry in terms of AUM of non-monetary mutual funds, and ranked 1st in terms of AUM of bond mutual funds.

#### ② China Merchants Fund

The Company holds 45% of the equity of China Merchants Fund. During the Reporting Period, China Merchants Fund aimed to pursue "high-quality" development, and strived to facilitate the Company to "grow against the trend". It further promoted the integration of the investment research system, strengthened the establishment of the investment research platform, and improved in-depth research and investment research interaction by establishment of industrial chain groups. It continuously deepened client management, actively developed sales channels and customer base expansion, accelerated the expansion of pension and annuity business, and strengthened client management and after-sales support. It continuously enhanced product composition, eagerly and appropriately adjusted product strategies according to new changes in the capital market, and rolled out the first batch of innovative products such as the BSE 50 Index, policy financial bond ETFs and carbon-neutral ETFs. Its individual pension fund products were included in the list of the first batch of individual pension fund products. It continuously increased investment in technology, and focused on improving self-research and innovation capabilities, thereby solidly facilitating digital transformation. It continued to maintain prudent operation, and strengthened risk control and compliance management. As a result, there were no major risk compliance incidents during the Reporting Period.

As at the end of the Reporting Period, the AUM of China Merchants Fund amounted to RMB1,149.2 billion (excluding the assets managed by subsidiaries), representing an increase of 6.41% as compared to that of the end of 2021. Of which, AUM of mutual funds (excluding feeder funds) amounted to RMB770.5 billion, and AUM of non-monetary mutual funds amounted to RMB560.9 billion, representing an increase of 3.98% and 2.29%, respectively, as compared to that of the end of 2021. According to the statistics from Wind, as at the end of 2022, China Merchants Fund ranked 5th in the industry in terms of AUM of non-monetary mutual funds, and ranked 2nd and 3rd in terms of AUM of bond and equity mutual funds, respectively.

#### 4. Investment and trading

In 2022, affected by the escalation of the Russo-Ukrainian conflict and the monetary policy shift of the Federal Reserve, the global financial market became more volatile and A share prices fell sharply. China was still in a period of transition to high-quality economic development. Despite the volatility in the macro environment, driven by more policies to stabilize growth, since the third quarter, China's economic optimism has returned and economy has continued to recover. In the first three quarters, the general trend of China's bond market remained stable, but the yields were low. In the fourth quarter, the bond market fell as a whole. During the year, the ChinaBond Composite Total Return Index rose by 3.31%, which was lower than the average increase in the bond market in the past decade. In the overseas market, the interest rates of U.S. bonds showed an upward trend. During the Reporting Period, RMB exchange rates first fluctuated and depreciated, then stabilized and appreciated, and remained at a reasonable balanced level throughout the year.

During the Reporting Period, the Company optimized asset allocation, controlled risk exposure, actively expanded the market-neutral investment business, and focused on optimizing income structure. As at the end of 2022, the Company's financial assets amounted to RMB308.517 billion, representing a year-on-year decrease of 1.01%.

For equity investment, 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 investment research team.

For equity derivatives investment, the Company vigorously developed capital-based intermediary trading business such as listed derivatives market making, fund market making, STAR Market market making and OTC derivatives, as well as market-neutral investment business such as quantitative strategies. For listed derivatives market making, the Company continuously optimized its 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's derivatives market making qualifications increased to 70, ranking 1st among securities firms. For fund market making, the Company continued to develop market making projects and expand its business scale. The Company ranked among the top in the industry in terms of the number and competitiveness of derivatives market making and fund market making projects. The Company was granted the comprehensive AA rating for primary options market maker on the SSE in 2022, and the comprehensive AA rating for primary fund market maker on the SSE and SZSE in 2022. The Company also won multiple market making awards such as the "Excellent Options Market Maker in 2022" (2022年度優秀期權做市商) and "Best Stock ETF Market Maker in 2022" (2022年度最佳股票ETF做市商) of the SSE, and the "Excellent Options Market Maker in 2022" (2022年度優秀期權做市商) of the SZSE. In October 2022, the Company obtained the stock market making qualification on the STAR Market of the SSE, and was among the first batch of firms to initiate the business. As at the end of December 2022, the Company provided market making services for 16 stocks on the STAR Market, and ranked among the top three in the industry in terms of the number of market making projects. For OTC derivatives, the Company adhered to the market-neutral strategy, and satisfied the hedging and asset allocation needs of investors by strengthening infrastructure construction, improving trading and risk pricing capabilities, business varieties and product innovation, and promoting synergy. As such, the Company was able to maintain steady income growth despite the fluctuations in the market.

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For fixed-income investment, the Company upheld the concept of prudent investment, vigorously developed market-neutral investment strategy, and promoted continuous business development through approaches such as innovation and diversification of products and strategies as well as utilization of financial technology, thereby achieving steady growth of investment scale. In China, the Company's return on fixed-income investment significantly outperformed the market benchmark. In overseas, hedging instruments were appropriately implemented for fixed-income investment, so as to effectively reduce risks. The Company enriched its investment strategies and strengthened derivatives investment. The trading volume of treasury bond futures, interest rate swaps and standard bond forward contracts increased by 113.62%, 426% and 193% year-on-year, respectively, and the Company was named as an "Active Trader" (活躍交易商) of the China Foreign Exchange Trade System and an "Excellent Trading Team for Treasury Bond Futures (Proprietary)" (國債期貨優秀交易團隊獎(自營類)) of the China Financial Futures Exchange. The Company actively developed its credit derivatives business, actively participated in the investment of central-local cooperative credit protection instruments, and was one of the first firms to engage in the quotation and trading of Credit Default Swap Index launched by the SSE and SZSE, thereby assisting private enterprises in financing and facilitating the development of the real economy. The Company strengthened the establishment of the quantitative market making system. The Company achieved continuous improvement in bond market making capability, and won the "2022 Excellent Market Maker Award" (2022年度優秀做市商獎) from the Export-Import Bank of China. During the Reporting Period, the Company's market making trading volume of treasury bond futures increased by 152.61% year-on-year, and the Company has become one of the primary market makers for treasury bond futures of the China Financial Futures Exchange.

For foreign exchange, the Company continued to diversify trading currencies and trading strategies, achieved substantial breakthroughs in quantitative trading, and steadily improved profitability. The Company was included in the lists of "2022 Interbank Renminbi Foreign Exchange Market Top 100" (2022年度銀行間人民幣外匯市場100強) and "2022 Interbank Renminbi Foreign Exchange Market ESP (Executive Streaming Price) Trading Top 10" (2022年度銀行間人民幣外匯市場ESP交易10強) by the China Foreign Exchange Trade System.

For alternative investment, CMS Investment upheld the concept of "the financial industry should serve the real economy", focused on investment in national key strategic industries and investment in carefully selected high-quality targets, and strengthened project quality control and risk management. In 2022, its new equity investment amounted to approximately RMB900 million.

### 5. Outlook for 2023

In 2023, the Company faces a complex business environment with both opportunities and challenges. The global macro environment remains difficult, and inflation in major developed economies stays high. Affected by multiple factors such as monetary policy shifts in developed countries and geopolitical conflicts, the uncertainty of global economic recovery has further increased. In China, despite the expected recovery of general economic operation, the foundation for economic recovery remains weak. The three pressures of shrinking demand, disrupted supply and weakening expectations remain intense, and economic and social risks are increasing. China's central government will persist in making progress while maintaining stability, solidly promote Chinese modernization, coordinate economic and social development, facilitate the general improvement of economic operation, and achieve effective enhancement and reasonable growth in quality and quantity, so as to pave the way for building a modern socialist country in all respects.

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As China's economic recovery is further consolidated, the fundamentals that affect the operation of the capital market will be significantly improved, and China's capital market will maintain a stable and positive trend in general. In 2023, the reform of the registration-based IPO system was accomplished, which will facilitate the comprehensive deepening reform of the capital market in a steady, intensive and sustainable manner, broaden the high-level institutional opening-up of the capital market, and effectively maintain the stable operation of the capital market. By accelerating the construction of a modern capital market with Chinese characteristics, the functions of the capital market will be continuously enhanced, thereby better supporting self-reliance and self-improvement of technology, effectively controlling various risks, and better facilitating high-quality economic development.

2023 is the concluding year of the Company's 2019–2023 five-year development plan, and is also a crucial year for the development of the "14th Five-Year Plan". The Company will continue to improve its capability in serving the high-quality development of the real economy, maintain its strategic focus, pay close attention to the implementation of strategies, and strive to complete the strategic goals of its five-year reform.

For the wealth management and institutional business segment: The Company will comprehensively reinforce the foundation of its traditional brokerage business, adhere to the "online + offline" marketing strategy, and strengthen "retail + institutional" marketing integration, so as to fully expand its client base and improve client quality. The Company will vigorously develop its wealth management business, so as to increase the size of clients' wealth management products under CMS's custody and income from agency sale of financial products. Giving full play to the advantages of comprehensive services, the Company will steadily expand its capital-based intermediary business such as margin financing and securities lending as well as stock pledge repo, and balance risks and returns. The Company will continue to enrich and expand the service content of its custody and fund administrative service business by continuously upgrading its service platform and innovating service approaches to strengthen its differentiated competitive advantages. The Company will empower its research capability, continuously increase "commission income" as its primary income-generation element, and eagerly strengthen "internal value creation" as its secondary income-generation element, so as to facilitate business collaboration driven by "research +".

For the investment banking business segment: The Company will put quality at the first place and maintain quality control by further strengthening the quality management system and enhancing the whole-process control mechanism, in order to ensure quality through process control. The Company will eagerly seize the opportunities arising from the registration-based IPO system, and make further efforts in the expansion of high-quality IPO projects in key fields such as technology and green sectors. The Company will maintain the sound development momentum of its refinancing business, and reconstruct the market-oriented M&A service capabilities of "industry-finance integration". As long as the risks of the bond business can be strictly controlled, the Company will continue to make up for the shortcomings of its segmented products, and comprehensively increase the number of projects in the pipeline and expand the sources of income.

For the investment management segment: CMS Asset Management will actively respond to the competitive landscape of "massive asset management" by building asset management with unique characteristics of securities firms, clarifying its product and business strategies, promoting the transformation of its products, marketing, investment and digitalization, and actively facilitating its application for mutual fund licenses, so as to enhance its active management capability in all respects. CMS Zhiyuan will deepen its cooperation with the Company's various business lines and branches, in order to broaden the channels for stable fundraising and accelerate the establishment of key funds. It will strengthen the synergy between investment and research, enhance specialized investment capabilities, and strive to expand its investment scale. It will also improve the post-investment management system, and strengthen post-investment capabilities, so as to maximize project exiting proceeds.

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For the investment and trading segment: The Company will thoroughly implement the general strategic policy of “being large-scale while maintaining stability”, strengthen macro research as well as risk control, continuously improve its asset allocation ability, and adjust and optimize the overall investment structure according to changes in market situation in a timely manner. By making full use of its client resources and research capabilities, the Company will accelerate development of client demand-driven business such as market making and total return swaps. Leveraging its rich strategies, the Company will further expand its market-neutral investment business.

### II. Industry Condition of the Company during the Reporting Period

In 2022, the SSE Composite Index, SZSE Component Index, ChiNext Index, CSI 300 Index and Hang Seng Index fell by 15.13%, 25.85%, 29.37%, 21.63% and 15.46%, respectively, while the ChinaBond Composite Total Return Index rose by 3.31%. The trading volume of stocks and funds in the SSE and SZSE decreased by 7.59% year-on-year; the trading volume of stocks in the Hong Kong market decreased by 25.38% year-on-year; the amount of A share equity financing decreased by 11.77% year-on-year; and the total amount of onshore credit bonds issued decreased by 9.76% year-on-year.

In 2022, the reform and opening-up of China’s capital market continued to deepen. First, the number of companies listed in the A share market exceeded 5,000 with the continuous emergence of “key and core technology” enterprises as well as specialized and sophisticated “little giants” firms. The capital market has become an important support for China’s economic transformation of “dual circulation”. The CSRC promulgated the “Three-Year Action Plan for Improving the Quality of Listed Companies (2022-2025)” (《推動提高上市公司質量三年行動方案(2022—2025)》), with an aim to enhancing the overall quality of listed companies and improving the compatibility between listed companies and the development requirements of the national economy. Second, the capability of the capital market to serve the real economy has improved, as demonstrated by the fact that the amount of IPO financing in 2022 remained at a historical high, and that the registration-based IPO system operated smoothly and orderly. Third, measures for the high-quality opening-up of the capital market have been continuously introduced. The CSRC promulgated the “Regulations on the Supervision of Depository Receipts Business under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges” (《境內外證券交易所互聯互通存託憑證業務監管規定》) and the “Announcement on the Inclusion of Exchange Traded Funds in the Relevant Arrangements under the Stock Connect Scheme” (《關於交易型開放式基金納入互聯互通相關安排的公告》), and foreign investors have been officially accepted to participate in the trading of multiple varieties of futures and options in the Dalian Commodity Exchange. Fourth, the rules for investment in mutual funds using individual pensions have been promulgated. The implementation of the individual pension system has made up for the shortcomings of the “third pillar” of pension insurance at the institutional level, providing institutional guarantees for supplementary individual pensions and optimizing the wealth structure of residents, while also bringing more long-term funds to the capital market, thereby supporting capital market development.

### III. Business 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 domestic and international 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 securities, fixed-income securities, commodities, alternative investment and other derivatives including OTC financial products to earn investment income. It also adopts advanced investment and trading strategies and techniques for mitigating investment risks and boosting returns.

### IV. Analysis of 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 adopted the concept of 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 new pilot projects, making responses to the volatile capital market and facing intense peer competition in the future. Second, the service capability with a full-service platform that covers a whole industrial chain, a balanced business structure and a solid development foundation have paved a sound foundation for the Company to develop the business with its own features, differentiate its edges and facilitate the provision of one-stop services to clients. 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 achieves continuous capability improvement 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.

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### V. Operations of Principal Businesses during the Reporting Period

#### (I) Analysis of principal businesses

##### 1. Details of changes related to profit and cash flows

Unit: RMB'000

Item	Current period	Previous period	Year-on-year change
Total revenue, other income and gains	29,335,800	40,342,422	-27.28%
Total expenses	22,465,851	28,238,826	-20.44%
Profit before income tax	8,531,660	13,703,853	-37.74%
Profit for the year	8,079,206	11,657,808	-30.70%
Profit for the year attributable to shareholders of the Company	8,072,319	11,645,065	-30.68%
Net cash generated from/(used in) operating activities	55,303,455	-54,318,605	—
Net cash (used in)/generated from investing activities	-19,129,796	13,813,407	-238.49%
Net cash (used in)/generated from financing activities	-21,014,037	35,718,315	-158.83%
Net increase (decrease) in cash and cash equivalents	15,159,622	-4,786,883	—

In 2022, the Company recorded total revenue, other income and gains of RMB29.336 billion, profit before income tax of RMB8.532 billion and profit for the year attributable to shareholders of the Company of RMB8.072 billion, representing a year-on-year decrease of 27.28%, 37.74% and 30.68%, respectively. Weighted average return on net assets was 7.54%, representing a year-on-year decrease of 3.98 percentage points.

## 2. Income

Unit: RMB'000

Item	Current period		Previous period		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fee and commission income	11,916,981	40.62%	15,304,295	37.94%	-3,387,314	-22.13%
Interest income	10,668,243	36.37%	11,342,235	28.11%	-673,992	-5.94%
Net gain on investment	5,115,011	17.44%	9,454,795	23.44%	-4,339,784	-45.90%
Net other income and gains	1,635,565	5.57%	4,241,097	10.51%	-2,605,532	-61.44%
<b>Total revenue, other income and gains</b>	<b>29,335,800</b>	<b>100.00%</b>	<b>40,342,422</b>	<b>100.00%</b>	<b>-11,006,622</b>	<b>-27.28%</b>

In 2022, the Company recorded total revenue, other income and gains of RMB29.336 billion, representing a year-on-year decrease of RMB11.007 billion, or 27.28%, among which:

Fee and commission income of the Company recorded a year-on-year decrease of 22.13%, mainly attributable to the year-on-year decrease of 17.36% and 46.80% in the income from securities and futures brokerage business, and underwriting and sponsorship business of the Company, respectively, among which, the decrease in the income from securities and futures brokerage business was mainly attributable to the decrease in the income from agency trading business; and the decrease in the income from underwriting and sponsorship business was mainly attributable to the decrease in the income from both equity underwriting and debt underwriting.

Interest income recorded a year-on-year decrease of 5.94%, mainly attributable to the year-on-year decrease of 14.61% in the interest income from margin financing and securities lending business and stock pledge business due to the smaller scale of businesses, partially offset by the year-on-year increase of 22.37% in the interest income from balance, margin and clearing settlement funds of the Exchanges and financial institutions.

Net gain on investment recorded a year-on-year decrease of 45.90%, among which, the net gain from financial assets at fair value through profit or loss recorded a year-on-year decrease of RMB7.285 billion, and the net gain from derivative financial instruments recorded a year-on-year increase of RMB2.263 billion.

Net other income and gains recorded a year-on-year decrease of 61.44%, mainly attributable to the reduction in revenue from commodities under China Merchants Futures, a subsidiary of the Company.

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### 3. Expenses

Unit: RMB'000

Item	Current period		Previous period		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Depreciation and amortization	697,543	3.10%	645,607	2.29%	51,936	8.04%
Staff costs	5,802,870	25.83%	8,315,756	29.45%	-2,512,886	-30.22%
Fee and commission expenses	2,449,716	10.90%	2,835,270	10.04%	-385,554	-13.60%
Interest expenses	9,326,511	41.51%	9,649,572	34.17%	-323,061	-3.35%
Tax and surcharges	125,696	0.56%	169,923	0.60%	-44,227	-26.03%
Other operating expenses	3,756,057	16.73%	6,246,319	22.12%	-2,490,262	-39.87%
Impairment losses under expected credit loss model, net of reversal	300,543	1.34%	373,061	1.32%	-72,518	-19.44%
Other impairment losses, net	6,915	0.03%	3,318	0.01%	3,597	108.41%
<b>Total expenses</b>	<b>22,465,851</b>	<b>100.00%</b>	<b>28,238,826</b>	<b>100.00%</b>	<b>-5,772,975</b>	<b>-20.44%</b>

In 2022, the total expenses of the Company amounted to RMB22.466 billion, representing a year-on-year decrease of 20.44%, of which:

Fee and commission expenses amounted to RMB2.450 billion, representing a year-on-year decrease of 13.60%, mainly attributable to the decrease of RMB380 million, or 13.79%, in the fee and commission expenses of securities and futures brokerage business along with the decline in trading volume.

Interest expenses amounted to RMB9.327 billion, representing a year-on-year decrease of 3.35%, mainly attributable to the decrease in repo business scale, the decrease in interest expenses of the financial assets sold under repurchase agreements of RMB480 million, and the decrease in the interest expenses of the short-term debt instruments of RMB431 million, partially offset by the increase in the interest expenses of the bonds payable of RMB462 million.

Staff costs amounted to RMB5.803 billion, representing a year-on-year decrease of 30.22%, mainly attributable to the decrease in performance-based remuneration as a result of the decrease in income.

Impairment losses under expected credit loss model amounted to RMB301 million, representing a year-on-year decrease of 19.44%, mainly attributable to the decrease in impairment loss of financial assets held under resale agreements of RMB132 million and the increase in impairment loss of advances to customers of RMB53 million.

Other operating expenses amounted to RMB3.756 billion, representing a year-on-year decrease of 39.87%, mainly attributable to the decrease in expenses of commodities.

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

#### 4. Segment revenues

##### 4.1 Analysis of segment revenues and other incomes

Unit: RMB'000

Business segment	Current period		Previous period		Increase/Decrease		Change
	Amount	Percentage	Amount	Percentage	Amount	Percentage	
Wealth management and institutional business	17,863,911	60.89%	20,673,747	51.25%	-2,809,836	-13.59%	9.64%
Investment banking	1,446,575	4.93%	2,610,999	6.47%	-1,164,424	-44.60%	-1.54%
Investment management	1,248,028	4.25%	1,802,396	4.47%	-554,368	-30.76%	-0.22%
Investment and trading	6,722,698	22.92%	10,840,859	26.87%	-4,118,161	-37.99%	-3.95%
Others	2,115,357	7.21%	4,449,650	11.03%	-2,334,293	-52.46%	-3.82%

In 2022, the Company recorded total revenue, other income and gains of RMB29.336 billion, of which:

Revenue from the wealth management and institutional business segment recorded a year-on-year decrease of 13.59%, of which, the year-on-year decrease in net fee income from agency trading of the Company declined to a larger extent, mainly attributable to the year-on-year decrease in the trading volume of stocks and funds in both A share and H share markets in 2022. Although the market share of stocks and funds of the Company in the A share market increased, our commission rate decreased along with the decrease of market commission rate. The interest income from margin financing and securities lending business and stock pledge business also declined due to the smaller scale of businesses.

Revenue from the investment banking business segment recorded a year-on-year decrease of 44.60%, mainly attributable to the decrease in the income from both equity and debt underwriting.

Revenue from the investment management business segment recorded a year-on-year decrease of 30.76%, mainly attributable to the decrease in AUM and performance fees of CMS Asset Management, a subsidiary of the Company.

Revenue from the investment and trading business segment recorded a year-on-year decrease of 37.99%, and the income from all investment businesses of the Company recorded a decrease, of which, the decrease in equity investment business declined to a larger extent.

Revenue from other business segments recorded a year-on-year decrease of 52.46%, mainly attributable to the revenue decrease from commodities under China Merchants Futures, a subsidiary of the Company.

In terms of revenue composition, as compared to 2021, the proportion of operating income from the wealth management and institutional business segment increased by 9.64 percentage points, and the proportion of operating income from the investment banking business segment, investment management business segment, investment and trading business segment and other business segments decreased by 1.54, 0.22, 3.95 and 3.82 percentage points, respectively.

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### 4.2 Analysis of segment expenses

Unit: RMB'000

Business segment	Current period		Previous period		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Wealth management and institutional business	12,816,587	57.05%	13,829,404	48.97%	-1,012,817	-7.32%
Investment banking	685,902	3.05%	1,133,501	4.01%	-447,599	-39.49%
Investment management	476,558	2.12%	546,435	1.94%	-69,877	-12.79%
Investment and trading	5,797,559	25.81%	7,372,978	26.11%	-1,575,419	-21.37%
Others	2,750,014	12.24%	5,391,737	19.09%	-2,641,723	-49.00%

Expenses of each business segment recorded a year-on-year decrease to different extent, of which, expenses of the wealth management and institutional business segment, investment banking business segment, investment management business segment, investment and trading business segment and other business segments decreased by 7.32%, 39.49%, 12.79%, 21.37% and 49.00% year-on-year, respectively.

## 5. Cash flows

Unit: RMB'000

Item	Current period	Previous period	Amount increased/decreased	Percentage increased/decreased
Net cash generated from/(used in) operating activities	55,303,455	-54,318,605	109,622,060	—
Net cash (used in)/generated from investing activities	-19,129,796	13,813,407	-32,943,203	-238.49%
Net cash (used in)/generated from financing activities	-21,014,037	35,718,315	-56,732,352	-158.83%
Net increase (decrease) in cash and cash equivalents	15,159,622	-4,786,883	19,946,505	—

In 2022, the net increase in cash and cash equivalents of the Company amounted to RMB15.160 billion. Of which, net cash from operating activities amounted to RMB55.303 billion; net cash from investing activities recorded a deficit of RMB19.130 billion; and net cash from financing activities recorded a deficit of RMB21.014 billion. The Company's cash and cash equivalents are mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars.

- (1) Net cash from operating activities increased by RMB109.622 billion as compared to 2021, mainly attributable to the decrease in financial assets at fair value through profit or loss of RMB125.476 billion, and the decrease in advances to customers of RMB34.628 billion, partially offset by the increase in financial assets held under resale agreements of RMB23.286 billion, the decrease in financial assets sold under repurchase agreements of RMB14.848 billion and the decrease in other current liabilities of RMB19.396 billion.
- (2) Net cash flow from investing activities decreased by RMB32.943 billion as compared to 2021, mainly attributable to the increase in the net proceeds from the acquisition of financial assets at fair value through other comprehensive income of RMB30.998 billion during the year.
- (3) Net cash flow from financing activities decreased by RMB56.732 billion as compared to 2021, mainly attributable to the year-on-year decrease in proceeds received from the issuance of bonds and short-term debt instruments of RMB103.961 billion, partially offset by the decrease in the repayment of bonds and short-term debt instruments of RMB46.713 billion.

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### 6. Overview of consolidated statement of financial position

Unit: RMB'000

Item	December 31, 2022		December 31, 2021		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>Non-current assets</b>						
Property and equipment	1,549,043	0.25%	1,480,506	0.25%	68,537	4.63%
Right-of-use assets	1,556,646	0.25%	1,643,651	0.28%	-87,005	-5.29%
Goodwill	9,671	0.00%	9,671	0.00%	—	0.00%
Other intangible assets	42,611	0.01%	35,602	0.01%	7,009	19.69%
Investment in associates	10,745,849	1.76%	9,648,858	1.62%	1,096,991	11.37%
Equity instruments at fair value through other comprehensive income	1,628,336	0.27%	1,409,254	0.24%	219,082	15.55%
Debt instruments at amortized cost	20,411	0.00%	164,506	0.03%	-144,095	-87.59%
Financial assets held under resale agreements	125,199	0.02%	665,863	0.11%	-540,664	-81.20%
Financial assets at fair value through profit or loss	9,778,342	1.60%	10,577,488	1.77%	-799,146	-7.56%
Deferred tax assets	1,832,205	0.30%	1,561,415	0.26%	270,790	17.34%
Other non-current assets	593,169	0.10%	747,041	0.13%	-153,872	-20.60%
<b>Total non-current assets</b>	<b>27,881,482</b>	<b>4.56%</b>	<b>27,943,855</b>	<b>4.68%</b>	<b>-62,373</b>	<b>-0.22%</b>
<b>Current assets</b>						
Advances to customers	81,541,116	13.33%	98,686,506	16.52%	-17,145,390	-17.37%
Current tax assets	440,274	0.07%	139,954	0.02%	300,320	214.58%
Account and other receivables	5,820,413	0.95%	5,260,246	0.88%	560,167	10.65%
Debt instruments at fair value through other comprehensive income	60,888,528	9.95%	40,582,323	6.80%	20,306,205	50.04%
Debt instruments at amortized cost	539,149	0.09%	953,120	0.16%	-413,971	-43.43%
Financial assets held under resale agreements	49,455,546	8.09%	38,532,729	6.45%	10,922,817	28.35%
Financial assets at fair value through profit or loss	231,997,648	37.93%	254,766,790	42.66%	-22,769,142	-8.94%
Derivative financial assets	3,664,686	0.60%	3,204,641	0.54%	460,045	14.36%
Other current assets	37,646	0.01%	197,539	0.03%	-159,893	-80.94%
Deposits with Exchanges and non-bank financial institutions	12,213,224	2.00%	13,141,791	2.20%	-928,567	-7.07%
Clearing settlement funds	23,804,906	3.89%	25,873,373	4.33%	-2,068,467	-7.99%
Cash and bank balances	113,377,264	18.54%	87,938,261	14.72%	25,439,003	28.93%
<b>Total current assets</b>	<b>583,780,400</b>	<b>95.44%</b>	<b>569,277,273</b>	<b>95.32%</b>	<b>14,503,127</b>	<b>2.55%</b>
<b>Total assets</b>	<b>611,661,882</b>	<b>100.00%</b>	<b>597,221,128</b>	<b>100.00%</b>	<b>14,440,754</b>	<b>2.42%</b>

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As at the end of 2022, the total assets of the Company amounted to RMB611.662 billion, increased by RMB14.441 billion, or 2.42%, as compared to the end of 2021. The total current assets amounted to RMB583.780 billion and total non-current assets amounted to RMB27.881 billion. The balance of the financial assets held under resale agreements as at the end of the Reporting Period was RMB49.581 billion, increased by RMB10.382 billion as compared to the end of 2021. The balance of the cash and bank balances as at the end of the Reporting Period was RMB113.377 billion, increased by RMB25.439 billion as compared to the end of 2021. The balance of financial assets<sup>1</sup> as at the end of the Reporting Period was RMB308.517 billion, decreased by RMB3.141 billion as compared to the end of 2021. The balance of advances to customers as at the end of the Reporting Period was RMB81.541 billion, decreased by RMB17.145 billion as compared to the end of 2021.

The Company has maintained satisfactory asset quality and liquidity. Net current assets as at the end of 2022 amounted to RMB162.012 billion, representing a decrease of RMB40.702 billion, or 20.08%, as compared to the end of 2021, which was mainly attributable to the growth in financial liabilities at fair value through profit or loss and bonds payable due within one year.

As at the end of 2022, the Company's cash and bank balances and clearing settlement funds, financial assets, advances to customers and financial assets held under resale agreements, and investment in associates accounted for 22.43%, 50.44%, 21.44% and 1.76% of total assets, respectively. As compared to the end of last year, the proportion of cash and bank balances and clearing settlement funds to total assets increased by 3.37 percentage points; the proportion of financial assets to total assets decreased by 1.74 percentage points; and the proportion of advances to customers and financial assets held under resale agreements to total assets decreased by 1.65 percentage points.

Unit: RMB'000

Item	December 31, 2022		December 31, 2021		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>Current liabilities</b>						
Short-term borrowings	10,608,902	2.14%	5,248,006	1.08%	5,360,896	102.15%
Short-term debt instruments	25,147,999	5.07%	26,935,839	5.56%	-1,787,840	-6.64%
Placements from banks and other financial institutions	10,802,438	2.18%	6,743,717	1.39%	4,058,721	60.19%
Accounts payable to brokerage clients	106,377,654	21.43%	99,605,342	20.55%	6,772,312	6.80%
Accrued staff costs	6,461,381	1.30%	8,059,301	1.66%	-1,597,920	-19.83%
Other payables and accrued charges	27,538,471	5.55%	32,690,883	6.75%	-5,152,412	-15.76%
Current tax liabilities	181,858	0.04%	553,519	0.11%	-371,661	-67.15%
Financial liabilities at fair value through profit or loss	46,371,940	9.34%	21,320,342	4.40%	25,051,598	117.50%
Derivative financial liabilities	2,875,039	0.58%	4,616,992	0.95%	-1,741,953	-37.73%

<sup>1</sup> Financial assets = Debt instruments at fair value through other comprehensive income + Debt instruments at amortized cost + Financial assets at fair value through profit or loss + Equity instruments at fair value through other comprehensive income + Derivative financial assets

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Item	December 31, 2022		December 31, 2021		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Financial assets sold under repurchase agreements	120,805,473	24.34%	127,417,730	26.29%	-6,612,257	-5.19%
Lease liabilities	330,846	0.07%	321,889	0.07%	8,957	2.78%
Contract liabilities	63,808	0.01%	—	0.00%	63,808	—
Provisions	86,314	0.02%	128,144	0.03%	-41,830	-32.64%
Long-term borrowings due within one year	895,160	0.18%	642	0.00%	894,518	139,333.02%
Bonds payable due within one year	63,221,046	12.74%	32,920,742	6.79%	30,300,304	92.04%
<b>Total current liabilities</b>	<b>421,768,329</b>	<b>84.96%</b>	<b>366,563,088</b>	<b>75.64%</b>	<b>55,205,241</b>	<b>15.06%</b>
<b>Net current assets</b>	<b>162,012,071</b>	<b>32.64%</b>	<b>202,714,185</b>	<b>41.83%</b>	<b>-40,702,114</b>	<b>-20.08%</b>
<b>Total assets less current liabilities</b>	<b>189,893,553</b>	<b>38.25%</b>	<b>230,658,040</b>	<b>47.59%</b>	<b>-40,764,487</b>	<b>-17.67%</b>
<b>Non-current liabilities</b>						
Accrued staff costs	97,490	0.02%	223,661	0.05%	-126,171	-56.41%
Deferred tax liabilities	482,293	0.10%	491,857	0.10%	-9,564	-1.94%
Financial liabilities at fair value through profit or loss	1,372,080	0.28%	1,867,596	0.39%	-495,516	-26.53%
Deferred income	112,947	0.02%	116,144	0.02%	-3,197	-2.75%
Lease liabilities	912,500	0.18%	995,576	0.21%	-83,076	-8.34%
Long-term borrowings	267,981	0.05%	979,540	0.20%	-711,559	-72.64%
Bonds payable	71,406,696	14.38%	113,393,215	23.40%	-41,986,519	-37.03%
<b>Total non-current liabilities</b>	<b>74,651,987</b>	<b>15.04%</b>	<b>118,067,589</b>	<b>24.36%</b>	<b>-43,415,602</b>	<b>-36.77%</b>
<b>Total liabilities</b>	<b>496,420,316</b>	<b>100.00%</b>	<b>484,630,677</b>	<b>100.00%</b>	<b>11,789,639</b>	<b>2.43%</b>

As at the end of 2022, the total liabilities of the Company amounted to RMB496.420 billion, representing an increase of RMB11.790 billion, or 2.43%, as compared to the end of 2021. Of which, the current liabilities amounted to RMB421.768 billion and non-current liabilities amounted to RMB74.652 billion. The balance of bonds payable as at the end of the Reporting Period decreased by RMB11.686 billion; and the balance of financial liabilities at fair value through profit or loss as at the end of the Reporting Period increased by RMB24.556 billion. The Company's liabilities are mainly denominated in Renminbi, Hong Kong dollars and U.S. dollars. For details of the Company's borrowing rates, please refer to "Notes 38, 51 and 52 to the consolidated financial statements" of this report.

Excluding the accounts payable to brokerage clients, as at the end of the year, the total assets of the Company amounted to RMB505.284 billion, increased by RMB7.668 billion, or 1.54%, as compared to the end of 2021, and the total liabilities of the Company amounted to RMB390.043 billion, increased by RMB5.018 billion, or 1.30%, as compared to the end of 2021. The gearing ratio, after deducting accounts payable to brokerage clients, of the Company was 77.19%, representing a decline of 0.18 percentage point as compared to the end of 2021.

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Unit: RMB'000

Item	December 31, 2022		December 31, 2021		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>Equity</b>						
Share capital	8,696,526	7.55%	8,696,526	7.72%	—	0.00%
Other equity instruments	15,000,000	13.02%	15,000,000	13.32%	—	0.00%
Capital reserve	40,346,871	35.01%	40,361,022	35.85%	-14,151	-0.04%
Investment revaluation reserve of financial assets at fair value through other comprehensive income	-180,630	-0.16%	196,165	0.17%	-376,795	-192.08%
Foreign currency translation reserve	238,056	0.21%	-227,414	-0.20%	465,470	—
General reserves	22,278,999	19.33%	20,744,058	18.42%	1,534,941	7.40%
Retained profits	28,779,256	24.97%	27,732,673	24.63%	1,046,583	3.77%
Equity attributable to shareholders of the Company	115,159,078	99.93%	112,503,030	99.92%	2,656,048	2.36%
Non-controlling interests	82,488	0.07%	87,421	0.08%	-4,933	-5.64%
<b>Total equity</b>	<b>115,241,566</b>	<b>100.00%</b>	<b>112,590,451</b>	<b>100.00%</b>	<b>2,651,115</b>	<b>2.35%</b>

As at the end of 2022, the equity attributable to shareholders of the Company amounted to RMB115.159 billion, representing an increase of RMB2.656 billion, or 2.36%, as compared to the end of 2021. This year, profit attributable to shareholders of the Company amounted to RMB8.072 billion; dividends distributed to shareholders amounted to RMB4.696 billion; and interest payable for perpetual bonds amounted to RMB782 million.

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### 7. Overseas assets

Overseas assets amounted to RMB42.742 billion, accounting for 6.99% of total assets.

### (II) Analysis of investment

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

During the Reporting Period, the Company did not have any new external equity investment. During the year, the Company recovered its investment in Hunan China Merchants Xiangjiang Industry Management Co., Ltd., an associated company, of RMB7.20 million.

#### 2. Financial assets measured at fair value

Unit: 10,000 Yuan Currency: RMB

Asset Class	Opening amount	Profit and loss from changes in fair value for the current period	Cumulative changes in fair value included in equity	Impairment provision for the current period	Purchase amount for the current period	Disposal/redemption amount for the current period	Other changes	Closing amount
Bonds	19,562,018.39	-90,189.67	-20,393.39	-1,517.96	177,023,551.91	175,578,768.95	32,638.44	20,928,856.73
Funds	2,375,646.16	-33,598.22	-	-	92,382,567.77	89,737,199.07	20,496.94	5,007,913.59
Stocks	1,968,557.09	-112,089.57	-28,446.14	-	21,176,032.07	20,515,019.57	25,180.00	2,514,213.88
Derivatives	-141,234.97	230,497.83	-	-	-	-	-10,298.23	78,964.63
Others	6,827,363.91	-277,568.24	-	-	2,751,957.23	7,381,044.37	57,592.61	1,978,301.14
<b>Total</b>	<b>30,592,350.58</b>	<b>-282,947.87</b>	<b>-48,839.53</b>	<b>-1,517.96</b>	<b>293,334,108.98</b>	<b>293,212,031.96</b>	<b>125,609.76</b>	<b>30,508,249.96</b>

### (III) 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 at the end of 2022, the total assets of CMS Asset Management amounted to RMB5.414 billion and the net assets amounted to RMB5.032 billion. In 2022, it recorded total revenue, other income and gains of RMB1.034 billion and net profit of RMB404 million.

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

CMS International is a wholly-owned subsidiary of China Merchants Securities with a paid-up capital of HK\$6.454 billion. Through its subsidiaries, CMS International is principally engaged in securities and futures contracts brokerage, 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 at the end of 2022, the total assets of CMS International amounted to HK\$47.900 billion and the net assets amounted to HK\$9.184 billion. In 2022, it recorded total revenue, other income and gains of HK\$747 million and net loss of HK\$304 million. During the Reporting Period, CMS International was reaffirmed by Moody's Baa2 rating, and the long-term outlook remained "stable".

### **(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 at the end of 2022, China Merchants Futures has four futures branches in Beijing, Guangzhou, Shanghai and Hangzhou, one branch office in Henan and one risk management subsidiary, i.e. China Merchants Securities Capital Investment Co., Ltd. (招證資本投資有限公司).

As at the end of 2022, the total assets of China Merchants Futures amounted to RMB41.042 billion and the net assets amounted to RMB4.808 billion. In 2022, it recorded total revenue, other income and gains of RMB2.499 billion and net profit of RMB361 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 at the end of 2022, the total assets of CMS Zhiyuan amounted to RMB4.188 billion and the net assets attributable to the parent company amounted to RMB2.113 billion. In 2022, it recorded total revenue, other income and gains of RMB124 million and net loss attributable to the parent company of RMB4.55 million.

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

CMS Investment is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB10.1 billion and a paid-up 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 at the end of 2022, the total assets of CMS Investment amounted to RMB9.888 billion and the net assets amounted to RMB9.271 billion. In 2022, it recorded total revenue, other income and gains of RMB651 million and net profit of RMB450 million.

### 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 was established on July 13, 1998 as one of the first five mutual fund management companies in mainland China. Its business scope includes fund raising, sales of funds, asset management and other businesses permitted by the CSRC.

As at the end of 2022, Bosera Funds recorded total assets of RMB11.788 billion and net assets of RMB8.303 billion. In 2022, it recorded operating income of RMB5.316 billion and net profit of RMB1.724 billion.

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

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

As at the end of 2022, China Merchants Fund recorded total assets of RMB12.310 billion and net assets of RMB8.175 billion. In 2022, it recorded operating income of RMB5.757 billion and net profit of RMB1.813 billion.

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

As of December 31, 2022, the Group consolidated 56 structured entities, including mainly asset management schemes, investment funds and limited partnership. Under the circumstance that the Group is involved in a structured entity 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 a manager and whether the Group is a principal responsible person of the entity. As of December 31, 2022, the total assets of the consolidated structured entities amounted to RMB22.474 billion.

### (V) Financing

#### 1. *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, subordinated bonds, perpetual subordinated bonds, financial bonds, offshore bonds, short-term financing bonds, income certificates, placement from other financial institutions, interbank borrowing and repurchase, bank borrowings and etc., the Company engages in debt financing. The Company has strong financing capabilities for both domestic and international markets. The Company arranges the types of financing according to its operation and business development needs, and constantly optimizes its financing structure.

#### 2. *Liability structure*

As at the end of 2022, total liabilities of the Company amounted to RMB496.420 billion. Excluding the amount of accounts payables to brokerage clients, total liabilities amounted to RMB390.043 billion. Of which, bonds payable amounted to RMB134.628 billion, accounting for 34.52% of liabilities; long-term borrowings amounted to RMB1.163 billion, accounting for 0.30% of liabilities; financial assets sold under repurchase agreements amounted to RMB120.805 billion, accounting for 30.97% of liabilities; short-term borrowings amounted to RMB10.609 billion, accounting for 2.72% of liabilities; and placements from banks and other financial institutions amounted to RMB10.802 billion, accounting for 2.77% of liabilities. Currently, the Company has no debts overdue. The solvency of the Company is strong and the liquidity risk is controllable.

#### 3. *Liquidity management*

In respect of liquidity management, the Company aims to ensure its liquidity safety and meet the needs of business development. In a normal operation environment, the Company aims to maintain sufficient capital to meet the needs of business development. In stressful situations, the Company aims to maintain sufficient buffer capacity to release cash flows and ensure the capital requirements in unconventional circumstances.

The Treasury Department of the Company is responsible for the allocation of capital, coordination of capital planning, management of capital positions and capital requirements, and daily monitoring of cash positions and cash flow gaps.

By analyzing and monitoring the size and structure of assets and liabilities, the Company ensures that the size and duration of its assets and liabilities are able to meet its business development needs, while also maintains premium liquid assets at a reasonable and sufficient level. The Company has formulated a multi-tier liquidity risk indicator limit management system based on its risk appetite, and monitors the performance of each risk indicator on a daily basis. The Company monitors and analyzes the development of each business in a timely manner, and on such basis, uses risk assessment approaches such as sensitivity analysis, stress test and VaR analysis to dynamically monitor the liquidity risk of business development, and takes corresponding risk management measures. The Company has established an internal risk reporting system so that it can be promptly aware of the liquidity risk of each business and take corresponding measures to ensure the safety, stability and sustainability of each business. The Company has formulated an emergency management system to deal with the shortage of funds, and organizes emergency plans and conducts regular drills and evaluations. The Company actively expands its financing channels, and meets various needs for capital in its business process through diverse financing approaches. During the year, the Company's liquidity risk indicators performed well. It had adequate liquid assets, and the liquidity of asset allocation continued to maintain at a high level.

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### (VI) Business innovation and risk control during the Reporting Period

#### 1. Business innovation during the Reporting Period

In 2022, guided by technology and driven by innovation, the Company rolled out a series of innovative products and services aiming at the new opportunities in capital market services and the increasingly abundant new demand of clients, so as to facilitate business development.

In terms of technological innovation, the Company strengthened the top-tier design and organization of digital transformation, established the digital transformation committee, and continued to enhance the digital transformation project management office (PMO) working mechanism, in order to better facilitate the implementation of digital transformation strategies. The Company carried out comprehensive and in-depth rectification for the security incidents of its information system, and improved the long-term mechanism for security management, with an aim to achieving refined management of technology. In terms of wealth management, the Company optimized its social service platforms, i.e. the CMS APP, “CMS wealth management +” (招商證券財富+) WeChat Mini Program and corporate WeChat account, and upgraded clients’ experience, and initially established an integrated online + offline marketing service system, ranking 1st in terms of the average monthly visit duration of APP users and 5th in terms of the average monthly active users (MAU) of the APP among large-scale securities firms. In terms of institutional business, the Company’s self-developed investment management system has been deeply integrated with its margin financing and securities lending, OTC derivatives as well as custody and fund administrative service businesses, and has become its distinctive professional trading service platform, thereby satisfying the demand of institutional clients for one-stop comprehensive financial services. The integrated operation platform for institutional transactions has supported the onlineization of 53 business scenarios, increasing the overall efficiency by approximately 40%. In terms of investment banking, the Company further advanced online project management and control, improved project quality and efficiency through transaction verification and intelligent complementary review, and established the enterprise-level CRM platform, thereby supporting the full-process digital service system for corporate clients. In terms of investment, the new generation of OTC derivatives platform based on cloud-native architecture was the first platform to enable full life-cycle electronic management for all varieties, thereby meeting the needs for integrated transactions and management, and improving clients’ satisfaction. The field-programmable gate array (FPGA) OTC system for options market making has fully supported options market making on the SSE and SZSE, thereby significantly improving trading performance. The real-time bond pricing and portfolio analysis capabilities of the “Tianyan” (天研) research platform have taken the industry-leading positions.

In terms of business innovation, for investment banking, the Company focused on technological finance, green finance and other relevant fields, seized business development opportunities under the goal of “emission peak and carbon neutrality”, and actively explored innovative businesses such as infrastructure REITs, so as to serve the high-quality development of the real economy. For investment and trading, the Company vigorously promoted the innovative businesses of financial trading, and its listed derivatives market making qualifications increased to 70, ranking 1st among securities firms. The Company obtained the stock market making qualification on the STAR Market of the SSE and was among the first batch of firms to initiate the business, and ranked among the top three in the industry in terms of the number of market making projects. For custody and fund administrative service business, the Company was the first in the industry to roll out market innovative services such as T0 valuation as well as T0 subscription and redemption confirmation, and successfully launched innovative businesses such as cross-border administrative manager services and foreign-funded mutual fund administrative services.

### 2. Risk control for innovative business

- ① The Company has established a decision-making and management structure for innovative activities and formulated relevant management systems to ensure that all innovative activities are carried out in compliance with relevant laws and regulations under reasonable risk control. The Company has standardized and clarified the processes of new business application, risk assessment, approval, implementation and review to ensure that new businesses can be developed and operated in a standardized and stable manner where risks are controllable, measurable and tolerable.
- ② The Company has established a risk monitoring and pre-warning system for innovative activities, designed various monitoring indicators and risk limits based on the risk characteristics of innovative activities and tracked the risk dynamics of innovative business in real time. The Company provides risk alerts to business departments in a timely manner when there are abnormalities in the risk indicators, so as to ensure that the risk exposure to innovative activities is always kept within an acceptable range as far as the Company's net capital and liquidity are concerned.
- ③ The Company has continuously strengthened the audit and supervision of innovative business, and constantly improved the internal control and risk response capabilities of innovative business. The Company's audit department pays close attention to innovative business in audits and, based on the issues identified, cooperates with the management department of relevant innovative business for analysis and discussion, in order to determine rectification measures and supervise the rectification by the management department of relevant innovative business, thereby continuously improving internal control of innovative business.

### (VII) Establishment and disposal of branches

During the Reporting Period, China Merchants Securities prepared to establish one branch in Xiong'an New Area, Hebei Province, and prepared to establish five securities branches in places such as Shenzhen, Hangzhou, Foshan and Yantai. 26 securities branches completed intra-city relocation, and no branches or securities branches were closed.

### VI. Discussion and Analysis of Future Development of the Company

#### (I) Industry pattern and trend

##### 1. Reform and development of the capital market

**First, new steps have been taken in the construction of a modern capital market with Chinese characteristics.** The 20th National Congress of the CCP devised a grand blueprint for the comprehensive advancement of Chinese modernization, and put forward the requirements of “improving the functions of the capital market and increasing the proportion of direct financing”. As such, the capital market is moving towards the characteristics of standardization, transparency, openness, vitality and resilience. The comprehensive reform of the registration-based IPO system has been implemented as scheduled, and stock and bond financing has grown steadily. The market structure has been significantly optimized, and the multi-tier market system has been continuously enhanced. The capital market provides efficient support for strategic emerging industries and micro, small and medium-sized enterprises, thereby facilitating the virtuous circle of “technology–industry–finance”.

**Second, the high-level institutional opening-up of the capital market has been gradually broadened.** Supported by the advancement of institutional opening-up of markets, institutions and products, the implementation of the filing system for overseas listing of enterprises has been expedited, and China and the United States have formed a normalized cooperation mechanism for auditing to maintain smooth channels for overseas listings. The Hong Kong Stock Connect has continued to expand, thereby facilitating the coordinated development between the Hong Kong and Chinese markets.

**Third, “stability” is the basis for market development.** The reform on the investment side is accelerating, and policies have been promulgated to increase the participation of social security funds, insurance funds, enterprise annuities and other medium and long-term funds in the market, and to launch a market for investment in mutual funds using pensions as soon as practicable. Risks in key areas such as private fund and bond defaults have been resolved in a stable and orderly manner, and institutional documents have been promulgated to strengthen the monitoring, analysis and response to cross-market, cross-border and cross-sector risks, and to improve the risk prevention, early warning, mitigation and accountability system of the capital market, in order to firmly safeguard the bottom line against risk.

##### 2. Development of and competition in the securities industry

The rapid development of the capital market has boosted the development and growth of the securities industry, and the industry has transformed and upgraded in the aspect of institutional business, wealth management and industrial investment banking. There is a continuous trend of A share institutionalization, and the institutional client base has grown, creating huge development potentials for institutional business. The demand of institutional clients has shown a trend of comprehensiveness, customization and cross-border investment, which have put forward higher comprehensive requirements for securities firms. Top securities firms have advantages in terms of organizational structure, license qualification, capital strength, product design, risk management and sales channels, thereby being in the forefront of reform. Wealth management has continued to be benefited from the transfer of residents’ asset allocation to equity assets, and the brokerage business of securities firms has transformed from a trading-oriented model to an asset allocation-oriented wealth management buyer model. The registration-based IPO system has put forward higher requirements on the pricing and investment research capabilities of investment banking business. Focusing on the upstream and downstream industrial chain and the entire lifecycle of enterprises, investment banks provide integrated services across the entire business chain, and the transformation from the integration and coordination of “investment, research and investment banking” to industrial investment banking has become a key transformation direction of the industry.

**Along with the development of the industry, the competition of securities firms has shown the following characteristics: First, capital is still an important competitive factor.** Along with the rapid development of businesses such as OTC derivatives as well as margin financing and securities lending, there has been increasing integration between the capital-based business and service intermediary business of securities firms, thereby promoting the continuous assets growth of the industry. Securities firms actively implement equity financing to meet the capital requirements arising from rapid business growth. **Second, platform-based competition has become increasingly prominent.** Along with the growth of institutional investors, clients' demand has shown the characteristics of diversification, complexity and customization. Securities firms are transforming from individual teams to platform competition, and from the previous business model of a single product and independent business operation to the new business model of offering "client-oriented" comprehensive services and comprehensive pricing. **Third, leading securities firms are developing in all respects, while small and medium-sized securities firms are establishing their comparative edges in segmented fields.** Leading firms are oriented towards scale expansion to build an all-round securities firm. Some small and medium-sized securities firms hope to use financial technology to overtake other firms; some are differentiated in the field of wealth management; some have developed in the direction of boutique investment banks; and some with stronger regional background have formed unique competitive edges in local regions.

### (II) Development strategies of the Company

From 2019 to 2023, the Company has upheld its strategic vision of "being client-oriented and becoming the best investment bank in China with international competitiveness" and complied with the overall requirements of "advocating quality first, prioritizing efficiency and maintaining moderate scale", so as to accomplish the strategic goal of "becoming one of the top five in the industry in terms of overall competitiveness". The Company has implemented the "reform strategies", pursued long-term value creation, upheld the new development concept of "innovation, coordination, green, openness and sharing", and strived to achieve high-quality and sustainable development.

Moving forward along the direction of high-quality development, the Company has adhered to the strategic principle of "expanding capital-light business while strengthening capital-intensive business", intensified reform, transformation and technological innovation, continuously improved its business model, optimized its business structure, and enhanced development momentum. During the planning period, upholding the client-oriented principle, the Company will implement five core strategies. First, it will expedite the establishment of a modern investment bank, and give play to the value-driven role of investment bank. Second, it will build a comprehensive wealth management service provider, and consolidate the comprehensive service advantages of institutional clients. Third, it will promote the integrated development of capital business and service business, so as to enhance comprehensive financial service capabilities. Fourth, it will accelerate digital transformation and increase investment in financial technology, so as to build a "technology-enabled" system. Fifth, it will strengthen five core strategies including the integration of cross-border services and the enhancement of cross-border business service capabilities, so as to provide clients with one-stop comprehensive services and continuously improve overall competitiveness. Meanwhile, during the planning period, the Company will focus on building the "five" core capabilities of risk control, technology, talent cultivation, collaboration and capital, so as to support the sound development of each business of the Company.

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### (III) 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

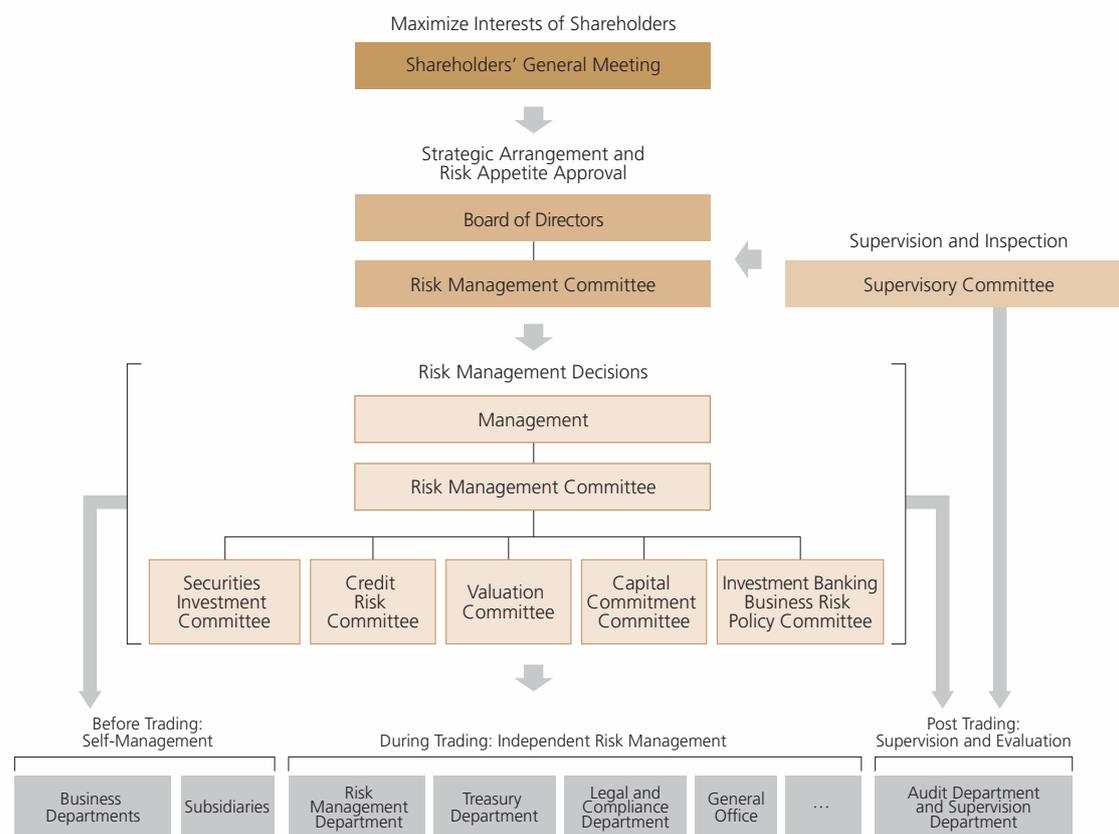
##### (1) Risk management structure

Since inception, the Company has been committed to establishing an innovative and insightful risk management system that is aligned with its operation strategies and deeply rooted in 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.

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.

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- ③ The senior management is fully responsible for the risk management in the Company's business operation. They regularly review risk assessment reports, formulate risk management measures and establish risk limit indicators. The Risk Management Committee was set up under the senior management as the highest risk management decision-making body at the operation level. The Company has also appointed a Chief Risk Officer to oversee the formation of the overall risk management system, monitor, evaluate and report the enterprise risk level, and provide risk management advice for business decision-making of the Company. In addition, the Securities Investment Committee, Credit Risk Committee, Valuation Committee, Capital Commitment Committee and Investment Banking Business Risk Policy Committee were set up under the Risk Management Committee and responsible for making collective decisions based on experts' suggestions on issues relating to securities investment, credit risk, securities valuation, capital commitment 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 Treasury 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 Risk Management Department and the General Office are responsible for managing the reputational risks of the Company and other departments of the Company perform front-line responsibilities for reputation risk management. 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 post-event supervision and evaluation conducted by the Audit Department and Supervision Department.

### (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 refers to quantitative limit indicators reflecting the effectiveness of risk management set by the Company for each specific business segment based on risk appetite and the characteristics of different business segments, in order to specify the maximum tolerance range for risk management results. 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 decision-making matters. 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.

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- ④ **Comprehensive stress testing mechanism:** The Company established the Administrative Regulations for Stress Testing (《壓力測試管理規範》), 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”. Through promotion platforms at different levels, the Company carried out professional training and salon activities covering key risk areas, risk management policies and major risk warning cases, and established a risk case column to promote its risk management culture, so as to ensure all the employees to exercise risk management. 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 innovative establishment of the 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, providing quantitative data support for risk management and business decision-making.

The platform for intelligent integrated risk management of the Group automatically captures, calculates and integrates various basic data through construction of risk models, measurement of risk indicators, 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 standards and data quality check 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 and multi-dimensional analysis report, 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, negative information client system and internal credit rating engine, the Company is able to improve the functions of rules for measurement of counterparty risk exposure, introduction of new sources of negative public opinion as well as optimization of same client management and rating query management, 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.

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 and the digital capabilities of risk control, 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.

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### (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 reports to 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 of corresponding levels 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 major indicators 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, commodity prices and exchange rate, etc. can be measured and the diversified effects of the portfolio are also considered.

With an ongoing expansion of the businesses, the Company continues to refine the VaR model actively, including adding risk factors in the new market and optimizing the computation. In addition, the Company examines the accuracy of the VaR computation model continuously through methods such as a backtesting. For certain particular investment portfolio of the Company (such as equity investment including direct 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.

## **(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.

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### 3. Credit risks and corresponding measures

#### (1) Overview

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

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

#### (2) 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 the protection of collaterals for the Company's debts. 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 to safeguard the Company's right of credit. The adjustment mechanism on conversion rate is determined based on intrinsic value (financial statements) and market factors (market price fluctuation, increase, etc.). The Company has also founded a centralized collateral monitoring mechanism and key collaterals assessment mechanism.

### ④ Credit risk measurement model

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

### **(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.

## Chapter 3: Report of the Board of Directors

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.

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

Unit: RMB10,000

	December 31, 2022	December 31, 2021
<b>Onshore bonds</b>		
<b>PRC sovereign bonds</b>	13,607,139	11,553,369
AAA	6,484,436	6,804,459
AA+	269,340	751,827
AA	70,735	192,141
AA-	135	—
Below AA-	35,243	4,102
A-1	—	79,804
Non-rated	103,774	134,428
<b>Sub-total</b>	<b>20,570,802</b>	<b>19,520,130</b>
<b>Offshore bonds</b>		
<b>PRC sovereign bonds</b>	453	—
A	309,346	24,180
B	97,006	119,624
C	—	—
D	—	—
Non-rated	7,205	9,846
Sub-total	414,010	153,650
<b>Total</b>	<b>20,984,812</b>	<b>19,673,780</b>

Notes:

1. The above data is provided on a consolidated basis;
2. PRC sovereign bonds represent the rating of bonds issued by the government of the PRC. AAA~AA- and below AA- represent debt ratings. If there is no debt rating, issuer rating would be used instead, where AAA is the highest rating, and A-1 is the highest rating for short-term financing bonds. Non-rated represents that the credit rating agency has not rated the issuer or debt.

Credit rating of 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.

#### 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 operational risk manuals for each unit;

## Chapter 3: Report of the Board of Directors

- ④ The Company has continued to set up a system of key indicators of operational risk to further enhance the in-process capabilities of 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 the Company, 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;
- 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 Treasury 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;
- 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.

## Chapter 3: Report of the Board of Directors

### **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 Regulations for Stress Testing” (《壓力測試管理規範》) 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 RMB70.445 billion.

#### **(IV) Others**

In 2022, the Company (parent company) invested RMB606 million for compliance and risk control, and invested RMB1.445 billion for information technology.

# Chapter 4: Corporate Governance Report

## I. Overview of 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 good market presence. The Company continues to improve its corporate governance structure in compliance with the Company Law, the Securities Law and the regulations and requirements of the CSRC, SFC and Hong Kong Stock Exchange. The corporate governance of the Company complies with the applicable requirements of the relevant laws and regulations. The Company has established a corporate governance structure consisting of the shareholders' general meeting, the Board, the Supervisory Committee and the management with separate duties and effective checks and balances in order to maintain regulated corporate governance and operation. The corporate governance structure is sound and does not deviate from relevant requirements of the regulatory authorities from where the Company's shares are listed.

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

During the Reporting Period, the Company held 3 shareholders' general meetings to consider 23 resolutions; 14 Board meetings to consider 66 resolutions and listen to 7 reports; 19 special meetings of committees under the Board to consider 48 resolutions and listen to or review 11 reports; as well as 11 meetings of the Supervisory Committee to consider 19 resolutions and listen to 4 reports.

### (I) Shareholders and shareholders' general meetings

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

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

## Chapter 4: Corporate Governance Report

### (II) Directors and the Board

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

The Company believes that the diversified composition of the Board is the key factor in achieving its strategic targets and sustainable development, and has formulated the Policy of Diversified Composition of the Board (《董事多元化政策》) which provides that, in determination of the composition of the Board, the Company shall consider the diversity of the Board from various perspectives, including but not limited to gender, age, culture and educational background, professional experiences, skill, knowledge and term of office. The nomination of the members of the Board shall be carried out in accordance with the principle of merit, and shall fully consider the diversity of the composition of the Board. The Nomination Committee reports the diversity of the composition of the Board in each annual report. It is also responsible for supervising the implementation of the Policy of Diversified Composition of the Board, reviewing the same when necessary to ensure its effectiveness and revising the same when appropriate. The Board has reviewed the Policy of Diversified Composition of the Board during the Reporting Period, and believes that such policy has been effectively implemented.

### 1. *Composition of the Board*

The Company has a Board accountable to the shareholders' general meeting. According to the Articles of Association, the Board shall consist of 15 Directors. As of the Latest Practicable Date, the Board consists of 15 Directors, two of whom are executive Directors, eight of whom are non-executive Directors and five of whom are independent non-executive Directors. There is no relationship (including financial, business, family or other material/relevant relationship) among the Directors and senior management of the Company. The Company attaches great importance to Board diversity. As of the Latest Practicable Date, the Board includes one female member. In terms of academic qualifications, there are eight members with a master's degree and three members with a doctorate degree. In terms of professions, the executive Directors have long been engaged in the securities and financial industry and have extensive management experience and professional capabilities. The non-executive Directors have held important positions in companies in the financial, transportation, insurance and other industries. The independent non-executive Directors have extensive experience in finance, economics, auditing, law and other fields, thus can provide professional advice to the Company in respect of different fields. The Directors are elected at the shareholders' general meetings and serve for a term of three years. Directors are eligible for re-elections upon the expiry of their terms of office. Independent non-executive Directors shall not hold office for more than six consecutive years. Please see "Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period" in "Chapter 4: Corporate Governance Report" of this report for the composition of the Board and the biographies of the Directors.

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

## Chapter 4: Corporate Governance Report

### 2. *Duties and responsibilities of the Board*

The Board is the decision-making body of the Company and shall be accountable to the shareholders' general meeting. According to the Articles of Association, the Board shall exercise the following major functions and powers: to convene shareholders' general meetings and report to the shareholders' general meetings; to implement the resolution of the shareholders' general meeting; to decide the business plans and investment schemes of the Company; to formulate the annual financial budget plan and final accounts plan of the Company; to formulate the profit distribution plan and loss recovery plan of the Company; to prepare plans for increase or reduction of registered capital of the Company, issuance of bonds or other securities and their listing; to formulate plans for major acquisition of the Company, repurchase of the Company's shares or merger, division, dissolution and change in the corporate form of the Company; to decide on the acquisition of the Company's own shares under circumstances set out in paragraphs (III), (V) and (VI) of Article 32 of the Articles of Association; to decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions and other matters of the Company within the authority granted by the shareholders' general meeting; to decide on the establishment of the internal management structure of the Company; to appoint or dismiss the Company's general manager and secretary to the Board; to appoint or dismiss the Company's deputy general manager, Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer, Chief Information Officer and other senior officers as nominated by the general manager and determine their remunerations, rewards and penalties; to set up the basic management system; to formulate the proposals for any amendment to the Articles of Association; to manage the disclosure of information by the Company; to propose to the shareholders' general meeting the adjustment of the scale and personnel composition of the Board; to propose to the shareholders' general meeting the appointment or change of the accounting firm acting as the auditors of the Company; to listen to the work report of the general manager of the Company and examine the general manager's work; to determine the Company's goal of compliance management and be responsible for its effectiveness; to review and approve the basic system of compliance management; to review and approve the annual compliance report; to ensure the independence of the Chief Compliance Officer, establish a direct communication mechanism with the Chief Compliance Officer, and safeguard the smooth reporting between the Chief Compliance Officer and the regulatory authority; to assess the effectiveness of compliance management and procure solutions for the problems relating to compliance management; to be ultimately responsible for the overall risk management (including reputational risk management), facilitate the construction of risk management culture (including reputational risk management culture), review and approve the Company's basic overall risk management system, risk appetite, risk tolerance and material risk limits, review the regular risk assessment reports of the Company, and establish a direct communication mechanism with the Chief Risk Officer. The Board may authorize the relevant risk management committee to fulfill part of its risk management duties; to be responsible for reviewing the Company's information technology management objectives, assume responsibility for the effectiveness of information technology management; to review information technology strategies to ensure their consistency with the Company's development strategies, risk management strategies and capital strength; to establish information technology human resource and fund guarantee programs; to assess the overall effectiveness and efficiency of annual information technology management work; to determine the objectives of business integrity management and be liable for ensuring the effectiveness of business integrity management; to guide the Company to accomplish the cultural construction of the Company and facilitate the cultural construction of the Company; to be ultimately responsible for protecting the interests of investors; and to exercise other functions and powers as conferred by laws, administrative regulations, departmental rules or the Articles of Association.

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The Board recognizes that corporate governance should be a collective responsibility of the Directors. During the Reporting Period, the Board took the following key measures regarding the corporate governance functions:

- (1) The Company continuously monitored the promulgation or revision of domestic and foreign laws and regulations. In 2022, the Board or shareholders' general meeting formulated 5 new systems, and revised and improved 13 systems, thereby continuously enhancing the establishment of its corporate governance system;
- (2) The Company actively organized Directors, Supervisors and senior management to participate in various professional trainings, arranged external Directors to participate in business analysis meetings, conducted business researches, and established a multi-tier information communication mechanism, thereby providing the Directors with sufficient information to perform their duties;
- (3) The Company continuously strengthened internal control management, regularly reviewed the effectiveness of internal control, and enhanced process management, thereby establishing a sound and comprehensive risk management system.

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### (III) Supervisors and the Supervisory Committee

The appointment and replacement of Supervisors of the Company are in strict compliance with the Articles of Association, and the number of Supervisors and composition of the Supervisory Committee fulfill the requirement of laws and regulations. The Supervisory Committee constantly improves its Rules of Procedures, and the convening, holding and voting procedures of the Supervisory Committee are legal and effective. The Supervisory Committee is accountable to all shareholders. In the spirit of being accountable to all the shareholders of the Company, it is responsible for maintaining effective supervision on the finance of the Company as well as the compliance of duty performance of the Board and management. The Supervisors shall perform their duties, including attending the meetings of the Supervisory Committee, observing the meetings of the Board and reporting their work at the shareholders' general meeting in accordance with the relevant requirements. According to the Articles of Association, the Supervisory Committee shall exercise the following major functions and powers: to examine the Company's periodic reports prepared by the Board and give written examination opinions; to check on the financial affairs of the Company; to supervise Directors' and senior officers' performance of duties for the Company including the performance of compliance management duties, and put forward suggestions on the removal of Directors or senior officers who violate laws, administrative regulations, the Articles of Association, relevant rules of the securities regulatory authority in the place where the securities of the Company are listed or the resolutions adopted by the shareholders' general meetings or who shall assume primary responsibility or leadership responsibility for material compliance risk; to inquire about the acts of Directors and senior officers; to require Directors and senior officers to correct their acts which are detrimental to the interest of the Company and its customers; to organize the off-office audit of senior officers; to suggest the holding of an interim shareholders' general meeting and convene and preside over the shareholders' general meeting in the event that the Board fails to convene and preside over the shareholders' general meeting in accordance with the Company Law; to submit a proposal to the shareholders' general meeting; to bring a lawsuit against Directors and senior officers in accordance with Article 151 of the Company Law; to attend the meeting of the Board and address inquiries to or suggestions on matters to be resolved by the Board; to check on the financial reports, business reports, profit distribution plans and other financial materials submitted by the Board to the shareholders' general meeting, and conduct investigation and require the person-in-charge of compliance and the compliance department of the Company to offer assistance in case of any doubt or any abnormality in the operation of the Company; if necessary, to retain at the expense of the Company professional organizations such as accounting firm and law firm to assist its work; to supervise the performance of duties by the Board and the management; to supervise whether any decision and the decision flow of the Board is in compliance with rules and whether any compliance weakness determined is rectified in a timely manner; to supervise the implementation of the compliance management system of the Company; to organize and assess the effectiveness of compliance risk management of the Company at least once each year; to take responsibility for the supervision of overall risk management, supervise and inspect the performance on risk management of the Board and the management and supervise the rectification; to supervise the performance of statutory obligations such as investors' legitimate interests protection by the Company; to supervise the implementation of cultural construction of the Company; and to exercise other authorities prescribed by laws, regulations, departmental rules, other normative documents and the Articles of Association or granted by the shareholders' general meeting.

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The Supervisory Committee consists of nine Supervisors, including six shareholder representative Supervisors and three employee representative Supervisors. There is no relationship (including financial, business, family or other material/relevant relationship) among the Supervisors and senior management of the Company. The shareholder representative Supervisors and the employee representative Supervisors are elected at the shareholders' general meetings and employee representatives' meetings, respectively, for a term of three years and are eligible for re-election upon expiry of their terms of office. For details of the composition of the Supervisory Committee and the biographies of the Supervisors, please see "Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period" in "Chapter 4: Corporate Governance Report" of this report.

### **(IV) Senior management**

The Company strictly complies with the Articles of Association in relation to the appointment and replacement of senior management. The senior management of the Company shall be appointed based on the procedures in compliance with the Company Law and the Articles of Association. The general manager of the Company shall be accountable to the Board.

According to the Articles of Association, the management consists of the general manager, the deputy general managers, the secretary to the Board, the Chief Financial Officer, the Chief Compliance Officer, the Chief Risk Officer, the Chief Information Officer and other personnel approved by the resolutions of the Board as senior management. The general manager is in charge of business management, and shall be accountable to the Board and perform the following duties: to be in charge of the operation and management of the Company, organize the execution of the resolutions of the Board and report his work to the Board; to organize the implementation of the annual operation plan and investment plan of the Company; to formulate the internal management structure of the Company; to formulate the basic management system of the Company; to formulate rules and regulations for the Company; to propose to the Board the appointment or dismissal of the deputy general managers, Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer, Chief Information Officer and other senior management (other than the secretary to the Board); to appoint or dismiss management members other than those required to be appointed or dismissed by the Board; to be responsible for the specific implementation of the Company's investors' rights protection, and facilitate the execution of each requirement for investors' rights protection; and to perform other duties delegated by the Articles of Association or the Board.

### **(V) Chairman and general manager**

For the purpose of balancing power and authority, the roles of chairman and general manager of the Company shall be separated to enhance the independence of their duties, accountability and balanced division of power and authority, and to fully exercise the decision makers' extensive supervision and control over the executive officers. There is a clear division between the roles of chairman and the general manager. According to the Articles of Association, the chairman shall be the legal representative of the Company who is responsible for managing the operation of the Board to ensure that the Directors act in the best interests of the Company. The chairman shall also ensure the effectiveness and the performance of the duties of the Board, and that the Board discusses all significant and appropriate matters such that the Directors can obtain accurate, timely and clear information. The general manager shall be in charge of the daily work of the Company, observe Board meetings, report to the Board, and exercise his power pursuant to the scope of authorization of the general manager. There is no relationship (including financial, business, family or other material/relevant relationship) between the chairman and general manager of the Company.

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

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

### (VII) Party Committee

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

### (VIII) Information disclosure and transparency

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

### (IX) Stakeholders

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

### II. Specific Measures Regarding the Undertakings of Controlling Shareholder and De Facto Controller on Independence of Assets, Personnel, Finance, Organization and Business of the Company, and Solution, Progress and Plans for Subsequent Works

The Company manages its operation in strict compliance with the Company Law, the Articles of Association and other laws, regulations and rules, and is independent from the controlling shareholder in terms of assets, personnel, finance, organization, business and other aspects with an independent and complete business system and independent operation capabilities.

1. In terms of assets, the Company has a clear property right relationship with the controlling shareholder, and has complete and independent legal person assets. The Company has complete control over all of its assets, and there is no situation where assets and funds are being appropriated by the controlling shareholder and damages the interests of the Company.

2. In terms of personnel, the Company has developed a comprehensive system regarding the management of personnel and remuneration, and established an independent human resources management department that manages personnel and remuneration independent from the controlling shareholder. The Company has an independent team of employees, and its Directors, Supervisors and senior management are legally appointed in accordance with the Company Law, the Articles of Association and relevant laws, regulations and rules. Senior management of the Company serves and receives remuneration from the Company, and does not hold any position other than director and supervisor in the controlling shareholder and its subsidiaries.

3. In term of finance, the Company has an independent finance and accounting department with dedicated finance personnel, and established an independent accounting system and regulated financial management system to make financial decisions independently. The Company has independent bank accounts, and completes tax registration and fulfills its tax obligations independently according to the laws. There is no sharing of bank account or tax paid in mix with those of the controlling shareholder.

4. In terms of organization, the Company has established a sound organizational system that meets its operational needs. The system operates independently and stably without any subordination to departments of the controlling shareholder.

5. In terms of business, the Company has an independent and comprehensive business system. The Company conducts its businesses, audits and decision-making independently, and assumes liabilities and risks independently without reliance on the controlling shareholder or any other related parties.

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### III. Shareholders' General Meetings

Meeting	Date of meeting	Website designated for the disclosure of resolutions	Disclosure date of resolutions	Resolutions of meeting
2022 first extraordinary general meeting	April 29, 2022	Hong Kong Stock Exchange website	April 29, 2022	Considered and approved: 1. resolution on the proposed amendments to the Articles of Association of China Merchants Securities Co., Ltd.; 2. resolution on the proposed amendments to the Rules for the Management of Related Party Transactions of China Merchants Securities Co., Ltd.; 3. resolution on the proposed amendments to the Rules for the Selection and Appointment of Accountants' Firm of China Merchants Securities Co., Ltd.; and 4. 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: 1. resolution on the working report of the Board of the Company for 2021; 2. resolution on the working report of the Supervisory Committee of the Company for 2021; 3. duty report of independent Directors of the Company for 2021; 4. resolution on the annual report of the Company for 2021; 5. resolution on the final accounts report of the Company for 2021; 6. resolution on the profit distribution plan of the Company for 2021; 7. resolution on the budget for the proprietary investment of the Company for 2022; 8. resolution on the engagement of the auditors of the Company for 2022; 9. resolution on the contemplated ordinary related party transactions of the Company for 2022; 10. resolution on the guarantee authorization scheme for the year 2022 of China Merchants Securities International Company Limited and its wholly-owned subsidiaries; and 11. resolution on the grant of the general mandate to the Board to issue additional H Shares of the Company.

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Meeting	Date of meeting	Website designated for the disclosure of resolutions	Disclosure date of resolutions	Resolutions of meeting
2022 second extraordinary general meeting	November 29, 2022	Hong Kong Stock Exchange website	November 29, 2022	<p>Considered and approved: 1. resolution on the securities and financial products, transactions and services framework agreement between the Company and China Merchants Group Limited; 2. resolution on the securities and financial products, transactions and services framework agreement between the Company and China COSCO Shipping Corporation Limited; 3. resolution on the election of non-executive Director; 4. resolution on the election of independent non-executive Director; 5. resolution on the proposed amendments to the Rules for Independent Directors of China Merchants Securities Co., Ltd.; 6. resolution on the proposed amendments to the Administrative Measures on the Proceeds Raised by China Merchants Securities Co., Ltd.; 7. resolution on the proposed formulation of the Administrative Measures on the External Donations of China Merchants Securities Co., Ltd.; and 8. resolution on the proposed amendments to the Articles of Association of China Merchants Securities Co., Ltd.</p>

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### IV. Information about Directors, Supervisors and Senior Management

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

Unit: share

Name	Position (Notes)	Gender	Age	Term commencement date	Term expiration date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes (+/-) in shareholdings during the year	Reason for changes	Total remuneration from the Company during the Reporting Period (before tax) (RMB10,000)	Remuneration from related parties
HUO Da (霍達)	Chairman of the Board, executive Director	Male	54	May 2017	October 2023	-	-	-	-	349.86	No
	Chief Information Officer			March 2022	March 2025						
LIU Weiwu (劉威武)	Non-executive Director	Male	58	June 2021	October 2023	-	-	-	-	-	Yes
DENG Weidong (鄧偉棟)	Non-executive Director	Male	55	April 2022	October 2023	-	-	-	-	-	Yes
SU Min (蘇敏)	Non-executive Director	Female	54	June 2016	October 2023	-	-	-	-	-	Yes
WU Zongmin (吳宗敏)	Executive Director	Male	57	April 2022	October 2023	-	-	-	-	322.86	No
	President			January 2022	January 2025						
LI Xiaofei (李曉霏)	Non-executive Director	Male	52	January 2023	October 2023	-	-	-	-	-	Yes
	Shareholder representative Supervisor (resigned)			July 2014	January 2023						
GAO Hong (高宏)	Non-executive Director	Male	54	March 2020	October 2023	-	-	-	-	-	Yes
HUANG Jian (黃堅)	Non-executive Director	Male	53	August 2012	October 2023	-	-	-	-	-	Yes
LIU Chong (劉沖)	Non-executive Director	Male	52	November 2022	October 2023	-	-	-	-	-	Yes
WANG Wen (王文)	Non-executive Director	Male	53	July 2019	October 2023	-	-	-	-	-	Yes
XIANG Hua (向華)	Independent non-executive Director	Male	51	July 2017	July 2023	-	-	-	-	20	Yes
XIAO Houfa (肖厚發)	Independent non-executive Director	Male	55	July 2017	July 2023	-	-	-	-	20	Yes

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Name	Position (Notes)	Gender	Age	Term commencement date	Term expiration date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes (+/-) in shareholdings during the year	Reason for changes	Total remuneration from the Company during the Reporting Period (before tax) (RMB10,000)	Remuneration from related parties
XIONG Wei (熊偉)	Independent non-executive Director	Male	47	August 2017	August 2023	-	-	-	-	20	No
HU Honggao (胡鴻高)	Independent non-executive Director	Male	68	July 2017	July 2023	-	-	-	-	20	No
FENG Jinhua (豐金華)	Independent non-executive Director	Male	66	November 2022	October 2023	-	-	-	-	-	No
ZHOU Linda Lei (周語誼)	Chairman of the Supervisory Committee	Female	54	July 2014	October 2023	-	-	-	-	309.04	No
XU Xin (徐鑫)	Shareholder representative Supervisor	Male	40	January 2023	October 2023	-	-	-	-	-	Yes
WANG Zhangwei (王章為)	Shareholder representative Supervisor	Male	50	June 2017	October 2023	-	-	-	-	-	Yes
MA Yunchun (馬維春)	Shareholder representative Supervisor	Male	54	June 2017	October 2023	-	-	-	-	-	Yes
ZHANG Zhen (張震)	Shareholder representative Supervisor	Male	58	October 2020	October 2023	-	-	-	-	-	No
ZOU Qun (鄒群)	Shareholder representative Supervisor	Male	56	October 2020	October 2023	-	-	-	-	-	No
YIN Hongyan (尹紅艷)	Employee representative Supervisor	Female	51	August 2007	October 2023	-	-	-	-	163.62	No
HE Min (何敏)	Employee representative Supervisor	Female	47	July 2009	October 2023	-	-	-	-	109.42	No
CHEN Jun (陳鋈)	Employee representative Supervisor	Male	45	March 2023	October 2023	-	-	-	-	-	No
WU Hui Feng (吳慧峰)	Secretary to the Board	Male	48	December 2014	October 2023	-	-	-	-	266.98	No
	Vice President			November 2018	December 2024						
ZHAO Bin (趙斌)	Vice President	Male	53	November 2018	December 2024	-	-	-	-	269.17	No
HU Yu (胡宇)	Chief Compliance Officer, Chief Risk Officer	Male	58	December 2018	December 2024	-	-	-	-	240.11	No

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Name	Position (Notes)	Gender	Age	Term commencement date	Term expiration date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes (+/-) in shareholdings during the year	Reason for changes	Total remuneration from the Company during the Reporting Period (before tax) (RMB10,000)	Remuneration from related parties
ZHANG Haochuan (張浩川)	Vice President	Male	50	May 2022	May 2025	-	-	-	-	141.03	No
XIONG Xianliang (熊賢良)	Non-executive Director (resigned)	Male	55	December 2014	January 2022	-	-	-	-	-	Yes
PENG Lei (彭磊)	Non-executive Director (resigned)	Female	50	August 2007	January 2023	-	-	-	-	-	Yes
WANG Daxiong (王大雄)	Non-executive Director (resigned)	Male	62	September 2016	May 2022	-	-	-	-	-	Yes
WONG Ti (汪楙)	Independent non-executive Director (resigned)	Male	64	January 2018	November 2022	-	-	-	-	20	No
SHEN Weihua (沈衛華)	Employee representative Supervisor (resigned)	Female	52	October 2020	March 2023	-	-	-	-	124.20	No
LI Zongjun (李宗軍)	Vice President (resigned)	Male	57	July 2015	July 2022	-	-	-	-	142.27	No
ZHANG Qing (張慶)	Vice President (resigned)	Male	51	March 2021	May 2022	-	-	-	-	23.47	No
Total	/	/	/	/	/				/	2,562.03	/

### Notes:

- During the Reporting Period, the remuneration before tax deferred from 2019 to 2022 for the Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company during their tenure of office amounted to RMB916.4 thousand (HUO Da), RMB733.1 thousand (ZHOU Linda Lei), RMB732.8 thousand (WU Huifeng), RMB733.1 thousand (LI Zongjun), RMB939.7 thousand (ZHAO Bin) and RMB863.8 thousand (HU Yu), respectively; and the remuneration before tax deferred from 2019-2021 to 2022 for the employee representative Supervisors who worked full-time for the Company during their tenure of office amounted to RMB1.02 million (HE Min), RMB2.3272 million (YIN Hongyan) and RMB1.4858 million (SHEN Weihua), respectively;
- The total remuneration before tax of the Directors, chairman of the Supervisory Committee, senior management and employee representative Supervisors who worked full-time for the Company during the Reporting Period is the remuneration before tax they received during their tenure of office and is still subject to confirmation. Further information will be disclosed upon confirmation;
- Certain Directors, Supervisors and senior management of the Company participated in the employee stock ownership scheme in 2020. As of the date of this report, HUO Da, ZHOU Linda Lei, YIN Hongyan, HE Min, CHEN Jun, WU Huifeng, ZHAO Bin and HU Yu held an aggregate of 2,594,756 shares through the employee stock ownership scheme, accounting for 4.99% of the total shares held under the scheme and 0.03% of the total share capital of the Company.

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Name	Major work experience
HUO Da (霍達)	<p>Mr. HUO has served as our Chairman of the Board since May 2017, and our Chief Information Officer since March 2022. He was a director of China Merchants Securities International Company Limited from January 2019 to October 2020, the chairman of the board of directors of China Merchants Zhiyuan Capital Investment Co., Ltd. from November 2021 to February 2022 and a member of the Execution Committee of China Merchants Financial Services Business Unit from June 2018 to September 2022. He served the CSRC as principal staff member, deputy division head and division head, assistant to the head of the Shenzhen office of the CSRC, deputy inspector, deputy division head and division head of the Market Supervision Department of the CSRC, director of the Corporate Bonds Supervision Department of the CSRC, director of the Research Center of the CSRC, head of Beijing Institute of Securities and Futures, head of China Institute of Finance and Capital Markets and part-time member of the 17th Public Offering Review Committee of the CSRC successively.</p> <p>Mr. HUO Da obtained a bachelor's degree in engineering from Huazhong University of Science and Technology (previously named as Huazhong Institute of Technology), a master's degree in economics from Huazhong University of Science and Technology (previously named as Huazhong Institute of Technology) and a doctoral degree in economics from Chinese Academy of Fiscal Sciences (formerly known as the Research Institute for Fiscal Science of the Ministry of Finance) in July 1989, April 1994 and January 2008, respectively.</p>

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Name	Major work experience
LIU Weiwu (劉威武)	<p>Mr. LIU has served as our non-executive Director since June 2021. He has been the head of the finance department (property rights department) of China Merchants Group Limited since December 2020, an independent non-executive director of AviChina Industry &amp; Technology Company Limited (listed on the Hong Kong Stock Exchange, stock code: 02357) since June 2018, a director of China Merchants International Finance Company Limited and Liaoning Port Group Limited since March 2021, an executive director of China Merchants Sharing Services Co., Ltd. since April 2021, a director of China Merchants Port Group Co., Ltd. (招商局港口集團股份有限公司) (listed on the SZSE, stock code: 001872) since May 2021, a director of China Merchants Life Insurance Company Limited (招商局仁和人壽保險股份有限公司) since June 2021, and a director of China Merchants Union (BVI) Limited since October 2021. He was the Deputy General Manager of China Merchants Energy Shipping Co., Ltd. (listed on the SSE, stock code: 601872) from February 2016 to January 2021, a director of China LNG Shipping (Holdings) Limited from March 2009 to February 2021, the chairman of the supervisory committee of Nanjing Tanker Corporation (招商局南京油運股份有限公司) (listed on the SSE, stock code: 601975) from April 2021 to October 2021, an executive director and then non-executive director of China Merchants Port Holdings Company Limited (listed on the Hong Kong Stock Exchange, stock code: 00144) from March 2021 to December 2022, a director of China Merchants Industry Holdings Co., Ltd. and China Merchants Chongqing Communications Technology Research &amp; Design Institute Co., Ltd. from March 2021 to September 2022, a non-executive director of Sinotrans Limited (listed on the SSE, stock code: 601598; listed on the Hong Kong Stock Exchange, stock code: 00598) and a director of China Merchants Investment Development Company Limited (招商局投資發展有限公司) from June 2021 to September 2022, a director of China Merchants Taiping Bay Development Investment Co., Ltd. (招商局太平灣開發投資有限公司) from July 2021 to September 2022, a director of China Merchants Testing Technology Holdings Co., Ltd. from February 2022 to September 2022, a director of China Merchants Group Finance Co., Ltd. from March 2022 to September 2022, a director of China Merchants Zhangzhou Development Zone Co., Ltd. from March 2021 to November 2022, and a director of China Merchants Expressway Network &amp; Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司) (listed on the SZSE, stock code: 001965) from April 2021 to January 2023. He also served as the Head of Treasury Division of Financial Department of Guangzhou Ocean Shipping Company, the Manager of Financial Department of Hong Kong Ming Wah Shipping Company Limited, the Deputy General Manager of the Finance Department of China Merchants Group Limited, a director and the Chief Financial Officer of China Merchants Energy Shipping Co., Ltd., and the chairman of the board of directors of China Merchants Investment Development (Hong Kong) Limited (formerly known as Sinotrans Shipping Limited).</p> <p>Mr. LIU Weiwu obtained a Bachelor's degree in Transportation Financial Accounting from Xi'an Highway Institute and a Master degree of Business Administration from Macau University of Science and Technology in July 1988 and January 2008, respectively. He also obtained the intermediate accountant qualification in May 2005.</p>

Name	Major work experience
<p>DENG Weidong (鄧偉棟)</p>	<p>Mr. DENG has served as our non-executive Director since April 2022. He has been the head of the Strategic Development Department/Technological Innovation Department of China Merchants Group since August 2021, a director of Chongqing Qianbao Crossborder Technology Co., Ltd. (重慶錢寶跨境科技有限公司) since April 2014, a director of China Merchants Energy Shipping Co., Ltd. (招商局能源運輸股份有限公司) (listed on the SSE, stock code: 601872) since April 2019, a director of China Merchants Taiping Bay Development Investment Co., Ltd. (招商局太平洋灣開發投資有限公司) since April 2020, the chairman of the board of directors and general manager of Shenzhen Zhaoguang Investment Co., Ltd. (深圳市招廣投資有限公司) since May 2020, a director of China International Marine Containers (Group) Co., Ltd. (listed on the SZSE, stock code: 000039; listed on the Hong Kong Stock Exchange, stock code: 02039) since October 2020, and a director of Sinotrans Limited (listed on the SSE, stock code: 601598; listed on the Hong Kong Stock Exchange, stock code: 00598) since November 2021. He was a director of China Merchants Port Holdings Company Limited (listed on the Hong Kong Stock Exchange, stock code: 00144) from October 2021 to December 2022, a director of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司) (listed on the SZSE, stock code: 001979) from October 2021 to November 2022, the general manager and a director of China Economic and Trade Shipping Co., Ltd. (中國經貿船務有限公司) from February 2021 to September 2022, a director of SF Holding Co., Ltd. (順豐控股股份有限公司) (listed on the SZSE, stock code: 002352) from April 2019 to December 2022, a director of China Merchants Property Operation &amp; Service Co., Ltd. (招商局積餘產業運營服務股份有限公司) (listed on the SZSE, stock code: 001914) from December 2019 to April 2021, the head of the Capital Investment &amp; Management Department of China Merchants Group from January 2015 to August 2021, a director of China Merchants Innovation Investment Management Co., Ltd. (招商局創新投資管理有限責任公司) from August 2021 to August 2022, and a director and the general manager of China Merchants Investment Development Company Limited (招商局投資發展有限公司) from April 2020 to September 2022. He worked at Hainan Yangpu Economic Development Zone Administration Bureau (海南省洋浦經濟開發區管理局), and successively served as the general manager of the Development Department of China Nanshan Development (Group) Inc. (中國南山開發(集團)股份有限公司), the deputy general manager of Chiwan Container Terminal Co., Ltd. (赤灣集裝箱碼頭有限公司) and the general manager of Shenzhen Mawan Port Service Co., Ltd. (深圳媽灣港務有限公司).</p> <p>Mr. DENG Weidong graduated with a doctoral degree of Science in Physical Geography from the Department of Geodetic and Marine Sciences (大地海洋科學系自然地理專業) from Nanjing University in September 1994.</p>

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Name	Major work experience
<p>SU Min (蘇敏)</p>	<p>Ms. SU has served as our non-executive Director since June 2016. She has been a director of China Merchants Finance Holdings since December 2015, a non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 03968) since September 2014, a director of Bosera Funds since September 2018, and a director of China Great Wall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since October 2020. She was the general manager of China Merchants Finance Investment Holdings Co., Ltd. (currently known as China Merchants Financial Holdings Co., Ltd.) from December 2017 to September 2022, a standing vice chairman of the Execution Committee of China Merchants Financial Services Business Unit from June 2018 to September 2022, and the deputy general manager of China Merchants Finance Investment Holdings Co., Ltd. (currently known as China Merchants Financial Holdings Co., Ltd.) from September 2022 to February 2023. She was the chief accountant and deputy general manager of Anhui Province Energy Group Co., Ltd., a director of Anhui Wenergy Company Limited (listed on the SZSE, stock code: 000543), a director of Huishang Bank Corporation Limited (listed on the Hong Kong Stock Exchange, stock code: 03698), the chief accountant of China Shipping (Group) Company, the chairman of the board of directors of China Shipping Finance Co., Ltd., an executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (listed on the SSE, stock code: 600026; listed on the Hong Kong Stock Exchange, stock code: 01138), a non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866), the chairman of the board of directors of China Shipping Leasing Co., Ltd., a director of China Merchants Innovation Investment Management Co., Ltd., a supervisor of China Merchants Capital Co., Ltd., and the general manager of China Merchants Finance Holdings.</p> <p>Ms. SU Min obtained a bachelor's degree in finance from Shanghai University of Finance and Economics in July 1990, and a master's degree in business administration from the University of Science and Technology of China in December 2002. She was granted the qualifications of Certified Public Accountant, Certified Public Valuer and senior accountant in June 1998, June 1999 and June 2008, respectively.</p>

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Name	Major work experience
<p>WU Zongmin (吳宗敏)</p>	<p>Mr. WU has served as our executive Director since April 2022, and our President since January 2022. He served as a deputy director (Standing) of the Execution Committee of China Merchants Financial Services Business Unit from April 2021 to October 2021; served as an executive member (Standing) of the Execution Committee of China Merchants Financial Services Business Unit from June 2018 to April 2021; concurrently served as a director of China Merchants Insurance Holdings Company Limited (招商局保險控股有限公司) and the chairman of the board of directors of CM Houlder Insurance Brokers Limited (招商海達保險顧問有限公司) from February 2019 to November 2021; and served as a director of China Merchants Life Insurance Company Limited (招商局仁和人壽保險股份有限公司) from March 2019 to October 2021. Mr. WU held various positions in China Pacific Insurance (Group) Co., Ltd. (listed on the SSE, stock code: 601601; listed on the Hong Kong Stock Exchange, stock code: 02601) and its subsidiaries, and his last positions were vice president of China Pacific Insurance (Group) Co., Ltd., director of China Pacific Property Insurance Co., Ltd., director of China Pacific Life Insurance Co., Ltd., director of Pacific Asset Management Co., Ltd. and director of CPIC Allianz Health Insurance Co., Ltd. (now known as Pacific Health Insurance Co., Ltd.). Mr. WU also served as a deputy general manager of China Merchants Finance Holdings Company Limited (招商局金融集團有限公司) and the general manager of China Merchants Renhe Property Insurance Company Limited (招商局仁和財產保險股份有限公司) (preparatory).</p> <p>Mr. WU Zongmin received his bachelor's degree in engineering from Shanghai Jiaotong University in July 1986, a master's degree in engineering from Shanghai Jiaotong University in January 1989 and a master of business administration degree from China Europe International Business School in September 2007. Mr. WU holds the title of Senior Economist and is a member of the Associateship of the Chartered Insurance Institute (ACII).</p>
<p>LI Xiaofei (李曉霏)</p>	<p>Mr. LI has served as our non-executive Director since January 2023, and served as our Supervisor from July 2014 to January 2023. He has been the deputy general manager of the human resources department of China Merchants Group since December 2021, a director of China Merchants Investment Development Company Limited (招商局投資發展有限公司) since September 2022, and a supervisor of China Great Wall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since July 2015. He was an assistant to general manager of China Merchants Finance Holdings Co., Ltd. from November 2014 to November 2017, a deputy general manager of China Merchants Finance Holdings Co., Ltd. from November 2017 to February 2019 and a standing member of the Execution Committee of China Merchants Financial Services Business Unit from June 2018 to December 2021. He held such positions as secretary (chief at section level) of the general manager office, deputy manager of the planning and development department and deputy manager of the leasing department of Shenzhen Nanyou (Holdings) Ltd., manager of the administration and human resources department and secretary to the board of directors of Grand Auto Park Company Limited (深圳市平方汽車園區有限公司), senior manager of the human resources department of China Merchants Group, and general manager of the human resources department of China Merchants Finance Holdings Co., Ltd.</p> <p>Mr. LI Xiaofei obtained a master's degree in economics majoring in labor economics from Renmin University of China in January 2004.</p>

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Name	Major work experience
<p>GAO Hong (高宏)</p>	<p>Mr. GAO has served as our non-executive Director since March 2020. He has been the deputy general manager (chief digital officer (CDO)) of China Merchants Life Insurance Company Limited (招商局仁和人寿保险股份有限公司) since February 2017, and a director and the general manager of China Merchants Financial Technology Co., Ltd. (招商局金融科技有限公司) since November 2017. He was a standing member of the Execution Committee of China Merchants Financial Services Business Unit from February 2019 to September 2022, and the deputy general manager of China Merchants Financial Holdings Co., Ltd. from September 2022 to December 2022. He was an assistant engineer of the first engineering division of Nanjing No. 724 Research Institute (南京724研究所), an engineer of China Electronics Software Development Co. (中电软件技术开发公司), an engineer and the business officer of the computer department, an engineer of actuary and information department, the officer of software development office and the assistant to general manager of computer department under life insurance of China Ping An Insurance Company (中国平安保险公司), the assistant to general manager of the Jilin Branch of China Ping An Insurance Company, the general manager of the computer department in the headquarter of Taiping Life Insurance Co., Ltd., the deputy general manager (in charge of work) of the information management department and the assistant to general manager of the group shared service center of China Insurance (Holdings) Company Limited, the general manager of the information technology center, the assistant to general manager, and the general manager of innovation and development department of Funde Sino Life Insurance Co., Ltd. (富德生命人寿股份有限公司) (during which time, he also served as the assistant to general manager of Funde Insurance Holding Co., Ltd. (富德保险控股股份有限公司)), and the chief digital officer (CDO) of China Merchants Finance Holdings Co., Ltd. (招商局金融集团有限公司).</p> <p>Mr. GAO Hong obtained a bachelor's degree of science in computer software from the Department of Computer Science from Nanjing University in July 1989.</p>

Name	Major work experience
<p>HUANG Jian (黃堅)</p>	<p>Mr. HUANG has served as our non-executive Director since August 2012. He has been the general manager of the capital operation department of China COSCO Shipping Corporation Limited since September 2016, a non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866) since June 2016, a director of Lanhai Medical Investment Co., Ltd. since May 2017, and a director of COSCO SHIPPING Captive Insurance Co., Ltd. since August 2017. He was a director of Shanghai Rural Commercial Bank Co., Ltd. (listed on the SSE, stock code: 601825) from June 2018 to December 2022. He successively served as the head of the capital management department of finance and capital division of China Ocean Shipping (Group) Company, a vice president and the general manager of the finance department of COSCO Logistics (Americas), Inc. (中遠物流(美洲)有限公司) (formerly known as Intermodal Bridge Services Inc. (中遠美國內陸運輸公司)), the general manager of the finance department and the chief financial officer of COSCO Americas Inc., the deputy general manager of the finance department of China Ocean Shipping (Group) Company, the deputy general manager (person-in-charge) of the capital operation department of China COSCO Shipping Corporation Limited, and a director of COSCO SHIPPING Technology Co., Ltd. (listed on the SZSE, stock code: 002401).</p> <p>Mr. HUANG Jian obtained a bachelor's degree in economics majoring in auditing from Capital University of Economics and Business (formerly known as Beijing Institute of Finance and Trade) and a master's degree in business management from Beijing Institute of Technology in July 1992 and March 2002, respectively. Mr. HUANG obtained the qualifications of accountant and senior accountant from the Ministry of Finance in May 1997 and December 2015, respectively.</p>

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Name	Major work experience
<p>LIU Chong (劉沖)</p>	<p>Mr. LIU has served as our non-executive Director since November 2022. He has successively served as the general manager (from March 2016 to June 2022), an executive director (since June 2016) and the chairman of the board of directors (since June 2022) of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) (formerly known as China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司)) (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866), and has successively served as a director (since July 2016) and the chairman of the board of directors (since June 2022) of COSCO SHIPPING Investment Holdings Co., Limited (中遠海運投資控股有限公司). He has served as the chairman of the board of directors of Haifa Baocheng Financial Leasing Co., Ltd. (海發寶誠融資租賃有限公司) (formerly known as COSCO Shipping Leasing Co., Ltd. (中遠海運租賃有限公司)) since July 2016, a non-executive director of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 01359) since August 2017, a non-executive director of China Everbright Bank Company Limited (中國光大銀行股份有限公司) (listed on the SSE, stock code: 601818; listed on the Hong Kong Stock Exchange, stock code: 06818) since December 2019, and a director (since July 2016) and the chairman of the board of directors (since May 2022) of COSCO SHIPPING Development (Hong Kong) Co., Limited (中遠海運發展(香港)有限公司) and COSCO Shipping Development (Asia) Co., Ltd. (中遠海運發展(亞洲)有限公司), successively. From May 2016 to March 2021, he has successively served as a non-executive director and a vice chairman of the board of directors of China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司) (listed on the SZSE, stock code: 000039; listed on the Hong Kong Stock Exchange, stock code: 02039). He was the deputy general manager and general manager of China Shipping Investment Co., Ltd. (中海集團投資有限公司), the chief financial officer and the deputy general manager of China Shipping Logistics Co., Ltd. (中海集團物流有限公司), and the chief accountant of China Shipping (Hainan) Haisheng Shipping Co., Ltd. (中海(海南)海盛船務股份有限公司) and China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司) (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866). In addition, he served as our Director and Supervisor from July 2008 to May 2014 and from May 2014 to May 2017, respectively.</p> <p>Mr. LIU Chong obtained a bachelor's degree in economics from Sun Yat-sen University (中山大學) in July 1990 and was awarded the title of senior accountant in November 2000.</p>
<p>WANG Wen (王文)</p>	<p>Mr. WANG has served as our non-executive Director since July 2019. He has been a vice president of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) since July 2017, and the chairman of the board of directors of China-US Insurance Advisory Co., Ltd. (中美國際保險銷售服務有限責任公司) since May 2017. He was the assistant to manager and the deputy manager of life insurance department, the deputy manager of domestic business department and the manager of vehicle insurance department of the Beijing Branch of China Pacific Insurance Co., Ltd., the assistant to general manager and the deputy general manager of the Beijing Branch of China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司), the leader of the preparatory group, the deputy general manager (person-in-charge) and the general manager of the Beijing Branch of PICC Life Insurance Company Limited, and the sales director of PICC Life Insurance Company Limited.</p> <p>Mr. WANG Wen obtained a bachelor's and master's degree in law from Peking University in July 1991 and July 2005, respectively.</p>

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Name	Major work experience
<p>XIANG Hua (向華)</p>	<p>Mr. XIANG has served as our independent non-executive Director since July 2017. He has been a director of CONNECT WEALTH INVESTMENT LIMITED and NeoSpective Capital Limited since October 2021. He served as the chief executive officer of Durer Investment Management Co., Ltd. (圖瑞投資管理有限公司) from January 2018 to January 2022. He successively acted as an officer and the deputy head of the Balance of Payments Department and General Affairs Department of the State Administration of Foreign Exchange, and the head of the Central Foreign Exchange Business Center of the State Administration of Foreign Exchange, the general manager of SAFE Investment Company Limited, and the chief executive officer and chief operating officer of Deepwater Capital Limited.</p> <p>Mr. XIANG Hua obtained a bachelor's degree in economics from Beijing Normal University and a master's degree in economics from Renmin University of China in July 1994 and September 2001, respectively.</p>
<p>XIAO Houfa (肖厚發)</p>	<p>Mr. XIAO has served as our independent non-executive Director since July 2017. He has been the principal partner of RSM China (special general partnership) (容誠會計師事務所(特殊普通合夥)) (formerly known as HuaPu TianJian Certified Public Accountants LLP) since January 2014, and a director of Jingfu Cardiovascular Hospital (Xuzhou) Co., Ltd. (京阜心血管醫院(徐州)有限責任公司) since November 2019. He was an executive director of Beijing Zhongfa Shengxing Management Consulting Co., Ltd. (北京中發晟興管理諮詢有限公司) from April 2020 to December 2020, and a director of Guohua Kangping Elderly Service Co., Ltd. (國華康平養老服務有限公司) from April 2019 to November 2020. He was the founder, deputy chief accountant and chief accountant of Anhui HuaPu Certified Public Accountants (安徽華普會計師事務所), and the chief accountant of HuaPu TianJian Certified Public Accountants (Beijing) Co., Ltd. (華普天健會計師事務所(北京)有限公司).</p> <p>Mr. XIAO Houfa obtained a bachelor's degree in accounting from Shanghai University of Finance and Economics in July 1988. He has received the title of senior accountant and is a certified public accountant.</p>

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Name	Major work experience
<p>XIONG Wei (熊偉)</p>	<p>Mr. XIONG has served as our independent non-executive Director since August 2017. He has been teaching at Princeton University since July 2000 and has been serving as professor of economics since July 2007, Trumbull-Adams Professor of Finance since July 2014, academic advisor at Hong Kong Institute for Monetary and Financial Research since July 2012, academic dean of the School of Economics and Management at The Chinese University of Hong Kong, Shenzhen since June 2015, and dean of Shenzhen Finance Institute, CUHK(SZ) since January 2016. He was a visiting professor of the Faculty of Economics at the University of Cambridge from September 2021 to August 2022.</p> <p>Mr. XIONG Wei obtained a bachelor's degree in physics from the University of Science and Technology of China, a master's degree in physics from Columbia University in the United States and a doctoral degree in finance from Duke University in the United States in July 1993, May 1995 and May 2001, respectively.</p>
<p>HU Honggao (胡鴻高)</p>	<p>Mr. HU has served as our independent non-executive Director since July 2017. He has been a professor of law and doctoral advisor at Fudan University since January 2008, while concurrently serving as an independent director of Shanghai Amarsoft Information &amp; Technology Co., Ltd. (上海安碩信息技術股份有限公司) (listed on the SZSE, stock code: 300380) since March 2017, an independent director of Shanghai China Fortune Co., Ltd. (上海華鑫股份有限公司) (listed on the SSE, stock code: 600621) since May 2017, and an independent director of Shenzhen Pacific Union Precision Manufacturing Company Ltd. (深圳市泛海統聯精密製造股份有限公司) (listed on the SSE, stock code: 688210) since April 2020. He was an independent director of Tofflon Science and Technology Co., Ltd. (東富龍科技集團股份有限公司) (listed on the SZSE, stock code: 300171) from March 2014 to February 2020, and an independent director of Perfect Group Corp., Ltd. (倍加潔集團股份有限公司) (listed on the SSE, stock code: 603059) from June 2016 to September 2022. He was the head of faculty of law and vice dean of Fudan Law School at Fudan University.</p> <p>Mr. HU Honggao obtained a bachelor's degree in law from Peking University in July 1983.</p>

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Name	Major work experience
<p>FENG Jinhua (豐金華)</p>	<p>Mr. FENG has served as our independent non-executive Director since November 2022. He has been an independent non-executive director of CIMC Vehicles (Group) Co., Ltd. (“CIMC Vehicles”) (listed on the SZSE, stock code: 301039; listed on the Hong Kong Stock Exchange, stock code: 01839) since June 2019. He has extensive working and management experience in the ocean transportation, shipping and logistics industries and has obtained good qualifications in the transportation industry. He served as a vice section chief, the section chief, a vice division chief, the division chief, a vice chief accountant and the chief accountant of finance department of Qingdao Ocean Shipping Company (青島遠洋運輸公司), the general manager of finance department of China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), the financial director of COSCO SHIPPING Holdings Co., Ltd. (中遠海運控股股份有限公司) (formerly known as China COSCO Holdings Company Limited (中國遠洋控股股份有限公司)) (listed on the SSE, stock code: 601919; listed on the Hong Kong Stock Exchange, stock code: 01919), a vice managing director of COSCO Pacific Limited (中遠太平洋有限公司), the financial director of COSCO (Hong Kong) Group Limited (中遠(香港)集團有限公司), and a non-executive director of CIMC Vehicles (listed on the SZSE, stock code: 301039; listed on the Hong Kong Stock Exchange, stock code: 01839).</p> <p>Mr. FENG Jinhua graduated from Qingdao Ocean Shipping Mariners College (青島遠洋船員學院), majoring in accounting, in July 1986, and obtained an Executive Master of Business Administration degree from the Business School of the University of International Business and Economics (對外經濟貿易大學) in December 2006. He was awarded the senior accountant qualification by China Road and Bridge Corporation (中國路橋(集團)總公司) in September 2005, the title of the excellent accountant in transportation industry by the China Communications Accounting Society (中國交通會計學會) in April 2006 and the title of outstanding informatization application promoter by the National Informatization Evaluation Center (國家信息化測評中心) in February 2007.</p>
<p>ZHOU Linda Lei (周語菡)</p>	<p>Ms. ZHOU has served as our Chairman of the Supervisory Committee since July 2014. She has been a supervisor and the chairman of the supervisory committee of China Merchants Fund Management Co., Ltd. since April and May 2020, respectively. She was a supervisor of Industrial Bank Co., Ltd. (listed on the SSE, stock code: 601166), an independent director of Jiangxi Selon Industrial Co., Ltd. (listed on the SZSE, stock code: 002748), an independent director of China Merchants Fund, the managing director of China Merchants China Investment Management Limited, and an executive director of China Merchants China Direct Investments Limited (listed on the Hong Kong Stock Exchange, stock code: 00133).</p> <p>Ms. ZHOU Linda Lei obtained a bachelor’s degree in economics majoring in finance and accounting from Renmin University of China and a master’s degree in business administration from Sonoma State University of the California State University in July 1989 and January 1993, respectively.</p>

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Name	Major work experience
<p>XU Xin (徐鑫)</p>	<p>Mr. XU has served as our Supervisor since January 2023. He has been the chairman of the board of directors of Shenzhen Jisheng Investment Development Co., Ltd. since December 2017, a director of Shenzhen China Merchants Ping An Asset Management Co., Ltd. (深圳市招商平安資產管理有限責任公司) since June 2022, and the chief financial officer of Liaoning Port Group Limited since March 2023. He was the deputy general manager (and chief financial officer) of China Merchants Financial Holdings Co., Ltd. from September 2022 to March 2023, a director of China Great Wall Securities Co., Ltd. (長城證券股份有限公司) (listed on the SZSE, stock code: 002939) from August 2017 to October 2020, a supervisor of China Merchants Capital Co., Ltd. (招商局資本投資有限責任公司) from December 2018 to March 2020, a director of China Merchants Innovation Investment Management Co., Ltd. (招商局創新投資管理有限責任公司) from March 2020 to October 2021, a standing member of the Execution Committee of China Merchants Financial Services Business Unit from June 2018 to September 2022, and a director of China Merchants Finance Investment Holdings Co., Ltd. from December 2017 to September 2022. He also served as the international credit manager of China Merchants Bank Co., Ltd. (Shenzhen Branch), the deputy financial planning officer, financial planning officer, assistant to general manager, assistant to section head and director of the capital division of China Merchants Group Limited, the deputy general manager of China Merchants International Finance Company Limited, the deputy officer of the finance department of China Merchants Group, and the chief financial officer of China Merchants Finance Holdings Co., Ltd.</p> <p>Mr. XU Xin graduated with a doctoral degree in management majoring in finance from Renmin University of China in December 2018.</p>
<p>WANG Zhangwei (王章為)</p>	<p>Mr. WANG has served as our Supervisor since June 2017. Mr. WANG has been the chief auditor (首席稽核官) of China Merchants Financial Holdings Co., Ltd. since September 2022, and a director of Shenzhen Yan Qing Investment and Development Co., Ltd., Shenzhen Chu Yuan Investment and Development Co., Ltd. and Shenzhen Jisheng Investment Development Co., Ltd. since November 2014. He was the chief auditor (首席稽核官) of the Execution Committee of China Merchants Financial Services Business Unit from April 2019 to September 2022, and a supervisor of China Merchants Finance Investment Holdings Co., Ltd. (currently known as China Merchants Financial Holdings Co., Ltd.) from September 2011 to September 2022. He also served as the manager of the audit department of China Merchants Shekou Holdings Co., Ltd., manager of the finance department of China Merchants Technology Holdings Co., Ltd., senior manager of the audit department of China Merchants Group Limited, general manager of the finance department of China Merchants Finance Holdings Co., Ltd., general manager of Shenzhen Jisheng Investment Development Co., Ltd., Shenzhen Chu Yuan Investment and Development Co., Ltd. and Shenzhen Yan Qing Investment and Development Co., Ltd., and assistant to general manager of China Merchants Finance Holdings Co., Ltd.</p> <p>Mr. WANG Zhangwei obtained a bachelor's degree from Dongbei University of Finance and Economics and an MBA degree from University of South Australia in July 1995 and April 2008, respectively. He is a certified public accountant in the PRC and an international certified internal auditor.</p>

Name	Major work experience
<p>MA Yunchun (馬蘊春)</p>	<p>Mr. MA has served as our Supervisor since June 2017. He has been a director of ZJMI Environmental Energy Co., Ltd. (浙江物產環保能源股份有限公司) (listed on the SSE, stock code: 603071) since May 2022, the chairman of the board of directors of Hebei Port Group (Tianjin) Investment Management Co., Ltd. (河北港口集團(天津)投資管理有限公司) since October 2020, and the chairman of the board of directors of Hebei Port Group Shanghai Investment Management Company since January 2016. He served as a cadre of the electromechanical division, vice head and head of the lading team, and deputy manager of the Sixth Port Service Branch of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司第六港務分公司), manager of Logistics Company of Qinhuangdao Port Co., Ltd. (秦皇島港口有限公司物流公司), manager of the First Port Service Branch of Qinhuangdao Port Company Limited (秦皇島港口股份有限公司) (formerly known as Qinhuangdao Port Co., Ltd. (秦皇島港口有限公司)), and the general manager of Hebei Port Group (Tianjin) Investment Management Co., Ltd. (河北港口集團(天津)投資管理有限公司) and Hebei Port Group Shanghai Investment Management Company.</p> <p>Mr. MA Yunchun obtained a bachelor's degree and a master's degree in welding from Tianjin University in July 1989 and April 1994, respectively.</p>
<p>ZHANG Zhen (張震)</p>	<p>Mr. ZHANG has served as our Supervisor since October 2020. He has also served as the general manager of the financial capital department of China Communications Construction Company Ltd. (中國交通建設股份有限公司) (listed on the SSE, stock code: 601800; listed on the Hong Kong Stock Exchange, stock code: 01800) since January 2020, the vice chairman of the board of directors of Jiang Tai Insurance Brokers Co., Ltd. (江泰保險經紀股份有限公司) since July 2022, a director of China Road &amp; Bridge Corporation (中國路橋工程有限責任公司) since January 2023, and a director of Southwest Municipal Engineering Design &amp; Research Institute (Group) of China (中國市政工程西南設計研究總院有限公司) since February 2023. He was a supervisor of Jiang Tai Insurance Brokers Co., Ltd. (江泰保險經紀股份有限公司) from May 2020 to July 2022, and the deputy general manager (person-in-charge) of the financial capital department of China Communications Construction Company Ltd. (中國交通建設股份有限公司) from December 2019 to January 2020. He served as an auditor of audit division, the chief finance manager of Zaire O-W Project, the manager of finance division in charge of reporting accounts, the chief accountant of Science Research Institute, the chief of finance division, and the deputy chief accountant of CCCC First Highway Engineering Bureau Co., Ltd. (中交第一公路工程局有限公司), and a director and the chief accountant of CCCC First Highway Engineering Group Co., Ltd. (中交一公局集團有限公司) (formerly known as CCCC First Highway Engineering Bureau Co., Ltd. (中交第一公路工程局有限公司)).</p> <p>Mr. ZHANG Zhen obtained a bachelor's degree in engineering finance and accounting from Changsha Transportation College Faculty of Management in July 1985, and was awarded with professional qualification of senior accountant from the Professional Skill and Qualification Assessment Committee of Ministry of Transportation in August 1997.</p>

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Name	Major work experience
<p>ZOU Qun (鄒群)</p>	<p>Mr. ZOU has served as our Supervisor since October 2020. He has also served as the general manager of Shenzhen Huaqiang Dingxin Investment Co., Ltd. since March 2021, a director of Guangdong Huaqiang Property Co., Ltd. since January 2008, and a director of Shenzhen Huaqiang Dingxin Investment Co., Ltd. since January 2015. He was the chief of securities investment department of Shenzhen Huaqiang Asset Management Co., Ltd. from December 2018 to March 2021. He served as the deputy chief and chief of financial settlement center, the chief of investment management division and a supervisor of Shenzhen Huaqiang Group Co., Ltd., a director of Shenzhen Huaqiang Industry Co., Ltd. (listed on the SZSE, stock code: 000062), the deputy managing director of Shenzhen Sanyang Huaqiang Laser Electronic Co., Ltd., the deputy general manager of Huaqiang Cloud Investment Holding Co., Ltd., the general managing director of Shenzhen Huaqiang Laser Electronic Co., Ltd., the general manager of Shenzhen Huaqiang Zhaoyang Energy Co., Ltd., the chief of securities investment department of Shenzhen Huaqiang Asset Management Group Co., Ltd., a director of Shenzhen Huaqiang Group Co., Ltd., the general manager of Shenzhen Qianhai Huaqiang Xinghe Financial Leasing Development Co., Ltd., and the general manager of Shenzhen Huaqiang Group Finance Co., Ltd.</p> <p>Mr. ZOU Qun obtained a bachelor's degree in magnetic physics and devices from Huazhong University of Science and Technology (formerly known as Huazhong Institute of Technology) in July 1988. He was also awarded with the finance professional qualification of intermediate economist by Ministry of Personal Affairs of the People's Republic of China in June 1995, and obtained the qualification of senior professional manager in enterprise management from China Professional Manager Qualification Assessment Committee in July 2005.</p>
<p>YIN Hongyan (尹虹艷)</p>	<p>Ms. YIN has served as our employee representative Supervisor since August 2007. Ms. YIN has been our assistant to general manager since January 2022, and our Chief Human Resource Officer since June 2020. She was the general manager of our Department of Retail Brokerage and Department of Operations and Administration from August 2017 to August 2018, and the general manager of our Human Resources Department from August 2018 to May 2020. She served as the assistant to manager and head of the customer service department of our Shenzhen Zhenhua Road securities branch, deputy manager of our Shenzhen Fumin Road securities branch, assistant to general manager of our Private Customer Service Department, manager of our Shenzhen Fumin Road securities branch and deputy general manager and later general manager of our Department of Operations and Administration.</p> <p>Ms. YIN Hongyan obtained a doctoral degree in law majoring in sociology from Nankai University in June 2006.</p>

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Name	Major work experience
<p>HE Min (何敏)</p>	<p>Ms. HE has served as our employee representative Supervisor since July 2009 and the general manager of our Capital Management Department since March 2022. She was the chairman of the supervisory committee of Bosera Asset Management Co., Limited from April 2019 to September 2022, a director of China Merchants Securities Asset Management Co., Ltd. from July 2019 to June 2022, a director of China Merchants Futures Co., Ltd. from May 2019 to April 2022, and a director of China Merchants Zhiyuan Capital Investment Co., Ltd. from May 2019 to March 2022. She served as the deputy general manager of our Finance Department from April 2009 to February 2019, and the general manager of our Finance Department from February 2019 to March 2022. She also served as the assistant to general manager of our Finance Department.</p> <p>Ms. HE Min obtained a bachelor's degree in economics majoring in accounting and a master's degree in management majoring in accounting, both from Zhongnan University of Economics and Law (formerly known as Zhongnan University of Finance and Economics), in July 1996 and June 1999, respectively. She was granted the qualification of Certified Public Accountant in October 1999 by the Chinese Institute of Certified Public Accountants.</p>
<p>CHEN Jun (陳鋆)</p>	<p>Mr. CHEN has served as our employee representative Supervisor since March 2023. He has been the head of our audit department since February 2023, and successively served as the deputy general manager (in charge of work) of our internal review department, and the deputy general manager (in charge of work) and the general manager of the internal review department of our risk management center from April 2020 to February 2023. From June 2015 to April 2020, he served as the deputy general manager of our risk management department (during the period from June 2017 to April 2020, he also served as the chief risk officer of CMS Zhiyuan). He previously served as the financial director of the project department of Pakistan Barotha Hydropower Plant of Sinohydro Engineering Bureau 8 Co., Ltd. (中國水利水電第八工程局公司), an auditor of KPMG Huazhen LLP, Shenzhen Branch (畢馬威華振會計師事務所深圳分所), and the assistant to the general manager of our risk management department.</p> <p>Mr. CHEN Jun obtained a bachelor's degree majoring in trade economics from Guizhou University of Finance and Economics (貴州財經大學) (formerly known as Guizhou College of Finance and Economics (貴州財經學院)) in July 1998, and a master's degree majoring in law from Xiamen University (廈門大學) in July 2006, respectively.</p>
<p>WU Huifeng (吳慧峰)</p>	<p>Mr. WU has served as our Vice President since November 2018 and our Secretary to the Board since December 2014. He served as the head of the settlement center of China Nanshan Development (Group) Co., Ltd., deputy manager of the finance department of Shanghai Nanshan Real Estate Development Co., Ltd. (上海南山房地產開發有限公司) (formerly known as Shanghai Chengnan Real Estate Development Company (上海誠南房地產開發公司)), and general manager of the finance and audit department, general manager of the human resources department, assistant to general manager, and deputy general manager of China Merchants Finance Holdings Co., Ltd. He also worked for us as Director, Supervisor, co-general manager of the Board office and assistant to president.</p> <p>Mr. WU Huifeng obtained a bachelor's degree in economics majoring in accounting from the Shanghai University of Finance and Economics and a master's degree in economics majoring in finance from Peking University in June 1996 and January 2012, respectively. Mr. WU was granted the qualification of accountant in May 1998 by the Ministry of Finance of the PRC.</p>

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Name	Major work experience
<p>ZHAO Bin (趙斌)</p>	<p>Mr. ZHAO has served as our Vice President since November 2018. He has been the chairman of the board of directors of CMS International since January 2022. He was an executive director of CMS Investment from January 2019 to May 2022, the chief compliance officer of CMS Asset Management from January 2018 to January 2021, and the chairman of the supervisory committee of China Merchants Fund from September 2017 to April 2020. He took the position of assistant to manager and manager of our Haikou branch, head of Futian branch, assistant to general manager of our Brokerage Business Department, deputy manager (person-in-charge) of our Shenzhen Longgang securities branch, manager of our Shenzhen Nanshan Nanyou Road securities branch, general manager of our Private Customer Service Department, general manager of our Channel Management Department, general manager of our Department of Retail Brokerage, our employee representative Supervisor and Chief Compliance Officer, and director of CMS Asset Management and China Merchants Futures.</p> <p>Mr. ZHAO Bin obtained a bachelor's degree in economics majoring in international finance from Shenzhen University and a master's degree in science majoring in project management from the University of Greenwich in June 1992 and December 2010, respectively.</p>
<p>HU Yu (胡宇)</p>	<p>Mr. HU has served as our Chief Compliance Officer and Chief Risk Officer since December 2018. He was a teacher in Xishan Middle School (西山中學), teacher of the foreign language teaching and research office of Jiangxi Medical College, deputy principal staff member of Department of Policy and Regulations, the principal staff member of Department of Intermediary Supervision, the deputy officer and director of Office of the Party Committee as well as the director of No.1 Inspection Office of Shenzhen Bureau of the CSRC, a member of Party Committee and the secretary of Disciplinary Committee of Hainan Bureau of the CSRC, the deputy head of capital operation department of China Merchants Group, and a member of Party Committee and the secretary of Disciplinary Committee of Guangdong Bureau of the CSRC.</p> <p>Mr. HU Yu obtained a Bachelor of Arts degree from Jiangxi Normal University (江西師範大學) and a Master's degree in Finance from Graduate School of People's Bank of China in July 1989 and July 1996, respectively.</p>

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Name	Major work experience
<p>ZHANG Haochuan (張浩川)</p>	<p>Mr. ZHANG has served as our Vice President since May 2022. He was a director and the chief investment officer of China Life Franklin Asset Management Company Limited from October 2019 to November 2021. He once worked in China Life Asset Management Company Limited and served as a senior researcher, deputy general manager (person-in-charge) of strategic planning department, deputy general manager (person-in-charge) of direct investment division, deputy general manager (person-in-charge) of international business department and the general manager of international business department. He was a senior manager of international quantitative portfolio strategy department of Lehman Brothers/Nomura Securities, a senior system design engineer of engineering department of Applied Materials, Inc., and a director and the president of China Life Franklin Asset Management Company Limited.</p> <p>Mr. ZHANG Haochuan obtained a bachelor's degree in engineering mechanics from Tsinghua University in July 1995, a master's degree in aerospace engineering from Georgia Institute of Technology in December 1996, a doctoral degree in mechanical engineering from the University of California, Berkeley in December 2001, and a master's degree in financial engineering from the University of California, Berkeley in May 2007.</p>
<p>XIONG Xianliang (熊賢良)</p>	<p>Mr. XIONG served as our non-executive Director from December 2014 to January 2022. He has served as the director of the research and development center of China Merchants Group and dean of China Merchants Technology and Innovation Research and Development Institute (招商局科技創新發展研究院) since August 2021. He served as the head of the strategic development department of China Merchants Group from March 2015 to August 2021. He concurrently acted as the head of the security and supervision department of China Merchants Group from February 2017 to October 2018, and director of the research and development center of China Merchants Group and dean of China Merchants Technology and Innovation Research and Development Institute (招商局科技創新發展研究院) from August 2018 to November 2020. He served as an executive director of China Merchants Port Holdings Company Limited (listed on the Hong Kong Stock Exchange, stock code: 00144) from June 2018 to October 2021, a non-executive director of Sinotrans Limited (listed on the SSE, stock code: 601598; listed on the Hong Kong Stock Exchange, stock code: 00598) from June 2019 to October 2021, a director of China Merchants Innovation Investment Management Co., Ltd. from August 2018 to January 2022, and a director of China Merchants Investment Development Company Limited (招商局投資發展有限公司) from April 2020 to September 2022. He was a researcher and division head of the Development Research Center of the State Council, deputy director of Chongqing Development and Planning Commission, vice leader of the general group of the steering committee office of Western Region Development of the State Council (國務院西部開發領導小組辦公室綜合組), inspector of the Research Office of the State Council, general manager (head) of the strategic research department of China Merchants Group, non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 03968), and head of the information management department and research department of China Merchants Group.</p> <p>Mr. XIONG Xianliang obtained a master's degree and a doctoral degree in global economics from Nankai University in June 1991 and December 1993, respectively. He was granted the title of Researcher by the Development Research Center of the State Council in September 2000.</p>

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Name	Major work experience
<p>PENG Lei (彭磊)</p>	<p>Ms. PENG served as our non-executive Director from August 2007 to January 2023. She has served as a director of China Great Wall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since June 2011. She was a director of Shenzhen China Merchants Ping An Investment Management Co., Ltd. (深圳市招商平安投資管理有限公司) and China Merchants Investment Management (Shenzhen) Co., Ltd. (招商投資管理(深圳)有限公司) from November 2021 to September 2022, a director of Shenzhen China Merchants Ping An Asset Management Co., Ltd. (深圳市招商平安資產管理有限責任公司) from December 2018 to June 2022, the deputy general manager of Shenzhen China Merchants Ping An Asset Management Co., Ltd. from July 2021 to June 2022, a director of China Merchants Commerce Leasing Co., Ltd. (招商局通商融資租賃有限公司) from August 2018 to November 2021, and a standing member of the Execution Committee of China Merchants Financial Services Business Unit from June 2018 to June 2021. She served as an executive director of Union Asset Management Company, the deputy general manager of the general management department, general manager of the audit department, general manager of the China business department, general manager of the securities department, deputy general manager and assistant to general manager of China Merchants Finance Holdings, a director of Morgan Stanley Huaxin Fund Management Co., Ltd., and a director of Bosera Funds.</p> <p>Ms. PENG Lei obtained a bachelor's degree in economics majoring in business management from Southwestern University of Finance and Economics and a master's degree in economics majoring in finance from Peking University in July 1994 and July 2010, respectively.</p>

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Name	Major work experience
<p>WANG Daxiong (王大雄)</p>	<p>Mr. WANG served as our non-executive Director from September 2016 to May 2022. He has been an independent director of Chengtong Securities Co., Ltd. since May 2022. He was an executive director and the chairman of the board of directors of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866) from May 2016 and July 2019 to June 2022 respectively and a non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 03968) from November 2016 to June 2022. He was the vice chairman of the board of directors of New China COSCO Financial Holdings Limited (新華遠海金融控股有限公司) from March 2017 to January 2020, chairman of the board of directors of COSCO SHIPPING Captive Insurance Co., Ltd. from October 2017 to March 2020, chief executive officer of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866) from March 2016 to April 2020, and chairman of the board of directors of COSCO SHIPPING Investment Holdings Co., Ltd. (formerly known as COSCO SHIPPING Financial Holdings Co., Ltd.) from March 2014 to January 2022. He acted as division head and office chief of the Finance Office of the Guangzhou Maritime Bureau (廣州海運局財務處), head of the finance department and chief accountant of Guangzhou Maritime Transport (Group) Co., Ltd., chief accountant, vice president and deputy general manager of China Shipping (Group) Company, vice chairman and chairman of the board of directors of Lanhai Medical Investment Co., Ltd., non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866), executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (listed on the SSE, stock code: 600026; listed on the Hong Kong Stock Exchange, stock code: 01138), and director of CIB Fund Management Co., Ltd.</p> <p>Mr. WANG Daxiong obtained a bachelor's degree majoring in finance and economics from Shanghai Maritime University and an EMBA degree from Shanghai University of Finance and Economics in July 1983 and January 2012, respectively. He also obtained the qualification of senior accountant from the Ministry of Transport of the People's Republic of China in November 1995.</p>
<p>WONG Ti (汪棣)</p>	<p>Mr. WONG served as our independent non-executive Director from January 2018 to November 2022. He has served as an independent director of Hang Seng Bank (China) Limited since August 2022, an independent director of China International Fund Management Co., Ltd. since April 2019, and a supervisor of Vivasolis Biotechnology Co., Ltd. (中國台灣旭昶生物科技股份有限公司) since August 2016. He was an independent director of Fosun United Health Insurance Co., Ltd. (復星聯合健康保險股份有限公司) from July 2017 to May 2019, an independent non-executive director of 51 Credit Card Inc. (listed on the Hong Kong Stock Exchange, stock code: 02051) from July 2018 to April 2022, and an independent director of Asia-Pacific Property &amp; Casualty Insurance Co., Ltd. from April 2016 to October 2022. He was also a partner, manager and auditor of Pricewaterhouse Coopers (PwC) China.</p> <p>Mr. WONG Ti obtained a bachelor's degree in accounting from the Department of Business Administration of National Taiwan University in 1982 and a Master of Business Administration (MBA) degree from University of California, Los Angeles in 1986. Mr. WONG obtained a qualification as a certified public accountant in China in October 2002.</p>

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Name	Major work experience
<p>SHEN Weihua (沈衛華)</p>	<p>Ms. SHEN has served as the general manager of CMS Zhiyuan since February 2023. She was our employee representative Supervisor from October 2020 to March 2023, and the general manager of our Audit Department from March 2020 to February 2023. She also served 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) (listed on the SSE, stock code: 688323) from May 2020 to April 2022, 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) (listed on the SZSE, stock code: 300832) from June 2020 to May 2022, and a vice president of ZTF Securities Limited (中天國富證券有限責任公司) from July 2017 to April 2019.</p> <p>She once worked in Shenzhen Zhongshen Certified Accounting Firm (深圳中審會計師事務所), and was an auditing manager of Shenzhen Pengcheng Certified Public Accounting Firm (深圳鵬程會計師事務所), an internal auditing general manager of our Investment Banking Department, the general manager of China Merchants Zhiyuan Capital Investment Co., Ltd., and the managing director of ZTF Securities Limited.</p> <p>Ms. SHEN Weihua obtained a bachelor's degree in economics and a master's degree in History of Foreign Economic Thoughts from the Economics and Management School of Wuhan University in July 1993 and July 1997, respectively.</p>
<p>LI Zongjun (李宗軍)</p>	<p>Mr. LI served as our Vice President from July 2015 to July 2022. He was the chairman of the board of directors of China Merchants Futures from March 2019 to July 2022, the vice chairman of the board of directors of Qingdao Assets Management Co., Ltd. (青島市資產管理有限責任公司) from December 2018 to August 2021, and a director of E-Capital Transfer Co., Ltd. from January 2019 to June 2021. He took the positions of assistant to general manager of COSCO Finance Co., Ltd. and general manager of its Beijing securities department, deputy manager of the overseas listing department of COSCO's asset management center, assistant to general manager of China Merchants Holdings (International) Company Limited, deputy general manager of the corporate planning department of China Merchants Group, deputy general manager of China Merchants Capital Investments Co., Ltd., deputy general manager of China Merchants Food Supply Chain Management Co., Ltd. (招商局食品供應鏈管理有限責任公司), assistant to President of the Company, and chairman of the board of directors of CMS Zhiyuan.</p> <p>Mr. LI Zongjun obtained a bachelor's degree in economics and a master's degree in economics, both from Nankai University, in July 1987 and April 1990, respectively. He was granted the qualification of senior economist by the Ministry of Transport in October 1998.</p>

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Name	Major work experience
ZHANG Qing (張慶)	<p>Mr. ZHANG served as our Vice President from March 2021 to May 2022. He worked in the CSRC and successively served in the Department of Public Offering Supervision, the International Cooperation Division and the Corporate Bonds Supervision Department from March 1998 to November 2017, where he served as principal staff member, deputy division head and division head at the Department of Public Offering Supervision and the International Cooperation Division of the CSRC from March 1998 to April 2015; during such period, he held temporary position (掛職) at the Financial Affairs Office of Yunnan Province and served as a full-time deputy director of the Leading Group Office of Corporate Listing of Yunnan Province (雲南省推進企業上市領導小組辦公室專職副主任) from November 2012 to October 2014; and served as deputy inspector and deputy director of the Corporate Bonds Supervision Department of the CSRC from April 2015 to November 2017. He was awarded the title of “Excellent Youth of China State Organs (中央國家機關優秀青年)” of Year 2002-2003 and was as an expert for the propositional group of the Chinese Sponsor Representative Examination (保薦代表人考試命題專家組專家) upon the implementation of the Measures for the Sponsor System for the Issuance and Listing of Securities.</p> <p>Mr. ZHANG Qing obtained a Bachelor’s degree in Economics and Master’s Degree in Economics from the Central Institute of Finance and Banking in June 1993 and January 1996, respectively.</p>

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### (II) Positions of incumbent Directors, Supervisors and senior management and those resigned during the Reporting Period

#### 1. Positions in shareholders

Name	Name of shareholder	Position	Date of appointment	Date of termination
SU Min (蘇敏)	China Merchants Finance Investment Holdings Co., Ltd. (currently known as China Merchants Financial Holdings Co., Ltd.)	General manager	December 2017	September 2022
	China Merchants Financial Holdings Co., Ltd.	Deputy general manager	September 2022	February 2023
GAO Hong (高宏)	China Merchants Financial Holdings Co., Ltd.	Deputy general manager	September 2022	December 2022
WANG Wen (王文)	PICC Life Insurance Company Limited	Vice president	July 2017	to date
XU Xin (徐鑫)	China Merchants Financial Holdings Co., Ltd.	Deputy general manager (and chief financial officer)	September 2022	March 2023
	Shenzhen Jisheng Investment Development Co., Ltd.	Chairman of the board of directors	December 2017	to date
WANG Zhangwei (王章為)	China Merchants Financial Holdings Co., Ltd.	Chief auditor	September 2022	to date
	China Merchants Finance Investment Holdings Co., Ltd. (currently known as China Merchants Financial Holdings Co., Ltd.)	Supervisor	September 2011	September 2022
	Shenzhen Jisheng Investment Development Co., Ltd.	Director	November 2014	to date
ZHANG Zhen (張震)	China Communications Construction Company Ltd.	General manager of the financial capital department	January 2020	to date
Description of positions in shareholders	Nil			

## 2. Positions in other companies

Name	Name of company	Position	Date of appointment	Date of termination
HUO Da (霍達)	China Merchants Group	Member of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	September 2022
	CMS Zhiyuan	Chairman of the board of directors	November 2021	February 2022
LIU Weiwu (劉威武)	China Merchants Group	Head of the finance department (property rights department)	December 2020	to date
	AviChina Industry & Technology Company Limited	Independent non-executive director	June 2018	to date
	China Merchants Port Holdings Company Limited	Executive director, and then non-executive director	March 2021	December 2022
	China Merchants Industry Holdings Co., Ltd.	Director	March 2021	September 2022
	China Merchants Zhangzhou Development Zone Co., Ltd.	Director	March 2021	November 2022
	China Merchants Chongqing Communications Technology Research & Design Institute Co., Ltd.	Director	March 2021	September 2022
	China Merchants International Finance Company Limited	Director	March 2021	to date
	Liaoning Port Group Limited	Director	March 2021	to date

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Name	Name of company	Position	Date of appointment	Date of termination
	China Merchants Expressway Network & Technology Holdings Co., Ltd.	Director	April 2021	January 2023
	China Merchants Sharing Services Co., Ltd.	Executive director	April 2021	to date
	China Merchants Port Group Co., Ltd.	Director	May 2021	to date
	Sinotrans Limited	Non-executive director	June 2021	September 2022
	China Merchants Investment Development Company Limited	Director	June 2021	September 2022
	China Merchants Life Insurance Company Limited	Director	June 2021	to date
	China Merchants Taiping Bay Development Investment Co., Ltd.	Director	July 2021	September 2022
	China Merchants Union (BVI) Limited	Director	October 2021	to date
	China Merchants Testing Technology Holdings Co., Ltd.	Director	February 2022	September 2022
	China Merchants Group Finance Co., Ltd.	Director	March 2022	September 2022

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Name	Name of company	Position	Date of appointment	Date of termination
DENG Weidong (鄧偉棟)	Strategic Development Department/ Technological Innovation Department of China Merchants Group	Head	August 2021	to date
	Chongqing Qianbao Crossborder Technology Co., Ltd.	Director	April 2014	to date
	SF Holding Co., Ltd.	Director	April 2019	December 2022
	China Merchants Energy Shipping Co., Ltd.	Director	April 2019	to date
	China Merchants Investment Development Company Limited	General manager and director	April 2020	September 2022
	China Merchants Taiping Bay Development Investment Co., Ltd.	Director	April 2020	to date
	Shenzhen Zhaoguang Investment Co., Ltd.	Chairman of the board of directors and general manager	May 2020	to date
	China International Marine Containers (Group) Co., Ltd.	Director	October 2020	to date
	China Economic and Trade Shipping Co., Ltd.	General manager and director	February 2021	September 2022
	China Merchants Innovation Investment Management Co., Ltd.	Director	August 2021	August 2022
	China Merchants Port Holdings Company Limited	Executive director, and then non-executive director	October 2021	December 2022
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Director	October 2021	November 2022
	Sinotrans Limited	Director	November 2021	to date

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Name	Name of company	Position	Date of appointment	Date of termination
SU Min (蘇敏)	China Merchants Group	Standing vice officer of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	September 2022
	Bosera Funds	Director	September 2018	to date
	China Merchants Finance Holdings	Director	December 2015	to date
	China Merchants Bank	Non-executive director	September 2014	to date
	China Great Wall Securities Co., Ltd.	Director	October 2020	to date
LI Xiaofei (李曉霏)	China Merchants Group	Deputy general manager of the human resources department	December 2021	to date
	China Merchants Investment Development Company Limited	Director	September 2022	to date
	China Great Wall Securities Co., Ltd.	Supervisor	July 2015	to date
GAO Hong (高宏)	China Merchants Group	Standing member of the Execution Committee of China Merchants Financial Services Business Unit	February 2019	September 2022
	China Merchants Financial Technology Co., Ltd.	Director and general manager	November 2017	to date
	China Merchants Life Insurance Company Limited	Deputy general manager (Chief Digital Officer (CDO))	February 2017	to date

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Name	Name of company	Position	Date of appointment	Date of termination
HUANG Jian (黃堅)	Shanghai Rural Commercial Bank Co., Ltd.	Director	June 2018	December 2022
	China COSCO Shipping Corporation Limited	General manager of capital operation department	September 2016	to date
	COSCO SHIPPING Captive Insurance Co., Ltd.	Director	August 2017	to date
	Lanhai Medical Investment Co., Ltd.	Director	May 2017	to date
	COSCO SHIPPING Development Co., Ltd.	Non-executive director	June 2016	to date
LIU Chong (劉沖)	COSCO SHIPPING Development Co., Ltd.	General manager	March 2016	June 2022
		Executive director	June 2016	to date
		Chairman of the board of directors	June 2022	to date
	COSCO SHIPPING Investment Holdings Co., Limited	Director	July 2016	to date
		Chairman of the board of directors	June 2022	to date
	Haifa Baocheng Financial Leasing Co., Ltd.	Chairman of the board of directors	July 2016	to date
	China Cinda Asset Management Co., Ltd.	Non-executive director	August 2017	to date
	China Everbright Bank Company Limited	Non-executive director	December 2019	to date
	COSCO SHIPPING Development (Hong Kong) Co., Limited	Director	July 2016	to date
		Chairman of the board of directors	May 2022	to date
	COSCO Shipping Development (Asia) Co., Ltd.	Director	July 2016	to date
Chairman of the board of directors		May 2022	to date	
WANG Wen (王文)	China-US Insurance Advisory Co., Ltd.	Chairman of the board of directors	May 2017	to date
XIANG Hua (向華)	CONNECT WEALTH INVESTMENT LIMITED, NeoSpective Capital Limited	Director	October 2021	to date
	Durer Investment Management Co., Ltd.	Chief executive officer	January 2018	January 2022

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Name	Name of company	Position	Date of appointment	Date of termination
XIAO Houfa (肖厚發)	RSM China (special general partnership)	Principal partner	January 2014	to date
	Jingfu Cardiovascular Hospital (Xuzhou) Co., Ltd.	Director	November 2019	to date
XIONG Wei (熊偉)	Princeton University	Professor of Economics	July 2007	to date
	Princeton University	Trumbull-Adams Professor of Finance	July 2014	to date
	Shenzhen Finance Institute, CUHK (SZ)	Director	January 2016	to date
	Chinese University of Hong Kong, Shenzhen	Academic Dean of the School of Economics and Management	June 2015	to date
	Hong Kong Institute for Monetary and Financial Research	Academic adviser	July 2012	to date
	University of Cambridge	Visiting professor of the Faculty of Economics	September 2021	August 2022
HU Honggao (胡鴻高)	Fudan University	Professor of law, doctoral advisor	January 2008	to date
	Shanghai China Fortune Co., Ltd.	Independent director	May 2017	to date
	Shanghai Amarsoft Information & Technology Co., Ltd.	Independent director	March 2017	to date
	Perfect Group Corp., Ltd.	Independent director	June 2016	September 2022
	Shenzhen Pacific Union Precision Manufacturing Company Ltd.	Independent director	April 2020	to date
FENG Jinhua (豐金華)	CIMC Vehicles (Group) Co., Ltd.	Independent non-executive director	June 2019	to date
ZHOU Linda Lei (周語茵)	China Merchants Fund Management Co., Ltd.	Chairman of the supervisory committee	May 2020	to date
XU Xin (徐鑫)	Liaoning Port Group Limited	Chief financial officer	March 2023	to date
	Shenzhen China Merchants Ping An Asset Management Co., Ltd.	Director	June 2022	to date
	China Merchants Group	Standing member of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	September 2022

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Name	Name of company	Position	Date of appointment	Date of termination
WANG Zhangwei (王章為)	China Merchants Group	Chief auditor of China Merchants Financial Services Business Unit	April 2019	September 2022
	Shenzhen Yan Qing Investment and Development Co., Ltd.	Director	November 2014	to date
	Shenzhen Chu Yuan Investment and Development Co., Ltd.	Director	November 2014	to date
MA Yunchun (馬蘊春)	Hebei Port Group (Tianjin) Investment Management Co., Ltd.	Chairman of the board of directors	October 2020	to date
	ZJMI Environmental Energy Co., Ltd.	Director	May 2022	to date
	Hebei Port Group Shanghai Investment Management Company	Chairman of the board of directors	January 2016	to date
ZHANG Zhen (張震)	Jiang Tai Insurance Brokers Co., Ltd.	Vice chairman of the board of directors	July 2022	to date
	Jiang Tai Insurance Brokers Co., Ltd.	Supervisor	May 2020	July 2022
	China Road & Bridge Corporation	Director	January 2023	to date
	Southwest Municipal Engineering Design & Research Institute (Group) of China	Director	February 2023	to date
ZOU Qun (鄒群)	Shenzhen Huaqiang Dingxin Investment Co., Ltd.	General manager	March 2021	to date
	Shenzhen Huaqiang Dingxin Investment Co., Ltd.	Director	January 2015	to date
	Guangdong Huaqiang Property Co., Ltd.	Director	January 2008	to date

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Name	Name of company	Position	Date of appointment	Date of termination
HE Min (何敏)	CMS Asset Management	Director	July 2019	June 2022
	China Merchants Futures	Director	May 2019	April 2022
	CMS Zhiyuan	Director	May 2019	March 2022
	Bosera Funds	Chairman of the supervisory committee	April 2019	September 2022
ZHAO Bin (趙斌)	CMS International	Chairman of the board of directors	January 2022	to date
	CMS Investment	Executive director	January 2019	May 2022
XIONG Xianliang (熊賢良)	China Merchants Group	Director of the research and development center	August 2021	to date
	China Merchants Technology and Innovation Research and Development Institute	Dean	August 2021	to date
	China Merchants Investment Development Company Limited	Director	April 2020	September 2022
	China Merchants Innovation Investment Management Co., Ltd.	Director	August 2018	January 2022
PENG Lei (彭磊)	Shenzhen China Merchants Ping An Investment Management Co., Ltd., China Merchants Investment Management (Shenzhen) Co., Ltd.	Director	November 2021	September 2022
	Shenzhen China Merchants Ping An Asset Management Co., Ltd.	Director	December 2018	June 2022
	Shenzhen China Merchants Ping An Asset Management Co., Ltd.	Deputy general manager	July 2021	June 2022
	China Great Wall Securities Co., Ltd.	Director	June 2011	to date

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Name	Name of company	Position	Date of appointment	Date of termination
WANG Daxiong (王大雄)	Chengtong Securities Co.,Ltd.	Independent director	May 2022	to date
	COSCO SHIPPING Development Co., Ltd.	Chairman of the board of directors	July 2019	June 2022
	COSCO SHIPPING Development Co., Ltd.	Executive director	May 2016	June 2022
	China Merchants Bank	Non-executive director	November 2016	June 2022
	COSCO SHIPPING Investment Holdings Co., Ltd.	Chairman of the board of directors	March 2014	January 2022
WONG Ti (汪棣)	China International Fund Management Co., Ltd.	Independent director	April 2019	to date
	Hang Seng Bank (China) Limited	Independent director	August 2022	to date
	51 Credit Card Inc.	Independent non-executive director	July 2018	April 2022
	Asia-Pacific Property & Casualty Insurance Co., Ltd.	Independent director	April 2016	October 2022
	Vivasolis Biotechnology Co., Ltd.	Supervisor	August 2016	to date
SHEN Weihua (沈衛華)	CMS Zhiyuan	General manager	February 2023	to date
	RAYITEK HI-TECH Film Company Ltd., Shenzhen	Independent director	May 2020	April 2022
	Shenzhen New Industries Biomedical Engineering Co., Ltd.	Independent director	June 2020	April 2022
LI Zongjun (李宗軍)	China Merchants Futures	Chairman of the board of directors	March 2019	July 2022
Description of positions in other companies	Nil			

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### (III) Remuneration of Directors, Supervisors and senior management

<p>Decision-making procedures of remuneration of Directors, Supervisors and senior management</p>	<p>Non-executive Directors and external Supervisors of the Company shall not collect remuneration from the Company, and independent non-executive Directors shall receive the allowance of independent Directors according to the resolutions of the Company's shareholders' general meeting. The Remuneration and Appraisal Committee under the Board considers and reviews the remuneration policy, standard and proposal for the Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company, and makes recommendations to the Board on the formulation of official and transparent procedures for determining the remuneration policy. Remuneration of the Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company shall be considered and determined by the Remuneration and Appraisal Committee under the Board.</p>
<p>Basis for determination of remuneration of Directors, Supervisors and senior management</p>	<p>Remuneration of the Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company shall be determined by the Remuneration and Appraisal Committee under the Board with reference to the principal duties of relevant managerial positions, the results of performance assessment as well as the remuneration level in the market, according to the Company's Scheme of Management Methods of the Remuneration of Senior Management.</p>
<p>Remuneration paid to Directors, Supervisors and senior management</p>	<p>In addition to the annual remuneration determined according to the Company's Scheme of Management Methods of the Remuneration of Senior Management, the Company implemented the Retention Plan for the Grant of Mid- to Long-term Cash Incentives for Key Employees upon the approval of the Remuneration and Appraisal Committee under the Board in 2020. Pursuant to which, the incentives for key employees shall be confirmed and granted in instalments based on the results of performance appraisals of the Company and individuals. During the Reporting Period, the incentives before tax granted for 2020 amounted to RMB1.6874 million (HUO Da), RMB1.2618 million (ZHOU Linda Lei), RMB1.2562 million (LI Zongjun), RMB1.2562 million (WU Huifeng), RMB1.3552 million (ZHAO Bin), RMB1.2562 million (HU Yu), RMB0.7204 million (YIN Hongyan) and RMB0.3069 million (HE Min), respectively, all of which are dominated in RMB.</p>
<p>Aggregate remuneration actually paid to all the Directors, Supervisors and senior management as of the end of the Reporting Period</p>	<p>Remunerations before tax received by Directors, Supervisors and senior management from the Company during the Reporting Period totaled to RMB44.4725 million.</p>

### (IV) Changes in Directors, Supervisors and senior management

Name	Position	Change	Date of Change	Reason
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' general meeting
DENG Weidong (鄧偉棟)	Non-executive Director	Elected	April 29, 2022	Elected at the shareholders' general 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
LI Zongjun (李宗軍)	Vice President	Resigned	July 4, 2022	Resigned due to his age
LIU Chong (劉沖)	Non-executive Director	Elected	November 29, 2022	Elected at the shareholders' general meeting
FENG Jinhua (豐金華)	Independent non-executive Director	Elected	November 29, 2022	Elected at the shareholders' general meeting
WONG Ti (汪棣)	Independent non-executive Director	Resigned	November 29, 2022	Resigned due to other work arrangement and the election of a new independent non-executive Director at the shareholders' general meeting

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Name	Position	Change	Date of Change	Reason
PENG Lei (彭磊)	Non-executive Director	Resigned	January 12, 2023	Resigned due to change in work arrangement
LI Xiaofei (李曉霏)	Shareholder representative Supervisor	Resigned	January 12, 2023	Resigned due to change in work arrangement
	Non-executive Director	Elected	January 12, 2023	Elected at the shareholders' general meeting
XU Xin (徐鑫)	Shareholder representative Supervisor	Elected	January 12, 2023	Elected at the shareholders' general meeting
SHEN Weihua (沈衛華)	Employee representative Supervisor	Resigned	March 9, 2023	Resigned due to change in work arrangement and the election of a new employee representative Supervisor at the employee representatives' meeting
CHEN Jun (陳鋈)	Employee representative Supervisor	Elected	March 9, 2023	Elected at the employee representatives' meeting

During the Reporting Period, a total of five Directors, Supervisors and senior management resigned, representing 17.86% of the total number of Directors, Supervisors and senior management at the beginning of the Reporting Period.

For details, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on January 13, January 21, March 27, April 29, May 13, July 4, November 29 and December 13, 2022 and January 12, February 17 and March 9, 2023.

On January 12, 2023, at the 26th meeting of the seventh session of the Board, it was considered and approved to reappoint Mr. WU Hui Feng and Mr. ZHAO Bin as our Vice Presidents, and Mr. HU Yu as our Chief Compliance Officer and Chief Risk Officer. Their terms of office shall commence from January 12, 2023 until December 31, 2024. For details, please refer to the relevant announcement published by the Company on the Hong Kong Stock Exchange website on January 12, 2023.

On February 17, 2023, the Supervisory Committee received a written resignation from Ms. SHEN Weihua, an employee representative Supervisor. Ms. SHEN Weihua tendered her resignation as an employee representative Supervisor of the seventh session of the Supervisory Committee due to change in work arrangement. On March 9, 2023, Mr. CHEN Jun was elected as an employee representative Supervisor of the seventh session of the Supervisory Committee by the third session of the employee representatives' meeting of the Company, and Ms. SHEN Weihua will no longer perform her duties as an employee representative Supervisor. For details, please refer to the relevant announcement published by the Company on the Hong Kong Stock Exchange website on March 9, 2023.

### (V) Major changes in respect of Directors and Supervisors

For details of the changes in appointment of Directors and Supervisors during the Reporting Period and up to the Latest Practicable Date, please see “Positions of incumbent Directors, Supervisors and senior management and those resigned during the Reporting Period” and “Changes in Directors, Supervisors and senior management” in this chapter.

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

### V. Convening of Board Meetings during the Reporting Period

Meeting	Date of Meeting	Resolutions
12th meeting of the seventh session of the Board	January 13, 2022	Considered and approved the resolution on the appointment of President
13th meeting of the seventh session of the Board	January 21, 2022	Considered and approved the resolution on the nomination of candidates for Directors
14th meeting of the seventh session of the Board	February 28, 2022	Considered and approved the resolution on the establishment of new branches of the Company

## Chapter 4: Corporate Governance Report

Meeting	Date of Meeting	Resolutions
15th meeting of the seventh session of the Board	March 27, 2022	<p>Considered and approved the resolution on the working report of the Board of the Company for 2021; resolution on the work report of the Audit Committee under the Board for 2021; resolution on the operational report of the Company for 2021; resolution on the annual report of the Company for 2021; resolution on the final accounts report of the Company for 2021; resolution on the profit distribution plan of the Company for 2021; resolution on the 2021 Corporate Social Responsibility Report and Environmental, Social and Governance Report of the Company; resolution on the compliance report of the Company for 2021; resolution on the money laundering risk management report of the Company for 2021; resolution on the internal control assessment report of the Company for 2021; resolution on the internal control audit report of the Company for 2021; resolution on the report on the deposit and usage of proceeds of the Company in 2021; resolution on the financial budget report of the Company for 2022; resolution on the engagement of the auditors of the Company for 2022; resolution on the budget for the proprietary investment of the Company for 2022; resolution on the guarantee authorization scheme for the year 2022 of China Merchants Securities International Company Limited and its wholly-owned subsidiaries; resolution on the contemplated ordinary related party transactions of the Company for 2022; resolution on the 2022-2024 Administrative Procurement Framework Agreement between the Company and China Merchants Group Limited; resolution on the 2022-2026 Property Leasing Framework Agreement between the Company and China Merchants Group Limited; resolution on the grant of the general mandate to the Board to issue additional H Shares of the Company; resolution on the proposed amendments to the Articles of Association of China Merchants Securities Co., Ltd.; resolution on the proposed amendments to the Rules for the Management of Related Party Transactions of China Merchants Securities Co., Ltd.; resolution on the proposed amendments to the Rules for the Selection and Appointment of Accountants' Firm of China Merchants Securities Co., Ltd.; resolution on the proposed amendments to the Accountability System for Major Mistakes Disclosed in Annual Reports of China Merchants Securities Co., Ltd.; resolution on the appointment of Chief Information Officer of the Company; and resolution on convening a shareholders' general meeting at an opportune time</p>

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Meeting	Date of Meeting	Resolutions
16th meeting of the seventh session of the Board	April 18, 2022	Considered and approved the resolution on the related party transactions of joint investment between China Merchants Securities Investment Co., Ltd., a wholly-owned subsidiary of the Company, and its related parties
17th meeting of the seventh session of the Board	April 24, 2022	Considered and approved the resolution on the first quarterly report of the Company for 2022
18th meeting of the seventh session of the Board	May 13, 2022	Considered and approved the resolution on the by-election of members of the Strategy Committee under the seventh session of the Board; and resolution on the appointment of Vice President of the Company
19th meeting of the seventh session of the Board	May 27, 2022	Considered and approved the resolution on the securities and financial products, transactions and services framework agreement between the Company and China Merchants Group Limited; resolution on the securities and financial products, transactions and services framework agreement between the Company and China COSCO Shipping Corporation Limited; and resolution on the proposed amendments to the Enterprise Risk Management System of China Merchants Securities Co., Ltd.

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Meeting	Date of Meeting	Resolutions
20th meeting of the seventh session of the Board	July 11, 2022	Considered and approved the resolution on the proposed amendments to the Rules for Independent Directors of China Merchants Securities Co., Ltd.; resolution on the proposed formulation of the Administrative Measures for the Authorization of the Board of China Merchants Securities Co., Ltd.; resolution on the proposed formulation of the Administrative Measures on the External Donations of China Merchants Securities Co., Ltd.; resolution on the application for the qualification of listed securities market making trading business and the pilot business of market making trading of stocks on the STAR Market; and resolution on convening a shareholders' general meeting at an opportune time
21st meeting of the seventh session of the Board	August 26, 2022	Considered and approved the resolution on the 2022 interim operational report of the Company; resolution on the 2022 interim report of the Company; resolution on the proposed amendments to the Administrative Measures on the Proceeds Raised by China Merchants Securities Co., Ltd.; resolution on the proposed amendments to the Information Disclosure Measures of China Merchants Securities Co., Ltd. and the abolishment of certain measures; and resolution on the proposed amendments to the Administrative Measures for the Shares Held by Directors, Supervisors and Senior Management of China Merchants Securities Co., Ltd. and the Changes in Shareholdings
22nd meeting of the seventh session of the Board	October 10, 2022	Considered and approved the resolution on the nomination of candidates for Directors; and resolution on the nomination of candidates for independent Directors
23rd meeting of the seventh session of the Board	October 28, 2022	Considered and approved the resolution on the proposed amendments to the Articles of Association of China Merchants Securities Co., Ltd.; resolution on the third quarterly report of the Company for 2022; resolution on the adjustment of annual caps for 2022 for the securities and financial products, transactions and services framework agreement between the Company and China Merchants Group Limited; resolution on the adjustment of annual caps for 2022 for the securities and financial products, transactions and services framework agreement between the Company and China COSCO Shipping Corporation Limited; and resolution on the injection of capital to CMS Investment, a wholly-owned subsidiary of the Company

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Meeting	Date of Meeting	Resolutions
24th meeting of the seventh session of the Board	December 19, 2022	<p>Considered and approved the resolution on the proposed amendments to the Articles of Association of China Merchants Securities Co., Ltd.; resolution on the adjustment of duties, renaming and amendments to the relevant working rules of the Strategy Committee under the Board; resolution on the proposed amendments to the Management System on Investor Relations of China Merchants Securities Co., Ltd.; resolution on the proposed formulation of the Administrative Measures for Debt Financing of China Merchants Securities Co., Ltd.; resolution on the proposed formulation of the Administrative Measures for Financing Guarantee of China Merchants Securities Co., Ltd.; resolution on the proposed amendments to the Medium- to Long-term Development Strategy and 2019-2023 Development Plan of China Merchants Securities Co., Ltd.; resolution on the nomination of candidates for non-executive Directors; resolution on the by-election of members of committees under the seventh session of the Board; and resolution on convening a shareholders' general meeting at an opportune time</p>
25th meeting of the seventh session of the Board	December 30, 2022	<p>Considered and approved the resolution on the budget for external donations of the Company for 2022; resolution on the proposed formulation of the Measures for the Evaluation of Operational Performance of Managers of China Merchants Securities Co., Ltd.; resolution on the proposed amendments to the Working Rules for the President of China Merchants Securities Co., Ltd.; and resolution on the proposed amendments to the Administrative Measures for the Authorization of the Board of China Merchants Securities Co., Ltd.</p>

## Chapter 4: Corporate Governance Report

### VI. Duty Performance of Directors

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

Name of Director	Whether an independent Director	Attendance of Board meeting						Attendance of shareholders' general meeting
		Number of Board meetings requiring attendance	Attendance in person (times)	Attendance through correspondence (times)	Attendance by proxy (times)	Absence (times)	Whether not attending in person for two consecutive meetings	Attendance of shareholders' general meeting (times)
HUO Da (霍達)	No	14	14	11	0	0	No	3
WU Zongmin (吳宗敏)	No	8	8	5	0	0	No	2
LIU Weiwu (劉威武)	No	14	13	13	1	0	No	3
DENG Weidong (鄧偉棟)	No	8	7	7	1	0	No	2
SU Min (蘇敏)	No	14	14	13	0	0	No	3
GAO Hong (高宏)	No	14	13	13	1	0	No	3
HUANG Jian (黃堅)	No	14	14	14	0	0	No	3
LIU Chong (劉沖)	No	2	2	2	0	0	No	0
WANG Wen (王文)	No	14	14	14	0	0	No	3
XIANG Hua (向華)	Yes	14	14	14	0	0	No	3
XIAO Houfa (肖厚發)	Yes	14	14	14	0	0	No	3
XIONG Wei (熊偉)	Yes	14	14	14	0	0	No	3
HU Honggao (胡鴻高)	Yes	14	14	14	0	0	No	3
FENG Jinhua (豐金華)	Yes	2	2	2	0	0	No	0
XIONG Xianliang (熊賢良) (Resigned on January 21, 2022)	No	1	1	1	0	0	No	0
PENG Lei (彭磊) (Resigned on January 12, 2023)	No	14	14	14	0	0	No	3
WANG Daxiong (王大雄) (Resigned on May 13, 2022)	No	7	7	7	0	0	No	1
WONG Ti (汪埭) (Resigned on November 29, 2022)	Yes	12	11	11	1	0	No	3
Number of Board meetings convened during the year								14
Of which: number of onsite meetings								0
Number of meetings convened by way of correspondence								8
Number of meetings convened onsite and by way of correspondence								6

### (II) Duty performance of independent Directors

For details of the duty performance of independent Directors, please see the Annual Duty Report of Independent Directors of China Merchants Securities Co., Ltd. for 2022 (《招商證券股份有限公司獨立董事2022年度述職報告》) published on the Hong Kong Stock Exchange website for the same period of this report.

### (III) Others

#### 1. Directors' training

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

Name	Position	Time and content of the training
HUO Da (霍達)	Chairman of the Board, executive Director	He participated in the 1st training class for young and middle-aged cadres (51st session) from March to July 2022; participated in the lecture on national security education in April 2022; participated in the online special class of "pursuing emission peak and carbon neutrality and promoting the high-quality development of enterprises" (做好碳達峰碳中和工作，推進企業高質量發展) from May to August 2022; participated in the special training courses (2nd session) for directors, supervisors and senior management of listed companies: shareholders' illegal transactions and regulations on changes in shares in September 2022; and read the Monthly Correspondences to the Directors and Supervisors
LIU Weiwu (劉威武)	Non-executive Director	He participated in the "April 15" National Security Day publicity and education and security risk prevention training for overseas Chinese employees in April 2022; participated in the video training session on improving supply chain management benchmarking world-class enterprises organized by the SASAC in June 2022; participated in the training on emission peak and carbon neutrality in August 2022; participated in the international academic seminar on the "historical process of opening-up of China Merchants Group and China: retrospects and prospects" (招商局與中國對外開放歷史進程：回顧與前瞻) and the "Zhu Li Zhi Xing" (鑄力智行) training course for financial talents of China Merchants Group in September 2022; and read the Monthly Correspondences to the Directors and Supervisors

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Name	Position	Time and content of the training
DENG Weidong (鄧偉棟)	Non-executive Director	He participated in the compliance training for directors of Hong Kong listed companies in April 2022; participated in the 2022 induction training (3rd session) for directors, supervisors and senior management of listed companies from June to July 2022; participated in the 2022 special training courses (1st, 2nd and 3rd sessions) for directors, supervisors and senior management of listed companies organized by the Shenzhen Listed Companies Association in June, September and September 2022, respectively; participated in the special training on corporate governance organized by the China Association for Public Companies in December 2022; and read the Monthly Correspondences to the Directors and Supervisors
SU Min (蘇敏)	Non-executive Director	She participated in the online special class of “pursuing emission peak and carbon neutrality and promoting the high-quality development of enterprises” from May to August 2022; participated in the special training courses (1st session) for directors, supervisors and senior management organized by the Shenzhen Listed Companies Association and the “Futures and Derivatives Laws” online training session in June 2022; watched the live broadcast on global technology and economic outlook in July 2022; participated in the special training on “firmly eliminating financial fraud and capital misappropriation” (嚴厲打擊財務造假堅決杜絕資金佔用) organized by the China Association for Public Companies in September 2022; and read the Monthly Correspondences to the Directors and Supervisors
WU Zongmin (吳宗敏)	Executive Director, President	He participated in the “April 15” National Security Day publicity and education and security risk prevention training for overseas Chinese employees in April 2022; participated in the training seminar on themes such as technological innovation and green finance in May 2022; participated in the online special class of “pursuing emission peak and carbon neutrality and promoting the high-quality development of enterprises” from May to August 2022; participated in the “Futures and Derivatives Laws” online training session in June 2022; participated in the 2022 induction training (3rd session) for directors, supervisors and senior management of listed companies from June to July 2022; participated in the special training on “firmly eliminating financial fraud and capital misappropriation” organized by the China Association for Public Companies in September 2022; and read the Monthly Correspondences to the Directors and Supervisors

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Name	Position	Time and content of the training
GAO Hong (高宏)	Non-executive Director	He participated in the “World-class International Lecture” (世界一流國際大講堂) live broadcast courses: Great ambition – How China will change the world, and the repositioning of the EU’s relationship with China and its impact on Sino-European investment under the new global situation in April and May 2022; and read the Monthly Correspondences to the Directors and Supervisors
HUANG Jian (黃堅)	Non-executive Director	He participated in the special training on reducing shareholdings for shareholders, directors, supervisors and senior management of listed companies in April 2022; participated in the live broadcast course (7th session) on “special topics on integrity in securities companies” (證券公司廉潔從業專題) in May 2022; participated in the “Futures and Derivatives Laws” online training session in June 2022; participated in the special training on “firmly eliminating financial fraud and capital misappropriation” organized by the China Association for Public Companies and the 2022 special training courses (2nd and 3rd sessions) for directors, supervisors and senior management of listed companies in September 2022; and read the Monthly Correspondences to the Directors and Supervisors
LIU Chong (劉沖)	Non-executive Director	He participated in the corporate governance training for directors, supervisors, senior management and business personnel in January 2022; participated in the online special class of “pursuing emission peak and carbon neutrality and promoting the high-quality development of enterprises” from May to August 2022; participated in the special online training course on “accelerating the establishment of a world-class enterprise” – innovation-driven development in June 2022; participated in the 2022 training course on the performance of duties of directors organized by China COSCO Shipping Corporation Limited from June to August 2022; participated in the compliance training for directors of Hong Kong listed companies in November 2022; and read the Monthly Correspondences to the Directors and Supervisors

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Name	Position	Time and content of the training
WANG Wen (王文)	Non-executive Director	He participated in the special training on reducing shareholdings for shareholders, directors, supervisors and senior management of listed companies in April 2022; participated in the live broadcast course (7th session) on "special topics on integrity in securities companies" in May 2022; participated in the "Futures and Derivatives Laws" online training session in June 2022; participated in the special training on "firmly eliminating financial fraud and capital misappropriation" organized by the China Association for Public Companies and the 2022 special training courses (2nd and 3rd sessions) for directors, supervisors and senior management of listed companies in September 2022; and read the Monthly Correspondences to the Directors and Supervisors
XIANG Hua (向華)	Independent non-executive Director	He participated in the special training on reducing shareholdings for shareholders, directors, supervisors and senior management of listed companies in April 2022; participated in the live broadcast course (7th session) on "special topics on integrity in securities companies" in May 2022; participated in the "Futures and Derivatives Laws" online training session in June 2022; participated in the special training on "firmly eliminating financial fraud and capital misappropriation" organized by the China Association for Public Companies and the 2022 special training courses (2nd and 3rd sessions) for directors, supervisors and senior management of listed companies in September 2022; and read the Monthly Correspondences to the Directors and Supervisors
XIAO Houfa (肖厚發)	Independent non-executive Director	He participated in the competency training for partners of accounting firms (training course for managing partners) in July 2022; and read the Monthly Correspondences to the Directors and Supervisors
XIONG Wei (熊偉)	Independent non-executive Director	He participated in the Financial Technology Seminar of Imperial College London and the Socially Responsible Investment Seminar of Cambridge University in May 2022; and read the Monthly Correspondences to the Directors and Supervisors
HU Honggao (胡鴻高)	Independent non-executive Director	He participated in the special training on reducing shareholdings for shareholders, directors, supervisors and senior management of listed companies in April 2022; participated in the live broadcast course (7th session) on "special topics on integrity in securities companies" in May 2022; participated in the "Futures and Derivatives Laws" online training session in June 2022; participated in the special training on "firmly eliminating financial fraud and capital misappropriation" organized by the China Association for Public Companies and the 2022 special training courses (2nd and 3rd sessions) for directors, supervisors and senior management of listed companies in September 2022; and read the Monthly Correspondences to the Directors and Supervisors

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Name	Position	Time and content of the training
FENG Jinhua (豐金華)	Independent non-executive Director	He participated in the compliance training for directors of Hong Kong listed companies in November 2022; participated in the special training on corporate governance organized by the China Association for Public Companies in December 2022; and read the Monthly Correspondences to the Directors and Supervisors
XIONG Xianliang (熊賢良)	Non-executive Director (Resigned on January 21, 2022)	He read the Monthly Correspondences to the Directors and Supervisors
PENG Lei (彭磊)	Non-executive Director (Resigned on January 12, 2023)	She participated in the special training on reducing shareholdings for shareholders, directors, supervisors and senior management of listed companies in April 2022; participated in the live broadcast course (7th session) on "special topics on integrity in securities companies" in May 2022; participated in the "Futures and Derivatives Laws" online training session in June 2022; participated in the special training on "firmly eliminating financial fraud and capital misappropriation" organized by the China Association for Public Companies and the 2022 special training courses (2nd and 3rd sessions) for directors, supervisors and senior management of listed companies in September 2022; and read the Monthly Correspondences to the Directors and Supervisors
WANG Daxiong (王大雄)	Non-executive Director (Resigned on May 13, 2022)	He read the Monthly Correspondences to the Directors and Supervisors
WONG Ti (汪棣)	Independent non-executive Director (Resigned on November 29, 2022)	He participated in the special training on reducing shareholdings for shareholders, directors, supervisors and senior management of listed companies in April 2022; participated in the live broadcast course (7th session) on "special topics on integrity in securities companies" in May 2022; participated in the "Futures and Derivatives Laws" online training session in June 2022; participated in the special training on "firmly eliminating financial fraud and capital misappropriation" organized by the China Association for Public Companies and the 2022 special training courses (2nd and 3rd sessions) for directors, supervisors and senior management of listed companies in September 2022; and read the Monthly Correspondences to the Directors and Supervisors

### 2. Terms of office of non-executive Directors

As at the end of the Reporting Period, there were eight non-executive Directors (LIU Weiwu, DENG Weidong, SU Min, PENG Lei, GAO Hong, HUANG Jian, LIU Chong and WANG Wen), and five independent non-executive Directors (XIANG Hua, XIAO Houfa, XIONG Wei, HU Honggao and FENG Jinhua). For details of their terms of office, see "Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period" in "Chapter 4: Corporate Governance Report" of this report.

## Chapter 4: Corporate Governance Report

### 3. Diversity policy

#### (1) Purpose

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

#### (2) Statements

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

#### (3) Measurable objectives

Selection of candidates for Board membership will be based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, races, expertise, skills, know-how and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age, educational background, professional experience, length of services, etc.) will be disclosed in the Corporate Governance Report annually.

As of the date of this report, the Board consists of 15 members, one of whom is a female Director. As such, gender diversity has been achieved in terms of the Board. The Company will continuously strive to increase the number of female Directors and maintain an appropriate balance of gender diversity with regard to shareholders' expectations and industry best practices. The Company will focus on (i) achieving gender diversity in recruitment; and (ii) improving the competency of female employees, so as to maintain gender diversity on the Board in the long-term.

As of December 31, 2022, the Group had 12,488 employees (including senior management), of which female employees (including senior management) accounted for approximately 42%. As such, the Group has achieved the goal of maintaining a relatively balanced gender ratio. The Company has observed the rules of fair employment and merit-based recruitment with no gender discrimination. Based on the review of the Board, there are no factors or circumstances that would make achieving gender diversity among all employees (including senior management) more challenging or less relevant. The Company will continue its efforts in increasing the representation of female among its employees.

#### (4) Monitoring and reporting

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

### (5) Review of this policy

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

### (6) Disclosure of this policy

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

### 4. *Nomination policy*

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

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

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

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### 5. *Board Independence Assessment Mechanism*

The Company has adopted an assessment mechanism for Board independence (“Board Independence Assessment Mechanism”). The Board Independence Assessment Mechanism aims to ensure that the Board has strong independence, so that the Board can effectively make independent judgments and better safeguard the interests of shareholders. In order to ensure that independent non-executive Directors can provide independent views and opinions to the Board, the Nomination Committee and the Board assess the independence of independent non-executive Directors every year, and the relevant considerations include the following: (1) the character, integrity, professional knowledge, experience and stability necessary for the performance of duties; (2) the time and energy devoted to the affairs of the Company; (3) whether they have earnestly performed their duties as independent Directors and devoted themselves to the work of the Board; (4) the declaration of conflict of interests for serving as independent non-executive Directors; (5) the fact that they should not participate in the daily management of the Company, with no relationships or circumstances that would affect their independent judgments; and (6) the fact that the chairman of the Board should meet with the independent non-executive Directors regularly with the absence of executive Directors. In addition, according to the Board Independence Assessment Mechanism, Directors are allowed to seek independent professional advice when performing their duties, and are encouraged to contact and consult the senior management of the Company independently.

### VII. Information about Special Committees under the Board

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

For details of the composition of the committees as at the end of the Reporting Period, please see “Information about the members of special committees under the Board” below.

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

### (I) Information about the members of special committees under the Board

Category of special committee	Name of members
Strategy and Sustainability Committee	HUO Da (chairman), XIONG Xianliang (resigned on January 21, 2022), WU Zongmin (appointed on May 13, 2022), DENG Weidong (appointed on May 13, 2022), GAO Hong, WANG Daxiong (resigned on May 13, 2022), LIU Chong (appointed on December 19, 2022), WANG Wen, XIANG Hua
Risk Management Committee	SU Min (chairlady), WU Zongmin (appointed on April 29, 2022), LIU Weiwu, PENG Lei (resigned on January 12, 2023), LI Xiaofei (appointed on January 12, 2023), WANG Daxiong (resigned on May 13, 2022), LIU Chong (appointed on December 19, 2022), WANG Wen, XIANG Hua
Audit Committee	XIAO Houfa (chairman), LIU Weiwu, HUANG Jian, HU Honggao, WONG Ti (resigned on November 29, 2022), FENG Jinhua (appointed on December 19, 2022)
Remuneration and Appraisal Committee	XIANG Hua (chairman), SU Min, PENG Lei (resigned on January 12, 2023), LI Xiaofei (appointed on January 12, 2023), XIONG Wei, WONG Ti (resigned on November 29, 2022), FENG Jinhua (appointed on December 19, 2022)
Nomination Committee	XIONG Wei (chairman), HUO Da, PENG Lei (resigned on January 12, 2023), LI Xiaofei (appointed on January 12, 2023), XIAO Houfa, HU Honggao

### (II) The Strategy and Sustainability Committee held one meeting during the Reporting Period

Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
December 19, 2022	Considered and approved the resolution on the proposed amendments to the Medium- to Long-term Development Strategy and 2019-2023 Development Plan of China Merchants Securities Co., Ltd. and the resolution on the adjustment of duties, renaming and amendments to the relevant working rules of the Strategy Committee under the Board, and reviewed the 2022 digitalization report of the Company.	It recommended the Company to consolidate its objectives for digitalization and firmly implement the digitalization strategy.	Nil

## Chapter 4: Corporate Governance Report

The main duties of the Strategy and Sustainability Committee of the Company include: analyzing, planning and providing recommendations on the mid- and long-term development strategies of the Company; analyzing and providing recommendations on major investment plans which are required to obtain approval from the Board according to the Articles of Association; analyzing and providing recommendations on major strategic investment decisions and M&A of the Company; analyzing and providing recommendations on major strategic investment and M&A which are required to obtain approval from the Board according to the Articles of Association; analyzing and providing recommendations on other major matters affecting the development of the Company; organizing expert review committee(s) for the above matters; monitoring the implementation of the above matters; conducting research and decision-making on the Company's environmental, social and governance-related goals, plans, strategies, risks and other major issues, and supervising the progress of implementation; and performing other duties as authorized by the Board.

During the Reporting Period, the Strategy and Sustainability Committee held a total of one meeting, and considered and approved the resolution on the proposed amendments to the Medium- to Long-term Development Strategy and 2019-2023 Development Plan of China Merchants Securities Co., Ltd. and the resolution on the adjustment of duties, renaming and amendments to the relevant working rules of the Strategy Committee under the Board, and reviewed the 2022 digitalization report of the Company.

In addition, through the Strategy and Sustainability Committee, the Board also reviewed and was satisfied with the adequacy of resources, employee qualifications and experience in terms of the performance and reporting of environmental, social and governance of the Company, as well as the training courses received by employees and related budgets.

During the Reporting Period, the attendance of meeting of the Strategy and Sustainability Committee was as follows:

No.	Name	Number of meetings attended/ Number of meetings held
1	HUO Da (chairman)	1/1
2	WU Zongmin	1/1
3	DENG Weidong	1/1
4	GAO Hong	1/1
5	LIU Chong	0/0
6	WANG Wen	1/1
7	XIANG Hua	1/1
8	XIONG Xianliang	0/0
9	WANG Daxiong	0/0

### (III) The Risk Management Committee held four meetings during the Reporting Period

Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
March 23, 2022	<p>Considered and approved the risk evaluation report of the Company for the fourth quarter of 2021 and report on allocation of economic capital for 2022, report on continuous achievement of risk control indicators (such as net capital) of the Company at the end of 2021, resolution on the adjustment of risk appetite statement of the Company, report on an all-inclusive budget arrangement for the proprietary investment of the Company for 2022, resolution on the budget for the proprietary investment of the Company for 2022, compliance report of the Company for the fourth quarter of 2021, and compliance report of the Company for 2021.</p>	<p>It recommended the Company to firmly maintain stability while seeking progress, develop its investment and financing business, and support the development and transformation of the real economy, in particular, to improve its technological capabilities and the green development of business under the market-oriented environment; and maintain compliance by improving its compliance culture and providing sufficient training so as to emphasize the importance of compliance culture and system to its business.</p>	Nil
May 20, 2022	<p>Considered and approved the risk evaluation report of the Company for the first quarter of 2022, and compliance report of the Company for the first quarter of 2022.</p>	<p>It recommended the Company to attach great importance to and firmly implement system upgrade testing, back-up and emergency plans; pay attention to the market risks as a result of credit risks, including economic downturn, real estate market downturn, the risk of urban construction investment bonds, the credit risk of small and medium-sized enterprises under internal and external risks, and the risk of stock pledge business of small and medium-sized enterprises; pay attention to market risks, facilitate macro research and judgment and allocation of assets, and control the risk exposure of proprietary equity investment; enhance the capabilities of the investment banking and wealth management business so as to build long-term core competitiveness; continuously pay attention to the risk of overseas subsidiaries; and control the compliance risks of the investment banking business, information system incidents, and code of conduct and professional ethics of practitioners.</p>	Nil

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Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
August 18, 2022	Considered and approved the risk evaluation report of the Company for the second quarter of 2022, compliance report of the Company for the second quarter of 2022, and report on continuous achievement of risk control indicators (such as net capital) of the Company at the end of June 2022, and reviewed the report on the investigation of key risk areas.	In terms of credit risk, it recommended the Company to continuously facilitate the mitigation of risk related to real estate bonds so as to effectively control risks; and be more prudent in the investment of urban construction investment bonds and have more detailed evaluation criteria. In terms of liquidity risk, it recommended the Company to manage liquidity in a forward-looking manner, and plan for the effective use of funds in advance. In terms of market risk, it recommended the Company to consider the asset allocation and assessment arrangements from its overall perspective. In terms of operational risk and reputational risk, it recommended the Company to pay attention to the risk of information system of the headquarters and each subsidiary, and strengthen the information technology empowerment of the headquarters to the subsidiaries. It recommended the Company to continuously strengthen the management of strategy risk and management risk, and increase the integration of investment, research and investment banking; and strengthen the management of major compliance risks of the investment banking business and the management of compliance risks of the custody business.	Nil
November 22, 2022	Considered and approved the risk evaluation report of the Company for the third quarter of 2022, compliance report of the Company for the third quarter of 2022, and resolution on the adjustment of risk appetite statement of the Company, and reviewed the report on the preparation for the stock market making trading business on the STAR Market.	It recommended the Company to sum up its experience, and actively resolve the existing risks of the investment banking business so as to prevent the formation of incremental risks; attach great importance to development opportunities such as emerging industries, green and low-carbon industries and ESG, conduct in-depth research, and optimize the allocation of assets; and attach great importance to controlling the risk of urban construction investment bonds.	Nil

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

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

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

No.	Name	Number of meetings attended/ Number of meetings held
1	SU Min (chairlady)	4/4
2	WU Zongmin	3/3
3	LIU Weiwu	4/4
4	LI Xiaofei	0/0
5	LIU Chong	0/0
6	WANG Wen	4/4
7	XIANG Hua	4/4
8	WANG Daxiong	1/1
9	PENG Lei	4/4

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### (IV) The Audit Committee held five meetings during the Reporting Period

Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
March 25, 2022	Considered and approved the resolution on the internal audit report of the Company for 2021 and internal audit work plan of the Company for 2022, resolution on the internal control assessment report of the Company for 2021, resolution on the internal control audit report of the Company for 2021, resolution on the report on the deposit and usage of proceeds of the Company in 2021, resolution on the contemplated ordinary related party transactions of the Company for 2022, resolution on the annual report of the Company for 2021, resolution on the final accounts report of the Company for 2021, resolution on the engagement of the auditors of the Company for 2022, and resolution on the work report of the Audit Committee under the Board for 2021, and reviewed the report on audit work of the Company for 2021.	Nil	-
April 22, 2022	Considered and approved the first quarterly report of the Company for 2022.	Nil	Nil
August 25, 2022	Considered and approved the 2022 interim report of the Company and its summary, the 2022 interim audit work report of the Company, and the 2022 self-assessment program on internal control of the Company.	It recommended the Company to firmly promote financial technology; and make an objective assessment of its IT software and hardware resources, including human resources, to significantly improve overall risk resistance capability.	-
October 27, 2022	Considered and approved the third quarterly report of the Company for 2022, and the 2021 special audit report on the management of high-risk matters in relation to the implementation of enterprise responsibility on improving governance to achieve high-quality development of the Company, and reviewed the 2021 audit work plan of the Company.	Nil	-
December 30, 2022	Considered and approved the third quarterly internal audit report of the Company for 2022.	Nil	Nil

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

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

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

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

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

No.	Name	Number of meetings attended/ Number of meetings held
1	XIAO Houfa (chairman)	5/5
2	LIU Weiwu	5/5
3	HUANG Jian	5/5
4	HU Honggao	5/5
5	FENG Jinhua	1/1
6	WONG Ti	4/4

### (V) The Remuneration and Appraisal Committee held three meetings during the Reporting Period

Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
January 19, 2022	Considered and approved the resolution on the approval of total remuneration of China Merchants Securities Co., Ltd. for 2020, resolution on the approval of remuneration of senior management of China Merchants Securities Co., Ltd. for 2019, and resolution on the retention plan for the grant of mid- to long-term cash incentives for key employees in 2020.	Nil	Nil
March 25, 2022	Reviewed or considered the 2021 annual duty report of six members of senior management, namely HUO Da, LI Zongjun, WU Huifeng, ZHAO Bin, HU Yu and ZHANG Qing, and considered and approved the resolution on the 2021 assessment report of compliance officer of the Company.	Nil	Nil
December 30, 2022	Considered and approved the resolution on the implementation of the mechanism linked to work efficiency, resolution on the principle of redistribution of annual remuneration for deputy managers, and resolution on the proposed formulation of the Measures for the Evaluation of Operational Performance of Managers of China Merchants Securities Co., Ltd.	Nil	Nil

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

During the Reporting Period, the Remuneration and Appraisal Committee held a total of three meetings. The Remuneration and Appraisal Committee reviewed the performance of and conducted annual performance appraisals for the executive Directors and senior management of the Company, conducted special assessment on the compliance of the compliance officer of the Company, implemented the mechanism linked to work efficiency, clarified the principle of redistribution of annual remuneration for deputy managers, and formulated the Measures for the Evaluation of Operational Performance of Managers of China Merchants Securities Co., Ltd.

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

No.	Name	Number of meetings attended/ Number of meetings held
1	XIANG Hua (chairman)	3/3
2	SU Min	3/3
3	LI Xiaofei	0/0
4	XIONG Wei	3/3
5	FENG Jinhua	1/1
6	PENG Lei	3/3
7	WONG Ti	2/2

### (VI) The Nomination Committee held six meetings during the Reporting Period

Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
January 13, 2022	Considered and approved the resolution on the nomination of President.	Nil	Nil
January 21, 2022	Considered and approved the resolution on the nomination of candidates for Directors.	Nil	Nil
March 25, 2022	Considered and approved the resolution on the report on review of Board structure of the Company for 2021, and resolution on the nomination of Chief Information Officer.	Nil	Nil
May 13, 2022	Considered and approved the resolution on the nomination of Vice President.	Nil	Nil
October 10, 2022	Considered and approved the resolution on the nomination of candidates for Directors, and resolution on the nomination of candidates for independent Directors.	Nil	Nil
December 19, 2022	Considered and approved the resolution on the nomination of candidates for non-executive Directors.	Nil	Nil

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

During the Reporting Period, the Nomination Committee held a total of six meetings. The Nomination Committee reviewed the structure of the Board (including Board diversity) and the qualifications of candidates for Directors and senior management. For details of the nomination procedures, processes and guidelines observed by the Nomination Committee during the Reporting Period, please see “Diversity policy” in “Chapter 4: Corporate Governance Report” of this report.

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

No.	Name	Number of meetings attended/ Number of meetings held
1	XIONG Wei (chairman)	6/6
2	HUO Da	6/6
3	LI Xiaofei	0/0
4	XIAO Houfa	6/6
5	HU Honggao	6/6
6	PENG Lei	6/6

### VIII. Duty Performance of Supervisors

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

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### (I) Attendance of Supervisors at Supervisory Committee meetings and shareholders' general meetings

Name of Supervisor	Position	Attendance of Supervisory Committee meetings						Attendance of shareholders' general meeting
		Number of Supervisory Committee meetings requiring attendance	Attendance in person (times)	Attendance through correspondence (times)	Attendance by proxy (times)	Absence (times)	Whether not attending in person for two consecutive meetings	Attendance of shareholders' general meeting (times)
ZHOU Linda Lei (周語涵)	Chairman of the Supervisory Committee	11	11	9	0	0	No	3
WANG Zhangwei (王章為)	Shareholder representative Supervisor	11	11	11	0	0	No	3
MA Yunchun (馬蘊春)	Shareholder representative Supervisor	11	11	11	0	0	No	3
ZHANG Zhen (張震)	Shareholder representative Supervisor	11	10	10	1	0	No	3
ZOU Qun (鄒群)	Shareholder representative Supervisor	11	11	11	0	0	No	3
YIN Hongyan (尹虹豔)	Employee representative Supervisor	11	11	9	0	0	No	3
HE Min (何敏)	Employee representative Supervisor	11	11	9	0	0	No	3
LI Xiaofei (李曉霏) (Resigned on January 12, 2023)	Shareholder representative Supervisor	11	11	11	0	0	No	3
SHEN Weihua (沈衛華) (Resigned on March 9, 2023)	Employee representative Supervisor	11	11	9	0	0	No	3
Number of Supervisory Committee meetings convened during the year								11
Of which: number of onsite meetings								0
Number of meetings convened by way of correspondence								9
Number of meetings convened onsite and by way of correspondence								2

### (II) Convening of Supervisory Committee meetings

In 2022, the Supervisory Committee convened a total of 11 meetings, details of which are set out as follows:

Session	Date of meeting	Resolution(s)
7th meeting of the seventh session of the Supervisory Committee	January 24, 2022	Considered and approved the resolution on the audit report on the resignation of DENG Xiaoli, a former Vice President of China Merchants Securities Co., Ltd.
8th meeting of the seventh session of the Supervisory Committee	March 25, 2022	Considered and approved the resolutions on the 2021 annual report of the Company, the 2021 operational report of the Company, the internal control evaluation report of the Company for 2021, the compliance report of the Company for 2021, the evaluation report on effectiveness of compliance management of the Company for 2021, the 2021 Corporate Social Responsibility and Environmental, Social and Governance Report, the report on the deposit and usage of proceeds of the Company for 2021, and the work report of the Supervisory Committee of the Company for 2021
9th meeting of the seventh session of the Supervisory Committee	April 24, 2022	Considered and approved the resolution on the first quarterly report of China Merchants Securities Co., Ltd. for 2022
10th meeting of the seventh session of the Supervisory Committee	April 30, 2022	Considered and approved the resolution on the audit report on the resignation of WU Guangyan, a former Vice President of China Merchants Securities Co., Ltd.
11th meeting of the seventh session of the Supervisory Committee	June 6, 2022	Considered and approved the resolution on the audit report on the resignation of XIONG Jiantao, the former President of China Merchants Securities Co., Ltd.

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Session	Date of meeting	Resolution(s)
12th meeting of the seventh session of the Supervisory Committee	July 8, 2022	Considered and approved the resolution on the audit report on the resignation of ZHANG Qing, a former Vice President of China Merchants Securities Co., Ltd.
13th meeting of the seventh session of the Supervisory Committee	August 25, 2022	Considered and approved the resolution on the 2022 interim operational report of the Company, and resolution on the 2022 interim report of the Company
14th meeting of the seventh session of the Supervisory Committee	September 23, 2022	Considered and approved the resolution on the audit report on the resignation of LI Zongjun, a former Vice President of China Merchants Securities Co., Ltd.
15th meeting of the seventh session of the Supervisory Committee	October 28, 2022	Considered and approved the resolution on the third quarterly report of China Merchants Securities Co., Ltd. for 2022
16th meeting of the seventh session of the Supervisory Committee	November 22, 2022	Considered and approved the resolution on the 2021 special audit report on the management of high-risk matters in relation to the implementation of enterprise responsibility on improving governance to achieve high-quality development of the Company
17th meeting of the seventh session of the Supervisory Committee	December 19, 2022	Considered and approved the resolution on the consideration and recommendation of candidates for shareholder representative Supervisors of the seventh session of the Supervisory Committee

## IX. Employees of the Parent Company and Major Subsidiaries as at the End of the Reporting Period

### (I) Employees

Number of employees of the parent company	11,524
Number of employees of major subsidiaries	964
Total number of employees	12,488
Number of resigned and retired employees with expenses borne by the parent company and major subsidiaries	61

Classification by business function	
Business function	Number
Securities and futures brokerage	7,653
Research	333
Investment and trading	261
Investment management	260
Investment banking	1,504
Legal and compliance, risk management and internal audit	184
IT	1,445
Finance and accounting	168
Administration and management	501
Others	179
Total	12,488

Classification by educational background	
Educational background	Number
Doctor	106
Master	4,487
Bachelor	5,526
Others	2,369
Total	12,488

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### (II) Remuneration policy

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

For the year ended December 31, 2022, total staff remuneration expenses (including Directors' remuneration) amounted to RMB5,802.87 million. For further details, please refer to "Note 12 to the consolidated financial statements" of this report.

### (III) Training program

The Company has formulated annual training programs based on its strategic planning and talent training objectives, and ensured that employees' common and personalized training needs can be met by continuously strengthening resource investment and improving operational management. The content of training for existing and new employees includes industry laws and regulations, internal rules and regulations, compliance and risk control, professional ethics, integrity awareness, and various knowledge and skills necessary for securities practitioners, so as to effectively improve employees' professional ability. The Company has planned and launched a series of special learning projects for key talent teams, in order to speed up the cultivation of core talents. The Company has continuously optimized its training approaches and vigorously promoted online + offline learning and training, thereby improving learning efficiency and facilitating the conversion of training results. Through various effective trainings throughout the year, it enabled employees to enhance their ability and quality, and the Company to achieve its business goals and improve its core competitiveness.

### (IV) Outsourced services

Some departments and branches of the headquarters of the Company outsource certain works which are not essential, non-business and supporting in nature. The Company enters into relevant service agreements with outsourcers and regulates service quality in compliance with related national laws and regulations such as the Civil Code.

### **(V) Others**

As of December 31, 2022, the Company entered into the securities agency contracts with 1,276 agents. The Company adopted categorized and classified management on its agents. In respect of categorized management, the headquarters of the Company is responsible for formulating centralized systems and regulations on the recruitment, remuneration, performance assessment, training, compliance management and routine code of conduct, while branch companies and branches shall determine their respective systems on recruitment, profit sharing commission rate, training and assessment of the marketing personnel under the framework formulated by the Company. In respect of classified management, the Company classifies its marketing personnel into different grades according to their sales performance, educational background, professional qualifications, compliance with laws and regulations and general qualifications. Marketing personnel are assigned with different remuneration package and scope of business according to their grades. In particular, general marketing staff is mainly responsible for soliciting new customers, while those with exceptional performance and higher qualifications is responsible for serving customers with a specific level of assets.

### **X. Proposals on Profit Distribution or Conversion of Capital Reserve**

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

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

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

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The profit distribution of the Company shall comply with the following requirements:

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

During the Reporting Period, the Company formulated and implemented the annual profit distribution plan for 2021 in accordance with the requirements on the policy, decision-making process and arrangement of dividend under the Plan on Shareholders' Returns of China Merchants Securities Co., Ltd. (2021-2023) and the Articles of Association of China Merchants Securities Co., Ltd.

The proposal on the annual profit distribution for 2021 is as follows: Based on the Company's total share capital of 8,696,526,806 shares prior to the implementation of the proposal, the Company shall distribute a cash dividend of RMB0.540 (tax inclusive) for each share, amounting to cash dividend of RMB4,696,124,475.24 in total. The cash dividend distributed accounted for 40.33% of the net profit attributable to shareholders of the parent company in the consolidated statement of the Company for 2021.

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

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

The profit distribution policy adopted by the Company is in compliance with laws and regulations as well as stipulations of the Plan on Shareholders' Returns of China Merchants Securities Co., Ltd. (2021-2023) and the Articles of Association. The dividend distribution basis and ratio were specific and clear, and the relevant decision-making procedures and arrangement were complete. The independent Directors have fully performed their responsibilities in the course of making decisions on profit distribution and the legitimate rights and interests of minority shareholders were safeguarded.

The annual profit distribution plan for 2021 of the Company was implemented on August 8, 2022.

### (II) Details of cash dividend policy

Whether the policy was in compliance with the requirements of the Articles of Association or the resolutions passed at the shareholders' general meetings	✓Yes <input type="checkbox"/> No
Whether the dividend distribution basis and ratio were specific and clear	✓Yes <input type="checkbox"/> No
Whether the relevant decision-making procedures and arrangement were complete	✓Yes <input type="checkbox"/> No
Whether the independent Directors have duly performed their duties and functions	✓Yes <input type="checkbox"/> No
Whether there were enough opportunities for minority shareholders to express their views and concerns, and whether their legitimate rights and interests were sufficiently safeguarded	✓Yes <input type="checkbox"/> No

### (III) Profit distribution and conversion of capital reserve during the Reporting Period

Number of bonus shares for every 10 shares	0
Dividends for every 10 shares (RMB) (tax inclusive)	1.85
Number of shares converted for every 10 shares	0
Cash dividends (tax inclusive)	1,608,857,459.11
Net profit attributable to ordinary shareholders of the Company in the consolidated statement for the year of dividend distribution	8,072,318,543.95
Proportion to the net profit attributable to ordinary shareholders of the Company in the consolidated statement (%)	19.93
Amount of repurchase of shares in cash included in the cash dividends	0
Total dividends (tax inclusive)	1,608,857,459.11
Proportion of total dividends to the net profit attributable to ordinary shareholders of the Company in the consolidated statement (%)	19.93

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The Company will not allocate profit to the statutory reserve for 2022. Based on the total share capital registered on the equity registration date for equity distribution, a cash dividend of RMB1.85 (tax inclusive) for every 10 shares will be distributed to all shareholders; no bonus shares will be distributed; and no capital reserve will be converted to share capital.

Based on the total number of shares of the Company of 8,696,526,806 shares as of December 31, 2022, the total distributed profit is RMB1,608,857,459.11. If the Company's total share capital changes on the equity registration date for equity distribution, the Company will keep the total distribution unchanged and adjust the distribution per share accordingly.

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

Upon consideration and approval of the 2022 annual profit distribution plan at the 2022 annual general meeting of the Company, the Company will distribute the 2022 annual cash dividend before August 30, 2023. The Company will make separate announcement regarding the record date of such H Share dividend distribution, the period of closure of register of members, the equity registration date for A Share dividend distribution and the specific payment date.

### (IV) Profit distribution plan/proposal for the last three years

Unit: Yuan Currency: RMB

Year	Number of bonus shares for every 10 shares	Dividends for every 10 shares (RMB) (tax inclusive)	Number of shares converted for every 10 shares	Cash dividends (RMB) (tax inclusive)	Net profit attributable to ordinary shareholders of the Company in the consolidated statement for the year of dividend distribution	Proportion to the net profit attributable to ordinary shareholders of the Company in the consolidated statement (%)
2022	0	1.85	0	1,608,857,459.11	8,072,318,543.95	19.93
2021	0	5.40	0	4,696,124,475.24	11,645,065,137.15	40.33
2020	0	4.37	0	3,800,382,214.22	9,491,638,796.98	40.04
First half of 2020	0	3.35	0	2,913,336,480.01	4,333,834,391.86	67.22

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

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

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

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. The purpose of the employee stock ownership scheme is to (1) further improve the corporate governance structure, establish and enhance the benefit-sharing and risk-sharing mechanism among shareholders, the Company and its employees, promote the concept of common and sustainable development of the Company and individuals, and fully stimulate the enthusiasm of the senior management and key talents of the Company; (2) attract and retain outstanding talents and key employees, balance the long-term and short-term interests of the Company, and attract various talents more flexibly, so as to better promote the long-term, sustainable and sound development of the Company. Upon the implementation of the employee stock ownership scheme, the total number of A Shares held under the employee stock ownership scheme shall not exceed 10% of the total share capital of the Company, and the total number of A Shares held by any individual holder under the employee stock ownership scheme shall not exceed 1% of the total share capital 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, March 5, July 6 and August 18, 2020.</p>

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Summary of event	Reference
<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”. The participants of the employee stock ownership scheme are Directors, Supervisors, senior management, personnel at D-tier and above and other key employees who have entered into labor contracts with the Company and its wholly-owned subsidiaries.</p> <p>The Company engaged CMS Asset Management as the management authority for the employee stock ownership scheme, and signed the “CMS Asset Management – Asset Management Contract for 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 CSDC. 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 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 total share capital of the Company. The subscription price under the employee stock ownership scheme is RMB16.5912 per share, which is determined based on the average price of the shares repurchased by the Company (including transaction fees) for the implementation of the employee stock ownership scheme. For details of the subscription price and basis of determination for the issuance of shares under the employee stock ownership scheme, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on July 6 and August 18, 2020.</p>	

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Summary of event	Reference
<p>The source of funds for the Company's employees to participate in the scheme is the legal salary of the employees and self-raised funds obtained by other means permitted by laws and administrative regulations.</p> <p>According to the "China Merchants Securities Employee Stock Ownership Scheme (Revised Draft)", the relevant shares under the Company's employee stock ownership scheme shall be locked up from the date on which the Company announced the completion of such share transfer (March 6, 2020) for a period of 36 months.</p> <p>The employee stock ownership scheme shall last for 10 years, commencing from the date on which its was approved at the shareholders' general meeting (i.e. January 15, 2020). The scheme can be extended upon consideration at the meeting of holders under the employee stock ownership scheme and submission to the Board for consideration and approval. If the employee stock ownership scheme expires and has not been effectively extended, the employee stock ownership scheme shall be automatically terminated. The remaining term of the employee stock ownership scheme is approximately 6.8 years.</p>	

In 2022, none of the shares under the employee stock ownership scheme were granted, exercised, lapsed or cancelled. As at the date of this report, details of the shares granted under the employee stock ownership scheme are as follows:

Name/category of holder	Number of shares held
HUO Da	531,210
ZHOU Linda Lei	429,054
YIN Hongyan	204,311
HE Min	102,156
CHEN Jun	102,156
Total of the five individuals with the highest total remuneration in 2022 (two of whom are Directors or Supervisors)	1,879,666
Total of other employees	37,732,491

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### (II) 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 December 31, 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	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

### (III) Appraisal system of senior management and the establishment and implementation of incentive mechanism during the Reporting Period

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

### XII. Establishment and Implementation of Internal Control System during the Reporting Period

As an A+H share listed securities company, the Company has established a comprehensive internal control system in accordance with relevant domestic and overseas laws and regulations as well as relevant regulations and rules on internal control promulgated by regulatory authorities, the Exchanges and other self-regulatory organizations. The Company has always established internal control throughout its business development, constantly improved system construction, strengthened the implementation of the system, and implemented supervision and inspection, so as to ensure the sustainable and stable development of the Company.

According to the evaluation results of internal control of the Company for 2022, the Company had no major defects in the internal control of financial reporting and non-financial reporting during the Reporting Period. The Company has established and effectively implemented a relatively comprehensive internal control mechanism, thereby achieving the overall goal of the Company's internal control.

### XIII. Development of Compliance Management System of the Company

#### (I) Establishment of compliance management system of the Company

The Company has established its five-level compliance management structure comprising the Board, senior management, Chief Compliance Officer, Legal and Compliance Department, and other departments, branches and subsidiaries at all levels. In 2022, each level duly performed its respective compliance management duties and maintained proper compliance level.

The Company continued to promote the construction of a compliance management system, further organized the implementation of new regulatory rules and properly conducted regulatory communication. It also carried out compliance management supervision such as compliance review, compliance training promotion, compliance inspection, compliance risk treatment, daily compliance monitoring and anti-money laundering in accordance with the laws and regulations as well as rules of the Company. Meanwhile, the Company strengthened the prevention and identification of compliance risks, and improved the compliance risk control mechanism. It followed up and interpreted laws, regulations and standards in a timely manner, and organized relevant departments to timely revise and refine internal rules and regulations, in order to implement new regulations and requirements, and effectively enhance the Company's internal control management. In addition, the Company newly formulated or revised seven legal and compliance management policies, including the "Compliance Manual" (《合規手冊》), "Management System on Securities Investment Behavior of Securities Practitioners of China Merchants Securities Co., Ltd." (《招商證券股份有限公司證券從業人員證券投資行為管理制度》) and "Measures for Contract Management of China Merchants Securities Co., Ltd." (《招商證券股份有限公司合同管理辦法》), to continuously improve the compliance management system. The Company strictly implemented the "Accountability Regulations for Cadre and Staff of China Merchants Securities Co., Ltd." (《招商證券股份有限公司幹部員工問責管理規定》), and established a sound compliance accountability system.

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### (II) Compliance inspections during the Reporting Period

In 2022, the Company stepped up its compliance inspections, actively carried out compliance inspections which focused on major regulatory concerns, high-risk areas and new businesses, and comprehensively identified the compliance risk and supervised the rectification. A total of 37 compliance inspections were carried out throughout the year, which ensured the execution of the business regulations.

### XIV. Management and Control on Subsidiaries during the Reporting Period

The Company conducts standardized management on its subsidiaries in accordance with the subsidiary management system. The Company's management of wholly-owned subsidiaries follows the basic principles of unified management, independent decision-making and standardized operation with high flexibility and efficiency. Each functional department of the Company conducts strategic management, human resources management, financial management and risk compliance management for subsidiaries according to the functional lines. In addition, the Company has also strengthened the internal management and control on subsidiaries through the Kingdee system, OA system and other management system software, so as to improve the operation and management on subsidiaries.

### XV. Relevant Issues Based on the Audit Report on Internal Control

For details of the audit report on internal control of the Company, please refer to the 2022 Audit Report on Internal Control of China Merchants Securities Co., Ltd. (《招商證券股份有限公司2022年度內部控制審計報告》) published on the Hong Kong Stock Exchange website for the same period of this report.

### XVI. Progress of Audit

During the Reporting Period, the Company carried out audit and supervision based on the concept of “mitigating problems, focusing on management and control, and pursuing enhancement in quality and efficiency”. First, the Company implemented its strategy, and made general plans to maintain its business coverage and focus, so as to advance the annual audit plan in an orderly manner, and complete special investigations with high efficiency and quality. Second, the Company facilitated efficient development, prevented risks, improved quality and efficiency, mitigated problems, conducted analysis, and focused on the improvement and implementation of management and control mechanisms. It deepened communication and publicity, and mitigated problems that were difficult to be completely eliminated through accountability and ideological education. The three objectives of “cannot, dare not and do not want to create problems” are equally important. Third, the Company promoted its strategies, publicized its ideology and overcame difficulties. Along with the development and changes of the industry and the advancement of its own strategy, the Company comprehensively evaluated the effectiveness and strength of its management policies and management measures.

During the Reporting Period, the Company launched a total of 147 audit items of various types, in which 39 were related to audit and assessment of the headquarters and subsidiaries, comprehensively covering the Company’s debt financing management, data governance, operation and maintenance and emergency management of financial technology center, Internet finance business, investment banking management process, fixed-income investment, derivative investment, asset management business (subsidiary), private equity investment business (subsidiary) and other businesses or management areas, leading the completion of the effective self-assessment of the Company’s internal control project. There were 108 audit items with the departure or resignation of the head of branches.

Through such internal audits, evaluation and follow-up supervision and rectification, the completeness, adequacy and effectiveness of internal control systems of each unit have been comprehensively coordinated and improved. The major risks have been fully reflected and the prevention and control have been strengthened. The compliance and risk prevention awareness have also improved. The audit and supervision have provided a strong guarantee for the steady and high-quality development of the Company.

### XVII. Rectification of Issues Identified from Self-inspection of the Special Governance Action of Listed Companies

According to the planning of the CSRC, in 2021, the Company organized the self-inspection of the special governance action of listed companies. Upon self-inspection, the Company established and improved a relatively complete and reasonable corporate governance structure and internal control system in accordance with relevant laws, regulations, rules and systems such as the Company Law, the Corporate Governance Guidelines for Listed Companies, the Corporate Governance Guidelines for Securities Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The issues identified in the self-inspection, such as the extension of the Board and the Supervisory Committee and the failure of certain members of senior management to attend the shareholders’ general meetings, have all been rectified in 2021. The Company will further enhance its corporate governance in accordance with laws and regulations, and continuously improve its quality of development.

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### XVIII. Miscellaneous

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

The Company has adopted the Model Code as the code of conduct regarding the transactions of securities of the Company by all Directors and Supervisors. Having made specific inquiries, all Directors and Supervisors of the Company have confirmed that during the Reporting Period, they have strictly complied with the standards under the Model Code. According to the requirements of the CSRC, employees of the Company shall be regarded as securities practitioners and shall be prohibited from dealings in shares. The Company is not aware of any breach of the guidelines by the relevant employees. The Board will inspect the corporate governance and its operation from time to time, in order to comply with the applicable requirements under the Hong Kong Listing Rules and safeguard the interests of shareholders. Upon inquiry, all Directors, Supervisors and senior management have confirmed that they have strictly complied with the applicable requirements under the Model Code and the Management Rules on the Shares and Changes of Shareholdings of Directors, Supervisors and Senior Management in China Merchants Securities Co., Ltd. (《招商證券股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理制度》). For details regarding the shareholdings of the Directors, Supervisors and senior management in the Company, please see “Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period” in “Chapter 4: Corporate Governance Report” of this report.

#### (II) Responsibilities of Directors for financial statements

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

The Board has confirmed that it took responsibility for the preparation of the annual report for the year ended December 31, 2022 of the Group.

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

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

#### (III) Joint company secretaries

Mr. WU Huifeng and Ms. KWONG Yin Ping Yvonne are the joint company secretaries of the Company, whose appointments were made in July 2015 and April 2016, respectively, and became effective in October 2016. Mr. WU Huifeng is the secretary to the Board and the main contact person within the Company. Ms. KWONG Yin Ping Yvonne is a vice president of SWCS Corporate Services Group (Hong Kong) Limited. According to Rule 3.29 of the Hong Kong Listing Rules, for the year ended December 31, 2022, both Mr. WU Huifeng and Ms. KWONG Yin Ping Yvonne have received over 15 hours of relevant professional training.

### (IV) Interests of shareholders

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

According to Article 83 of the Articles of Association, shareholder(s) severally or jointly holding 10% or above shares of the Company for ninety (90) consecutive days or more shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, indicate its written feedbacks to the agreement or disagreement to the convening of the extraordinary general meeting within ten (10) days after receipt of the request. Where the Board agrees to convene the extraordinary general meeting, it will serve a notice of such meeting within five (5) days after the resolution is made by the Board. In the event of any change to the original request set forth in the notice, the consent of the relevant shareholder(s) shall be obtained. If the Board does not agree to convene the extraordinary general meeting or gives no feedback within ten (10) days after receipt of the request, shareholder(s) severally or jointly holding 10% or above shares of the Company for ninety (90) consecutive days or more shall be entitled to request the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. Where the Supervisory Committee agrees to convene the extraordinary general meeting, it will serve a notice of such meeting within five (5) days after the receipt of the said request. In the event of any change to the original request set forth in the notice, the consent of the relevant shareholder(s) shall be obtained. In the case of failure to issue the notice for the shareholders' general meeting within the prescribed period, the Supervisory Committee shall be deemed as failing to convene and preside over the shareholders' general meeting. As a result of its failure to do so, shareholder(s) severally or jointly holding 10% or above shares of the Company for ninety (90) consecutive days or more shall be entitled to convene and preside over such meeting by itself/themselves.

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

The Board welcomes the shareholders' advice and encourages shareholders to attend the shareholders' general meetings to ask the Board or management directly about any doubts they may hold. Shareholders may convene and hold extraordinary general meetings and submit temporary proposals to shareholders' general meetings according to the procedures set out in the Articles of Association, which has been published on the SSE website, the Hong Kong Stock Exchange website as well as the Company's website. The Company will arrange for the Board and the Management to answer shareholders' questions in its shareholders' general meeting. According to Article 88 of the Articles of Association, the Board, the Supervisory Committee, and shareholder(s) severally or jointly holding 3% or above shares of the Company for one hundred and eighty (180) consecutive days or more shall be entitled to submit proposals to the Company at the shareholders' general meeting. Shareholder(s) severally or jointly holding 3% or above shares of the Company for one hundred and eighty (180) consecutive days or more shall have the right to submit a temporary proposal to the convener in writing ten (10) days prior to the holding of the shareholders' general meeting. The convener

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shall, within two (2) days after receipt of a proposal, issue a supplementary notice of the shareholders' general meeting, and announce the contents of the temporary proposal. Save for the circumstances specified above, the convener shall not amend the proposal set out in the notice of the shareholders' general meeting or add any new proposal after the said notice is announced.

### (V) Auditor's remuneration

For details of the auditor's remuneration of the Company, please refer to "II. Appointment and Removal of Accounting Firms" in "Chapter 6: Major Events" of this report.

### (VI) Relationship with investors

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 formulated the Standards for the Work of the Secretary to the Board (《董事會秘書工作規範》), Information Disclosure Management System (《信息披露事務管理制度》) and Investor Relations Management System (《投資者關係管理制度》), and has defined the relevant working mechanisms. The Company has designated the secretary to the Board to be responsible for investor relationship management and information disclosure, and received visits and consultations from shareholders, so as to establish a relatively complete and effective channel for communication with shareholders.

The Company has adopted the Shareholders Communication Policy with the aim of establishing mutual relationship and communication between the Company and its shareholders. In addition to the information disclosure channels stipulated by the laws, the Company mainly communicates with investors through shareholders' meetings, investor briefings, telephone, e-mail, online platforms, receptions and attendance to investor meetings. The Company has established the following channels to communicate with its shareholders: (1) corporate communications such as annual reports, interim reports and circulars published in printed form which are available on the Hong Kong Stock Exchange website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website (<https://www.cmschina.com/>); (2) regular announcements published through the Hong Kong Stock Exchange which are available on the Hong Kong Stock Exchange website and the Company's website; (3) corporate information provided on the Company's website; (4) annual general meetings and extraordinary general meetings which provide a platform for shareholders to express their opinions and exchange views with the Directors and senior management; and (5) the Hong Kong branch share registrar and transfer office of the Company which provides services to shareholders in relation to share registration, distribution of dividends and related matters. The Company has reviewed the implementation and effectiveness of the Shareholders Communication Policy. The Board believes that the Shareholders Communication Policy has facilitated adequate communication with shareholders and that such policy is effective and adequate.

During the Reporting Period, the Company organized the analyst and investor telephone conferences on 2021 annual results and 2022 interim results, the online interactive briefing on 2021 annual results, 2022 interim results and 2022 third quarterly results on SSE Roadshow, and the 2022 investor online collective reception day for listed companies in Shenzhen. During the year, the Company made continuous and in-depth communications with a total of more than 600 person-times through the SSE e-Interaction platform, attendance at strategy meetings of securities companies, reception of researchers, investor hotlines and e-mail. The Company also regularly presented its performance highlights through long images and short videos on WeChat, with an aim to enhancing the Company's market value. As at the end of 2022, the Company ranked 7th among listed securities companies in terms of market value.

The Company has recorded the above investor reception and communication activities in accordance with relevant regulatory requirements, and has properly kept relevant documents.

### **(VII) Risk management**

The Company has established internal audit functions, mainly including the independent and objective supervision, evaluation and recommendation on the Company's internal control, risk management, revenue and expenses and business activities.

For details of the risk management of the Company, please refer to the relevant content of "Potential risks" in "Chapter 3: Report of the Board of Directors" of this report.

For details of the internal control of the Company, please refer to the "2022 Internal Control Assessment Report of China Merchants Securities Co., Ltd." (《招商證券股份有限公司2022年度內部控制評價報告》) published on the Hong Kong Stock Exchange website for the same period of this report and "Establishment and Implementation of Internal Control System during the Reporting Period", "Development of Compliance Management System of the Company" and "Progress of Audit" in this chapter of this report.

The Company believes that, during the Reporting Period, the Group's risk management and internal control systems were adequate and effective.

## Chapter 4: Corporate Governance Report

### (VIII) Management of inside information

The Company has formulated certain management systems for information disclosure and relevant inside information and established an operating mechanism for managing inside information in accordance with regulatory requirements. During the Reporting Period, in accordance with regulations such as the Measures for the Administration of Information Disclosure by Listed Companies (《上市公司信息披露管理辦法》), Measures for the Administration of Information Disclosure of Corporate Credit Bonds (《公司信用類債券信息披露管理辦法》), Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and Self-regulatory Guidelines for Companies Listed on the Shanghai Stock Exchange No. 2 – Information Disclosure Management (《上海證券交易所上市公司自律監管指引第2號—信息披露事務管理》) promulgated by the CSRC as well as the actual circumstances of the Company, the Company amended the Information Disclosure Measures of China Merchants Securities Co., Ltd. (《招商證券股份有限公司信息披露制度》) and renamed it as the Measures for the Administration of Information Disclosure 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》). The amendments have been considered and approved at the 21st meeting of the seventh session of the Board on August 26, 2022. During the Reporting Period, in accordance with regulations such as the Guidelines for Investor Management of Listed Companies (《上市公司投資者管理工作指引》), Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and Self-regulatory Guidelines for Companies Listed on the Shanghai Stock Exchange No. 1 – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》) promulgated by the CSRC as well as the actual circumstances of the Company, the Company amended the Management System on 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》). The amendments have been considered and approved at the 24th meeting of the seventh session of the Board on December 19, 2022.

The confidentiality and registration of inside information are regulated based on the Registration System for Persons with Inside Information (《內幕信息知情人登記制度》) to enhance the level of confidentiality and the management of insiders. According to the Measures for the Administration of Information Disclosure (《信息披露事務管理制度》), the content, procedure, management and responsibility of information disclosure are clarified; internal collection and management of major information are refined through the appointment of contact persons for internal reporting of major information at each of the departments, branches and subsidiaries; and timely collection and standard management of the Company's significant inside information are safeguarded. According to Management System on Investor Relations (《投資者關係管理制度》), information disclosure shall be made on a fair basis. The operating mechanism for managing inside information covers all key aspects of controlling inside information including the collection, circulation, verification, confidentiality and fair disclosure. The Company ensures the effectiveness of such mechanism by enhancing the training system, defining the duty requirements, upholding accountability and improving the awareness of information disclosure.

### (IX) Amendments to the Articles of Association

The Company amended the Articles of Association for three times in 2022. For details, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on March 27, October 28 and December 19, 2022.

## Chapter 5: Environment and Social Responsibility

The Company recognizes the importance of adopting appropriate environmental and social policies, which are crucial to achieving corporate growth. For details of the Group's environmental and social policy performance and compliance with relevant laws and regulations that have a significant impact on the Group, please refer to the 2022 Environmental, Social and Governance Report published by the Company for the same period of this report on the Hong Kong Stock Exchange website.

### I. Information on Environmental Protection

Whether a mechanism related to environmental protection has been established	Yes
Amount invested in environmental protection during the Reporting Period (Unit: RMB10,000)	80

#### (I) Description of environmental protection measures taken by the Company other than key pollutant discharging units

##### 1. Disclosure of other information on environmental protection with reference to key pollutant discharging units

For details, please refer to the 2022 Environmental, Social and Governance Report published by the Company for the same period of this report on the Hong Kong Stock Exchange website.

#### (II) Information on efforts conducive to protecting the ecology, preventing pollution and fulfilling environmental protection responsibilities

For details, please refer to the 2022 Environmental, Social and Governance Report published by the Company for the same period of this report on the Hong Kong Stock Exchange website.

#### (III) Measures adopted for reducing carbon emissions during the Reporting Period and their effects

Whether measures for reducing carbon emissions have been taken	Yes
Carbon dioxide equivalent emissions reduced (Unit: tonne)	329
Types of measures for reducing carbon emissions (e.g. using clean energy to generate electricity, using carbon reduction technologies in the business process, developing and manufacturing new products that reduce carbon emissions, etc.)	The Company has used new carbon reduction technologies and new carbon reduction products in its routine office operations

## Chapter 5: Environment and Social Responsibility

### *Specific description*

The Company operates in the financial industry, and the energy consumption and carbon emissions in its business process are mainly from routine office work. In 2022, the Company continued to refine the supporting measures for energy conservation and environmental protection in its workplaces: First, in terms of air-conditioning facilities and equipment, ice storage systems have been installed to reduce electricity consumption by storing ice during off-peak hours at night and melting ice to produce chilled air during on-peak hours at daytime, thereby achieving notable results in energy saving. Second, lighting fixtures in underground parking lots have been replaced with those that can automatically turn off at a certain interval to reduce electricity consumption, thereby achieving the purpose of energy saving. Third, kitchen garbage processors and related supporting facilities have been introduced, and disposable lunch boxes have been replaced with biodegradable lunch boxes, thereby reducing the amount of food waste to be transported.

## II. Performance of Social Responsibilities

### (I) Whether a social responsibility report, sustainable development report or ESG report has been disclosed separately

For details, please refer to the 2022 Environmental, Social and Governance Report published by the Company for the same period of this report on the Hong Kong Stock Exchange website.

### (II) Details of social responsibility work

External donations and public welfare projects	Amount/Content
Total investment (in RMB10,000)	103.2
Of which: monies (in RMB10,000)	103.2
Supplies (in RMB10,000)	–
Number of people benefited	–

## Chapter 5: Environment and Social Responsibility

### *Specific description*

In 2022, the Company donated RMB20 million to the Shenzhen China Merchants Securities Public Welfare Foundation (深圳市招商證券公益基金會), and continued to use the Foundation as a public welfare platform to actively carry out various public welfare and charity projects.

1. The Foundation promoted the projects of Longjiang Securities Charity Fund – Dream Center (龍江證券愛心基金夢想中心項目), Supporting the Hope of Women from Rural Areas (為鄉村姐妹撐起希望項目) and Shenzhen Futian Education Development Fund (深圳福田教育發展基金項目), with a total donation of RMB1.032 million.

2. In response to the solicitation of the Futian District Finance Bureau, a total of 142 volunteers from the Company's headquarter participated in community services with 559 hours of total working time.

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

Poverty alleviation and rural revitalization projects	Amount/Content
Total investment (in RMB10,000)	794.77
Of which: monies (in RMB10,000)	775.68
Supplies (in RMB10,000)	19.09
Number of people benefited	–
Form of assistance (e.g. Poverty alleviation through industry, employment, education, etc.)	Poverty alleviation through finance, education, consumption and disaster relief

## Chapter 5: Environment and Social Responsibility

### Specific description

- (l) In 2022, the Company assisted one company in a poverty-stricken county to go through M&A with a transaction amount of RMB400 million, and underwrote RMB3.128 billion of rural revitalization-themed bonds with a total issuance amount of RMB10.5 billion.

#### **1. Assisted Lantian Gas to acquire 52% equity interest of Changge Lantian**

In June 2022, Henan Lantian Gas Co., Ltd. (河南藍天燃氣股份有限公司) (“Lantian Gas”, a company listed on the A share market) completed the acquisition of 52% equity interest of Changge Lantian New Energy Co., Ltd. (長葛藍天新能源有限公司) (“Changge Lantian”), and China Merchants Securities acted as the independent financial advisor for such transaction.

Lantian Gas is principally engaged in pipeline natural gas business, which is a midstream business of natural gas and has the advantages of large-scale centralized procurement of natural gas. Changge Lantian is engaged in urban natural gas business, which is a downstream business of natural gas and has the advantages of franchising and customer resources. Lantian Gas is the main source of gas for Changge Lantian. Through such acquisition, Lantian Gas will continue to deepen its layout for the mid and downstream industrial chain of the natural gas industry, effectively exert the synergy of the industrial chain, secure high-quality gas sources in the midstream, further improve its urban natural gas distribution capabilities and comprehensive service capabilities in the downstream, expand its natural gas business to Changge City, and establish more than 100 million cubic meters of new urban gas sales each year. Such transaction is a market-oriented transaction. It is an important strategic measure for Lantian Gas to develop its urban gas business, and has immense significance for Lantian Gas to enhance its position in the natural gas market in the Henan region.

### 2. *Assisted in the issuance of rural revitalization bonds*

On May 11, 2022, China Merchants Bank successfully issued the 2022 green financial bonds (first tranche) in the National Interbank Bond Market through book-building, and China Merchants Securities acted as one of the joint lead underwriters for such issuance. Such tranche of bonds is the first green financial bonds issued by China Merchants Bank in China, and is also the first green financial bonds issued by a commercial bank in China with the theme of rural revitalization. Such tranche of bond issuance amounted to RMB5 billion, with a maturity of 3 years and a final issuance rate of 2.65%. It has set a benchmark for industry peers in the issuance of green financial bonds to support the development of rural green industries. The proceeds raised from such bond issuance will be used for green industry projects that strengthen financial services for rural revitalization within counties, especially clean energy projects such as wind power and photovoltaics.

On August 9, 2022, the Company assisted Haoji Railway Co., Ltd. (浩吉鐵路股份有限公司) to issue the 2022 non-public issuance of green rural revitalization corporate bonds (first tranche) to professional investors (supporting old revolutionary base), with a total issuance amount of RMB2.5 billion.

On September 14, 2022, the Company assisted Haoji Railway Co., Ltd. (浩吉鐵路股份有限公司) to issue the 2022 non-public issuance of green rural revitalization corporate bonds (second tranche) to professional investors (ensuring energy supply), with a total issuance amount of RMB2.5 billion.

On October 28, 2022, the Company assisted Hubei Agricultural Valley Industrial Group Co., Ltd. (湖北農谷實業集團有限責任公司) to issue the 2022 medium-term notes (first tranche) (rural revitalization), with a total issuance amount of RMB500 million.

- (II) The Company purchased agricultural assistance products with a total value of RMB5.6532 million through the Shenzhen Haijixing Poverty Alleviation (Consumption) Center (深圳海吉星消費幫扶中心), the National Poverty Alleviation (Consumption) Guangdong Center (全國消費幫扶廣東館) and other agricultural assistance channels.
- (III) The Company's Foundation carried out the Delipu Primary School Teaching Support Project (得力鋪小學支教項目) and the Daitou Rural Revitalization Industrial Park Project (岱頭鄉村振興產業園項目); donated RMB353.6 thousand to the Chongqing Star Support Foundation (重慶市星星幫扶基金會) and RMB1.75 million to the Shenzhen Charity Association (深圳市慈善會); and donated a batch of materials to the People's Government of Shitai County, Anhui Province, with a total value of RMB190.9 thousand.

# Chapter 6: Major Events

## I. Performance of Undertakings

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

Background	Type	Party(ies)	Details	Effective time and validity period	Whether the undertakings have a performance deadline	Whether the undertakings have been strictly performed in a timely manner	Reason for not performed in a timely manner	Follow-up actions, in case of undertakings not performed in a timely manner
Undertaking related to the initial public offering	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	-	-
Undertaking related to the initial public offering	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	-	-

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 refinancing	To resolve horizontal competition	CM Finance Investment (currently known as CM Financial Holdings)	CM Finance Investment (currently known as CM Financial Holdings) 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 (currently known as CM Financial Holdings) is the controlling shareholder of the Company.	Yes	Yes	-	-
Undertaking related to refinancing	Others	China Merchants Group, CM Financial Holdings	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. Appointment and Removal of Accounting Firms

Currency: RMB

	Currently appointed
Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of domestic accounting firm	2,384 thousand
Term of appointment of domestic accounting firm	5 years
Name of the certified public accountants of domestic accounting firm	HONG Ruiming (洪銳明), ZHOU Hanlin (周瀚林)
Consecutive years of audit services provided by the certified public accountants of domestic accounting firm	HONG Ruiming (five years), ZHOU Hanlin (two years)
Name of international accounting firm	Deloitte Touche Tohmatsu (Registered Public Interest Entity Auditor)
Remuneration of international accounting firm	1,380 thousand
Term of appointment of international accounting firm	5 years

	Name	Remuneration
Accounting firm for internal control and auditing	Deloitte Touche Tohmatsu Certified Public Accountants LLP	350 thousand

#### Description of appointment and removal of accounting firms

The Company has continued to engage Deloitte (including Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu) as the auditors for the Company's financial reports and internal control for the year 2022. Deloitte has been providing annual audit services for the Company for five consecutive years since 2018.

In 2022, Deloitte provided the Company with non-audit services, i.e. intelligent stock consultancy, services related to public opinion management, and super deduction of research and development expenses. The expenses of such services amounted to RMB294 thousand, RMB140 thousand and RMB90 thousand, respectively, totaling RMB524 thousand.

### III. Material Litigations or Arbitrations

Certain investors of China Security Co., Ltd. (中安科股份有限公司) (hereinafter referred to as “China Security”) commenced litigations against China Security and its directors, China Security & Fire Technology Co., Limited (中安消技術有限公司) (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 model 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. 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 March 22, 2023, in addition to the two investors in the above cases, the Company received litigation materials and notices of a total of 6,368 investors from the Shanghai Financial Court. Among which, the Shanghai Financial Court made first trial judgments on the cases involving 6,335 investors (including the two investors in the above cases), ordering the Company to bear joint liability within the scope of 25% for the losses of RMB886.8064 million payable by China Security to the investors. The Company received litigation materials and notices of a total of 1,659 investors from the Wuhan Intermediate People’s Court. Among which, the Wuhan Intermediate People’s Court made first trial judgments on the cases involving 1,341 investors, ordering the Company to bear joint liability within the scope of 25% for the losses of RMB192.9789 million payable by China Security to the investors.

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

### IV. 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 system, 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, September 5 and September 19, 2022, the Company received the Notice of Case Filing (《立案告知書》), Advance Notice of Administrative Punishment (《行政處罰事先告知書》) and Decision of Administrative Punishment (《行政處罰決定書》), respectively, from the CSRC. As per the investigation by the CSRC, the Company failed to perform due diligence during its engagement as an independent financial advisor for the material asset restructuring 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 was therefore in breach of the laws and regulations. The CSRC ordered the Company to rectify the illegal acts, confiscated business income of RMB31.5 million, and imposed a fine of RMB31.5 million. The CSRC gave warnings to the project leaders, i.e. CHEN Xuanbi (陳軒壁) and YU Xinping (俞新平), and imposed a fine of RMB50 thousand to each of them. For details, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on August 12, September 5 and September 19, 2022.

In recent years, the Company has continuously improved the internal control mechanism of its investment banking business, gradually enhanced the practice quality of its investment banking business, and earnestly performed its duties of due diligence. The Company has adopted various rectification measures for the relevant matters involved in the Decision of Administrative Punishment, including the strengthening of practice ability and compliance awareness of the “first line of defense”, the optimization of the practice quality assessment mechanism, the improvement of the internal control organizational structure, the enhancement of headquarters management and control, the revision of the practice system, the standardization of the practice process, and the strengthening of technological empowerment, so as to implement the rectification requirements. The rectification measures have been completed, and the Company will continue to deepen the results of rectification and improve the practice quality of investment banking.

On November 11, 2022, the CSRC issued the Decision on Taking Measures to Issue Warning Letters to China Merchants Securities Co., Ltd. (《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》), which stated that, due to the imperfect internal control of the Company’s investment banking business, for the IPO project of Zhuhai CosMX Battery Co., Ltd. (珠海冠宇電池) and the financial advisory project of Dalian Port (PDA) Company Limited (大連港), there were circumstances where internal audit procedures had not been re-performed after making substantial modifications to the documents submitted, and there was insufficient quality control and tracking of internal audit opinions. As such, the CSRC took administrative regulatory measures to issue warning letters to the Company.

The Company has taken measures such as system optimization, special inspection, training and guidance to further strengthen the management and control of the consistency between the final submitted documents and their provisional versions of the investment banking business. Meanwhile, it has strengthened process tracking, refined the tracking mechanism of internal control opinions, and further enhanced the process management and control of the internal control department. In the future, the Company will continue to strengthen the internal control management measures of the investment banking business, refine the practice management of the investment banking business, and improve the quality of investment banking projects.

On November 17, 2022, the Company received the Decision on Taking Corrective Measures against the Shanghai Pilot Free Trade Zone Branch of China Merchants Securities Co., Ltd. (《關於對招商證券股份有限公司上海自貿試驗區分公司採取責令改正措施的決定》) issued by the CSRC Shanghai Office, which stated that the Shanghai Pilot Free Trade Zone branch did not have any personnel responsible for compliance and failed to submit financial and business statements to the regulatory authority. As such, the CSRC Shanghai Office took corrective measures against the Shanghai Pilot Free Trade Zone branch.

## Chapter 6: Major Events

The Company has attached great importance to and strictly implemented the requirements of the Compliance Management Measures for Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》), Statistics Management Measures for Securities and Futures Markets (《證券期貨市場統計管理辦法》) and other relevant regulations. The Company has formulated detailed rectification plans for the issues existing in the Shanghai Pilot Free Trade Zone branch, and actively carried out rectifications, including: adjusting the management department and business type of the Shanghai Pilot Free Trade Zone branch, selecting outstanding cadres to serve as branch managers, selecting senior employees to serve as full-time compliance officers, selecting key personnel with abundant experience to gradually enrich the business team, designating personnel to be responsible for the submission of CISP regulatory reports and complete the supplementary submission of CISP regulatory reports, and improving the construction of business premises while also facilitating the selection of new sites. In the future, the Company will continue to strictly comply with the relevant regulatory requirements of its branches, implement relevant business and management, and ensure that its branches operate in accordance with laws and regulations.

### V. 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.

### VI. Material Connected Transactions

#### Continuing connected transactions

We entered into the Securities and Financial Products, Transactions and Services Framework Agreement with China Merchants Group on May 27, 2022, and the Administrative Procurement Framework Agreement (the “2022 Administrative Procurement Framework Agreement”) and the Property Leasing Framework Agreement (the “2022 Property Leasing Framework Agreement”, together with other framework agreements, the “Framework Agreements”) with China Merchants Group on March 27, 2022. Of which, the term of the Securities and Financial Products, Transactions and Services Framework Agreement shall commence from November 29, 2022 until December 31, 2024; the term of the 2022 Administrative Procurement Framework Agreement shall commence from March 27, 2022 until December 31, 2024; and the term of the 2022 Property Leasing Framework Agreement shall commence from March 27, 2022 until December 31, 2026. Pursuant to the Framework Agreements, the Company and China Merchants Group and/or its associates agreed that (i) they shall provide securities and financial products and transactions to each other, and the Group shall provide financial services to China Merchants Group and/or its associates, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates; (ii) the Group shall procure various administrative office supplies and administrative comprehensive services related to its daily business activities from China Merchants Group and/or its associates in its ordinary course of business; and (iii) China Merchants Group and/or its associates shall lease properties to the Group in its ordinary course of business. For details, please refer to the announcements of the Company dated March 27, 2022 and May 27, 2022, respectively, circular of the Company dated November 9, 2022 and announcement of poll results of the Company dated November 29, 2022.

We entered into the Securities and Financial Products, Transactions and Services Framework Agreement (the “COSCO Shipping Framework Agreement”) with China COSCO Shipping Corporation Limited (“COSCO Shipping”) on May 27, 2022 for a term commencing from November 29, 2022 until December 31, 2024. Pursuant to the COSCO Shipping Framework Agreement, the Company and COSCO Shipping and/or its associates agreed that they shall provide securities and financial products and transactions to each another, and the Group shall provide financial services to COSCO Shipping and/or its associates, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

China Merchants Group is the controlling shareholder of the Company. Under the Hong Kong Listing Rules, China Merchants Group and its associates are connected persons of the Company.

COSCO Shipping became a substantial shareholder of the Company in July 2020. Under the Hong Kong Listing Rules, COSCO Shipping and its associates are connected persons of the Company.

### (I) Continuing connected transactions between the Company and China Merchants Group and/or its associates

#### A. Securities and financial products and transactions

##### Reasons for the transactions

We conduct securities and financial transactions with China Merchants Group and/or its associates in our ordinary course of business from time to time. Such transactions can generate cost synergies by integrating the advantageous resources of the Group and China Merchants Group and/or its associates, thereby enhancing the Group’s profitability and strengthening the Group’s leading position in the securities industry. The estimated annual caps of the total inflow and total outflow of the securities and financial products and transactions contemplated under the Framework Agreement for the three years ending December 31, 2024 are as follows:

	RMB million		
Securities and financial products and transactions	2022	2023	2024
Inflow	2,900	7,500	7,500
Outflow	2,500	11,660	11,670

## Chapter 6: Major Events

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

### Historical figures

For the year ended December 31, 2022, the Group had securities and financial products transactions with China Merchants Group and/or its associates, with a total cash inflow of RMB2,751.14 million and a total cash outflow of RMB1,562.23 million. Such amounts were below the caps for 2022.

### B. Financial services

#### Reasons for the transactions

In our ordinary course of business, we provide various financial services to our clients, which include China Merchants Group and its associates. Such transactions can generate cost synergies by integrating the advantageous resources of the Group and China Merchants Group and/or its associates, thereby enhancing the Group’s profitability and strengthening the Group’s leading position in the securities industry. Due to their business needs and our expertise and professional capabilities, we had been engaged by China Merchants Group and/or its associates to provide financial services including (but not limited to) (i) underwriting and sponsorship services; (ii) other investment banking services; and (iii) other financial services from time to time. The estimated annual caps of the financial services (insofar as an annual cap is required to be set for that service) to be provided under the Framework Agreement for the three years ending December 31, 2024 are as follows:

	RMB million		
Financial services	2022	2023	2024
Income generated by us	70	92	95

### Historical figures

As at December 31, 2022, the Group provided securities and financial services to China Merchants Group and/or its associates and generated income of RMB63.71 million, which was below the annual cap of 2022.

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

### C. *Administrative procurement*

#### Reasons for the transactions

We conduct administrative procurement with China Merchants Group, our controlling shareholder, and its associates from time to time in our ordinary course of business. Such transactions can generate synergies by integrating the strengths of the Group and China Merchants Group and/or its associates, thereby reducing the Group's overall operating costs and overheads to further enhance its profitability and the Group's leading position in the securities industry. The estimated annual caps of the administrative procurement contemplated under the Framework Agreement for the three years ending December 31, 2024 are as follows:

Transaction	RMB million		
	2022	2023	2024
Administrative procurement	83	86	90

#### Historical figures

For the year ended December 31, 2022, the administrative procurement between the Group and China Merchants Group and its associates from time to time amounted to RMB78.72 million, which was below the annual cap of 2022.

## Chapter 6: Major Events

### D. Property leasing

#### Reasons for the transactions

We conduct property leasing with China Merchants Group, our controlling shareholder, and its associates from time to time in our ordinary course of business. Such transactions can generate synergies by integrating the strengths of the Group and China Merchants Group and/or its associates, thereby reducing the Group's overall operating costs and overheads to further enhance its profitability and the Group's leading position in the securities industry. The estimated annual caps of the property leasing contemplated under the Framework Agreement for the five years ending December 31, 2026 are as follows:

	RMB million				
Transaction	2022	2023	2024	2025	2026
Property leasing (the rental expenses and related comprehensive property management fees to be paid by the Group to China Merchants Group and/or its associates/the total value of right-of-use assets of properties to be leased from China Merchants Group and/or its associates)	116.28	116.38	116.44	116.63	124.54

#### Historical figures

For the year ended December 31, 2022, the rental expenses and related comprehensive property management fees paid by the Group to China Merchants Group and/or its associates/the total value of right-of-use assets of properties leased from China Merchants Group and/or its associates in relation to the property leasing between the Group and China Merchants Group and its associates from time to time amounted to RMB110.28 million, which was below the annual cap of 2022.

### (II) Continuing connected transactions between the Company and COSCO Shipping and/or its associates

#### A. Securities and financial products and transactions

#### Reasons for the transactions

We conduct securities and financial transactions with COSCO Shipping and/or its associates in our ordinary course of business from time to time. Such transactions can give full play to the resource advantages of the Group and COSCO Shipping and enhance the market competitiveness of the cooperative business between the two parties. The transactions under the agreement can facilitate the provision of comprehensive and high-quality services for both parties and their clients. The estimated annual caps of the total inflow and total outflow of the securities and financial products and transactions contemplated under the Framework Agreement for the three years ending December 31, 2024 are as follows:

	RMB million		
Securities and financial products and transactions	2022	2023	2024
Inflow	600	1,600	1,600
Outflow	800	3,650	3,660

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

### Historical figures

As at December 31, 2022, the Group had securities and financial products transactions with COSCO Shipping and/or its associates, with a total cash inflow of RMB84.56 million and a total cash outflow of RMB94.00 million. Such amounts were below caps for 2022.

### B. Financial services

#### Reasons for the transactions

In our ordinary course of business, we provide various financial services to our clients, which include COSCO Shipping and/or its associates. Such transactions can give full play to the resource advantages of the Group and COSCO Shipping and enhance the market competitiveness of the cooperative business between the two parties. The transactions under the agreement can facilitate the provision of comprehensive and high-quality services for both parties and their clients. Due to their business needs and our expertise and professional capabilities, we had been engaged by COSCO Shipping and/or its associates to provide financial services including (but not limited to) (i) underwriting and sponsorship services; (ii) other investment banking services; and (iii) other financial services from time to time. The estimated annual caps of the financial services (insofar as an annual cap is required to be set for that service) to be provided under the Framework Agreement for the three years ending December 31, 2024 are as follows:

	RMB million		
	2022	2023	2024
<b>Financial services</b>			
Income generated by us	7	71.2	71.5

## Chapter 6: Major Events

### Historical figures

As at December 31, 2022, the Group provided securities and financial services to COSCO Shipping and/or its associates and generated income of RMB3.09 million, which was below the annual cap of 2022.

The Company has confirmed that, during the Reporting Period, when engaging in the continuing connected transactions set out above, the Group has followed the pricing principles for such continuing connected transactions.

### Confirmation of independent non-executive Directors

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

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

### Confirmation of independent auditor

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

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

### Connected transactions

On April 18, 2022, China Merchants Securities Investment Co., Ltd. (招商證券投資有限公司) (“CMS Investment”), a wholly-owned subsidiary of the Company, entered into a cooperation 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) (“CMGX”), China Merchants Capital Holdings Co., Ltd. (招商局資本控股有限責任公司) (“CM Capital Holding”) and Nantong Zhaohua Investment Partnership (Limited Partnership) (南通招華投資合夥企業(有限合夥)) (“Nantong Zhaohua”) to establish a partnership with the aim of investing principally in industry sectors including but not limited to technology, internet, consumer, healthcare services and education. The total capital contribution of the partnership shall be RMB1,601.101 million, of which RMB1,500 million shall be contributed by CMS Investment; RMB100 million shall be contributed by CM Capital Holding; RMB1.001 million shall be contributed by Nantong Zhaohua; and RMB0.1 million shall be contributed by CMGX. Such transaction represents a good investment opportunity for the Group to diversify the Group’s investment portfolio and generate stable income for the Group. Investment in the industries in line with the new economic growth model of China will enable the Group to increase its asset allocation and investment return in strategic emerging industries.

As at April 18, 2022, both CMGX and CM Capital Holding are wholly-owned subsidiaries of China Merchants Capital Investment Co., Ltd. (招商局資本投資有限責任公司) which is in turn ultimately owned as to 50% by China Merchants Group, the controlling shareholder of the Company, and thus are associates of China Merchants Group. Therefore, CMGX and CM Capital Holding are connected persons of the Company under the Listing Rules.

For details of the above connected transaction, please refer to the announcement published by the Company on the Hong Kong Stock Exchange website on April 18, 2022.

In addition, on August 8, 2022, CMS Investment terminated its cooperation with Zhuhai Yiyun Real Estate Co., Ltd. (珠海依雲房地產有限公司) in relation to the proposed acquisition of Changsha Renhui Real Estate Development Co., Ltd. (長沙仁惠房地產有限公司). For details, please refer to the announcements published by the Company on the Hong Kong Stock Exchange website on December 23, 2020, September 24, 2021 and August 8, 2022.

For details of other connected transactions subject to the listing rules for A Shares, please refer to the Announcement on the Contemplated Ordinary Connected Transactions of the Company for 2023 (《關於公司2023年度預計日常關聯交易的公告》) published by the Company on the SSE website, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily.

Save as disclosed above, there is no connected transaction or continuing connected transaction set out in “Note 60 to the consolidated financial statements” of this report that falls into the connected transactions or continuing connected transactions that are required to be disclosed under the Hong Kong Listing Rules. The connected transactions and continuing connected transactions of the Company complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

## Chapter 6: Major Events

### VII. Material Contracts and their Performance

#### (I) Guarantees

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	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)														-
Balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)														-
Guarantees for subsidiaries by the Company and its subsidiaries														
Total guarantees for subsidiaries during the Reporting Period														-2.40
Balance of guarantees for subsidiaries as at the end of the Reporting Period (B)														73.57

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	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
<b>Total guarantees (including guarantees for subsidiaries)</b>														
Total guarantees (A+B)														73.57
Ratio of total guarantees to net assets of the Company (%)														6.39
Among which:														
Guarantees for shareholders, de facto controller and their related parties (C)														-
Debt guarantee provided directly or indirectly for companies with gearing ratio over 70% (D)														53.57
Amount of guarantees in excess of 50% of the net assets (E)														-
Total amount of the above three types of guarantees (C+D+E)														53.57
Outstanding guarantees subject to joint and several liabilities														-
Details of guarantees														
<p>1. On January 20, 2014, the provision of net assets guarantee of up to RMB500 million for CMS Asset Management was approved at the 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;</p> <p>2. 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 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 RMB31.411 billion in total (with financing guarantees of approximately RMB7.054 billion). At the end of the year, the balance of guarantees utilized and traded was approximately RMB5.357 billion in total.</p>														

## Chapter 6: Major Events

### VIII Other Disclosures

#### (I) Sufficiency of public float of H Shares

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

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

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

#### (III) Directors' and Supervisors' service contracts

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

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

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

#### (V) Permitted indemnity provision

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

#### (VI) Pre-emptive share option arrangement

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

### **(VII) The Board's responsibility statement on risk management, internal control and compliance management**

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

### **(VIII) Remuneration to Directors and Supervisors**

Details of remuneration to the Directors and Supervisors are set out in "Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period" under "Chapter 4: Corporate Governance Report" of this report.

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

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

### **(X) Major events after the Reporting Period**

Save for those disclosed in "Chapter 6: Major Events" and "Events after the balance sheet date" in "Chapter 9: Financial Report" of this report, there were no other major events after the Reporting Period.

### **(XI) Qualification of accounts**

According to the statistics from the internal data center of the Company, as at December 31, 2022, the Company had 5,954 unqualified capital accounts, 6,077 unqualified securities accounts, 1,074,156 dormant capital accounts and 1,683,068 dormant securities accounts.

## Chapter 6: Major Events

### (XII) Tax reduction

#### 1. A Shareholders

Pursuant to the Notice on Issues Regarding Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) and the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Company (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for the dividend and bonus received by corporate investors on shares with holding period less than one month (inclusive) from the date when the corporate investors acquired the listed shares from public issuance or secondary market to the date which is one day before the settlement of the shares, a tax levy at the tax rate of 20% is imposed. For holding period between one month to one year (inclusive), 50% reduction will be applied to the tax rate imposed on the amount of taxable income, with effective tax rate of 10%. For holding period of more than one year, no income tax will be imposed on the dividend and bonus. For the dividend and bonus distributed by listed companies to individual investors, no individual income tax will be charged for holding period of less than one year (inclusive). Pending to the transfer of shares, Securities Depository and Clearing Corporation shall calculate the tax payable based on the holding period and the Company shall withhold the tax through Securities Depository and Clearing Corporation. Dividend and bonus received from listed companies by securities investment companies shall pay individual income tax pursuant to the requirements of Cai Shui [2012] No. 85. For resident enterprise shareholders, income tax on their cash bonuses shall be paid by themselves. For Qualified Foreign Institutional Investors (QFII), pursuant to provisions in the Notice on Issues Regarding Withholding and Payment of Corporate Income Taxes when PRC Resident Enterprises Distribute Dividends, Bonuses and Interests to the QFII issued by the State Administration of Taxation (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函2009[47]號)), corporate income taxes are withheld and paid by the listed company at the tax rate of 10%. If the QFII shareholder intends to claim the preferential treatment as stipulated in tax treaties (arrangements) after obtaining dividend and bonus incomes, application for tax refund can be submitted to the competent tax authority after obtaining such dividends and bonuses in accordance with the regulations. Pursuant to the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs issued by the Ministry of Finance, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for dividend and bonus incomes obtained by investors (including enterprises and individuals) in the Hong Kong market from investing in A Shares listed on the SSE, the implementation of differentiated taxation is suspended before Hong Kong Securities Clearing Co., Ltd. meets the conditions of providing identification, term of shareholding and other specific data of investors to the CSDC; the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the competent taxation authority. For Hong Kong investors who are tax residents of foreign countries that have entered into a tax treaty with the PRC specifying an income tax rate for dividend and bonus incomes below 10%, the investing enterprises or individuals may by themselves or entrust a withholding agent on their behalf to apply to the competent tax authority of the listed company to claim the preferential treatment as stipulated in such tax treaties. Upon the verification and approval of the competent tax authority, taxes shall be refunded based on the discrepancy between the levied taxes and the taxes payable pursuant to the tax rate of the tax treaty. Other institutional investors shall pay the tax with respect to dividends and bonus income themselves.

## 2. H Shareholders

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), dividend and bonus income received by overseas resident individual shareholders who hold shares issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of “interests, dividend and bonus income”, which shall be withheld and paid by the withholding agents according to relevant laws. The overseas resident individual shareholders who hold shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China and the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends and bonus, generally withhold individual income tax at the rate of 10%, and are not required to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements stipulating a tax rate of lower than 10%, the withholding agents can file applications on their behalf to claim the relevant agreed preferential treatments, and upon approval by the competent tax authorities, the excess tax amounts withheld will be refunded; (2) for citizens from countries which have entered into tax agreements stipulating a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends and bonus, and are not required to file an application; (3) for citizens from countries without tax agreements or under other situations, the withholding agents will withhold the individual income tax at 20% when distributing dividends and bonus. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H Shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold and pay enterprise income tax at a flat rate of 10%. Pursuant to the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on Tax Policy Regarding Shenzhen-Hong Kong Stock Connect Pilot Programs (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividend and bonus incomes obtained by mainland individual investors from investing in H Shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the individual income taxes thereof are withheld and paid by the H Share company at the rate of 20%; for dividend and bonus incomes obtained by mainland securities investment funds from investing in H Shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the individual income taxes are accrued and levied according to the same provision stated above; and for dividend and bonus incomes obtained by mainland corporate investors from investing in H Shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the income taxes thereof shall be reported and paid by the investing enterprise on its own instead of being withheld and paid by the H Share company, provided that where such dividend and bonus incomes are obtained by the mainland resident enterprise after holding relevant H Shares for 12 consecutive months, the enterprise income taxes thereof shall be exempted pursuant to law. Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by the Company. Shareholders of the Company shall pay the relevant taxes and/or be entitled to the tax relieves in accordance with the above provisions.

## Chapter 6: Major Events

### **(XIII) Management contracts**

Save for employment contracts, no contract in relation to the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during 2022.

### **(XIV) Directors' and Supervisors' rights to acquire shares or debentures**

During the Reporting Period or as at the end of 2022, none of the Directors and Supervisors or their respective associates were granted any right by the Company or its subsidiaries to acquire the shares or debentures of the Company or any other body corporate or had exercised any of such right.

### **(XV) Equity-linked agreements**

No equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the 2022.

### **(XVI) Major customers and suppliers**

In 2022, the revenue generated from the Group's five largest customers accounted for less than 30% of the Group's total revenue. Due to the nature of business of the Company, the Company has no major suppliers.

### **(XVII) Pension schemes**

The domestic employees of the Group in the PRC participate in state-managed retirement benefit schemes, operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and retirement benefit contributions borne by the Group are calculated and paid to the relevant labor and social welfare authorities on a regular basis. The Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on certain percentage of employees' salaries. The Group also operates the Mandatory Provident Fund Scheme for all qualified employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee.

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the retirement scheme. For details of the pension schemes provided by the Group, please refer to "Note 12 to the consolidated financial statements" of this report.

### **(XVIII) Reserves and distributable reserves**

For changes in reserves and distributable reserves of the Company, please refer to “Financial Report – Consolidated Statement of Changes in Equity” and “Note 68 to the consolidated financial statements” of this report.

### **(XIX) Review of annual results**

The Audit Committee of the Company has reviewed the annual results announcement for the year ended December 31, 2022, the 2022 annual report and the audited financial statements for 2022 prepared in accordance with the International Financial Reporting Standards 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 annual financial information for the year ended December 31, 2022 in accordance with International Standard on Review Engagements 2410.

### **(XX) Fixed assets**

For details of the fixed assets of the Group as of December 31, 2022, please refer to “Financial Report – Consolidated Statement of Changes in Equity” and “Note 19 to the consolidated financial statements” of this report.

### **(XXI) Contracts with the controlling shareholder**

Save as disclosed in “Note 60 to the consolidated financial statements” and “Material Connected Transactions” in “Chapter 6: Major Events” of this report, for the year ended December 31, 2022, neither the Company nor any of its subsidiaries entered into any material contract with the controlling shareholder or any of its subsidiaries, nor has the controlling shareholder or any of its subsidiaries entered into any material contract for the provision of services to the Company or any of its subsidiaries.

# Chapter 7: Changes in Shares and Shareholders

## I. Changes in Share Capital

### (I) Changes in shares

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

## II. Issuance and Listing of Securities

### (I) Issuance of securities during the Reporting Period

Unit: share Currency: RMB

Class of shares and their derivative securities	Code	Abbreviation	Date of completion of issuance	Offer price (or interest rate)	Issuance amount	Date of listing	Amount approved for listing and trading	Date of closing
<b>Ordinary shares</b>								
-	-	-	-	-	-	-	-	-
<b>Convertible corporate bonds, bonds with warrants</b>								
-	-	-	-	-	-	-	-	-
<b>Bonds (including enterprise bonds, corporate bonds and non-financial enterprise debt financing instruments)</b>								
Corporate bonds	185286.SH	22 China Merchants Securities G1 (22招證G1)	January 17, 2022	2.89%	5.0 billion	January 21, 2022	5.0 billion	January 17, 2025
Perpetual subordinated bonds	185584.SH	22 China Merchants Securities Y1 (22招證Y1)	March 24, 2022	3.95%	4.3 billion	March 29, 2022	4.3 billion	-
Perpetual subordinated bonds	185697.SH	22 China Merchants Securities Y2 (22招證Y2)	April 19, 2022	3.77%	4.7 billion	April 22, 2022	4.7 billion	-
Perpetual subordinated bonds	185739.SH	22 China Merchants Securities Y3 (22招證Y3)	April 26, 2022	3.77%	4.0 billion	April 29, 2022	4.0 billion	-
Corporate bonds	185861.SH	22 China Merchants Securities S1 (22招證S1)	June 6, 2022	1.88%	1.0 billion	June 10, 2022	1.0 billion	September 9, 2022

## Chapter 7: Changes in Shares and Shareholders

Class of shares and their derivative securities	Code	Abbreviation	Date of completion of issuance	Offer price (or interest rate)	Issuance amount	Date of listing	Amount approved for listing and trading	Date of closing
Corporate bonds	185862.SH	22 China Merchants Securities S2 (22招證S2)	June 6, 2022	2.03%	2.0 billion	June 10, 2022	2.0 billion	December 8, 2022
Perpetual subordinated bonds	185831.SH	22 China Merchants Securities Y4 (22招證Y4)	June 8, 2022	3.72%	2.0 billion	June 13, 2022	2.0 billion	-
Corporate bonds	137522.SH	22 China Merchants Securities S3 (22招證S3)	July 12, 2022	1.94%	2.6 billion	July 15, 2022	2.6 billion	October 20, 2022
Corporate bonds	137519.SH	22 China Merchants Securities S4 (22招證S4)	July 12, 2022	1.96%	1.0 billion	July 15, 2022	1.0 billion	November 24, 2022
Corporate bonds	185393.SH	22 China Merchants Securities G2 (22招證G2)	July 26, 2022	2.70%	4.0 billion	July 29, 2022	4.0 billion	July 26, 2025
Corporate bonds	137653.SH	22 China Merchants Securities G3 (22招證G3)	August 11, 2022	2.54%	3.0 billion	August 16, 2022	3.0 billion	February 12, 2025
Corporate bonds	137654.SH	22 China Merchants Securities G4 (22招證G4)	August 11, 2022	2.59%	5.0 billion	August 16, 2022	5.0 billion	August 11, 2025
Short-term financing bonds	072210001	22 China Merchants Securities CP001 (22招商證券CP001)	January 7, 2022	2.59%	3.0 billion	January 10, 2022	3.0 billion	July 6, 2022
Short-term financing bonds	072210058	22 China Merchants Securities CP002 (22招商證券CP002)	April 13, 2022	2.34%	3.0 billion	April 14, 2022	3.0 billion	August 11, 2022

## Chapter 7: Changes in Shares and Shareholders

Class of shares and their derivative securities	Code	Abbreviation	Date of completion of issuance	Offer price (or interest rate)	Issuance amount	Date of listing	Amount approved for listing and trading	Date of closing
Short-term financing bonds	072210092	22 China Merchants Securities CP003 (22招商證券CP003)	June 23, 2022	1.88%	3.0 billion	June 24, 2022	3.0 billion	September 22, 2022
Short-term financing bonds	072210099	22 China Merchants Securities CP004 (22招商證券CP004)	June 27, 2022	1.84%	2.0 billion	June 28, 2022	2.0 billion	September 26, 2022
Short-term financing bonds	072210136	22 China Merchants Securities CP005 (22招商證券CP005)	August 24, 2022	2.00%	4.0 billion	August 25, 2022	4.0 billion	August 23, 2023
Short-term financing bonds	072210137	22 China Merchants Securities CP006 (22招商證券CP006)	August 25, 2022	1.95%	4.0 billion	August 26, 2022	4.0 billion	May 24, 2023
Short-term financing bonds	072210144	22 China Merchants Securities CP007 (22招商證券CP007)	September 2, 2022	1.93%	4.0 billion	September 5, 2022	4.0 billion	April 19, 2023
Short-term financing bonds	072210145	22 China Merchants Securities CP008 (22招商證券CP008)	September 2, 2022	2.00%	4.0 billion	September 5, 2022	4.0 billion	August 31, 2023
Short-term financing bonds	072210148	22 China Merchants Securities CP009 (22招商證券CP009)	September 7, 2022	1.82%	4.0 billion	September 8, 2022	4.0 billion	February 13, 2023
Short-term financing bonds	072210149	22 China Merchants Securities CP010 (22招商證券CP010)	September 7, 2022	1.94%	4.0 billion	September 8, 2022	4.0 billion	May 9, 2023
<b>Other derivative securities</b>								
-	-	-	-	-	-	-	-	-

## Chapter 7: Changes in Shares and Shareholders

Issuance of securities during the Reporting Period (separate explanation for bonds with different interest rates during the duration):

### **1. Public issuance of corporate bonds to professional investors**

In July 2020, the Company received the Approval for the Registration of Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2020] No. 1322) (《關於同意招商證券股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2020]1322號)) from the CSRC, pursuant to which, the CSRC approved that the Company may publicly issue to professional investors corporate bonds with a maturity of more than one year, the total face value of which shall not be more than RMB25 billion, and short-term corporate bonds, the balance of face value of which shall not be more than RMB10 billion. In 2022, the Company issued two tranches of short-term corporate bonds accordingly.

In April 2021, the Company received the Approval for the Registration of Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2021] No. 1384) (《關於同意招商證券股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2021]1384號)) from the CSRC, pursuant to which, the CSRC approved that the Company may publicly issue to professional investors corporate bonds, the total face value of which shall not be more than RMB50 billion. In 2022, the Company issued three tranches of corporate bonds accordingly.

### **2. Public issuance of perpetual subordinated corporate bonds to professional investors**

In January 2022, the Company received the Approval for the Registration of Perpetual Subordinated Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2022] No. 222) (《關於同意招商證券股份有限公司向專業投資者公開發行永續次級公司債券註冊的批覆》(證監許可[2022]222號)) from the CSRC, pursuant to which, the CSRC approved that the Company may publicly issue to professional investors perpetual subordinated corporate bonds, the total face value of which shall not be more than RMB15 billion. In 2022, the Company issued four tranches of perpetual subordinated corporate bonds accordingly.

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.

## Chapter 7: Changes in Shares and Shareholders

### 3. Short-term financing bonds of securities firms

In January 2021, the National Interbank Funding Center issued the Announcement of the National Interbank Funding Center on the Authorization to Announce the Maximum Balance of Short-term Financing Bonds of Securities Firms (Zhong Hui Jiao Announcement [2022] No. 7) (《全國銀行間同業拆借中心授權公佈證券公司短期融資券餘額上限公告》(中匯交公告[2022]7號)), pursuant to which, the maximum outstanding balance of short-term financing bonds of the Company shall be RMB37.2 billion. In August 2022, the National Interbank Funding Center issued the Announcement of the National Interbank Funding Center on the Authorization to Announce the Maximum Balance of Short-term Financing Bonds of Securities Firms (Zhong Hui Jiao Announcement [2022] No. 39) (《全國銀行間同業拆借中心授權公佈證券公司短期融資券餘額上限公告》(中匯交公告[2022]39號)), pursuant to which, the maximum outstanding balance of short-term financing bonds of the Company shall be RMB40.2 billion. In 2022, the Company issued ten tranches of short-term financing bonds of securities firms.

### III. Shareholders and De Facto Controller

#### (I) Total number of shareholders

Total number of holders of ordinary shares as of the end of the Reporting Period	173,040
Total number of holders of ordinary shares as of the end of the month preceding the disclosure of this annual report	170,215

## 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 Financial Holdings Co., Ltd. (招商局金融控股有限公司)	-	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	8,556	1,274,224,267	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)	152,219,361	272,219,361	3.13	-	Nil	-	State-owned legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	-	170,789,261	1.96	-	Nil	-	Unknown
Hong Kong Securities Clearing Company Limited	-4,640,730	111,549,881	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)	4,634,780	77,184,935	0.89	-	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 Financial Holdings Co., Ltd. (招商局金融控股有限公司)	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	1,274,224,267	Overseas listed foreign shares	1,274,224,267
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)	272,219,361	RMB ordinary shares	272,219,361
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	170,789,261	RMB ordinary shares	170,789,261
Hong Kong Securities Clearing Company Limited	111,549,881	RMB ordinary shares	111,549,881
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)	77,184,935	RMB ordinary shares	77,184,935
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	<p>Among the above top ten shareholders:</p> <ol style="list-style-type: none"> <li>1. CM Financial Holdings indirectly holds 100% of the equity interest in Jisheng Investment. CM Financial Holdings and Jisheng Investment are both subsidiaries of China Merchants Group, the de facto controller of the Company;</li> <li>2. China Ocean Shipping and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited;</li> <li>3. CCCC Capital Holdings Co., Ltd. is a wholly-owned subsidiary of China Communications Construction Company Ltd.</li> </ol>		

- 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 December 31, 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	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 Financial Holdings Co., Ltd. (招商局金融控股有限公司)	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

## Chapter 7: Changes in Shares and Shareholders

No.	Name of de facto controller and substantial shareholders	Class of shares	Nature of interest	Number of shares held	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares/H Shares of the Company (%)	Long positions <sup>7</sup> / short positions <sup>8</sup> / shares available for lending
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

1. China Merchants Group holds 100% of the equity interest in CM Financial Holdings and Jisheng Investment, and is deemed to be interested in the same number of A Shares which CM Financial Holdings (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 Financial Holdings directly holds 23.55% of the shares of the Company. CM Financial Holdings 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 Financial Holdings holds, directly and indirectly, an aggregate of 43.14% of the equity interest in the A Shares of the Company. CM Financial Holdings 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 Financial Holdings 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.

## Chapter 7: Changes in Shares and Shareholders

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 December 31, 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

### IV. Details of Controlling Shareholder and De Facto Controller

#### (I) Details of controlling shareholder

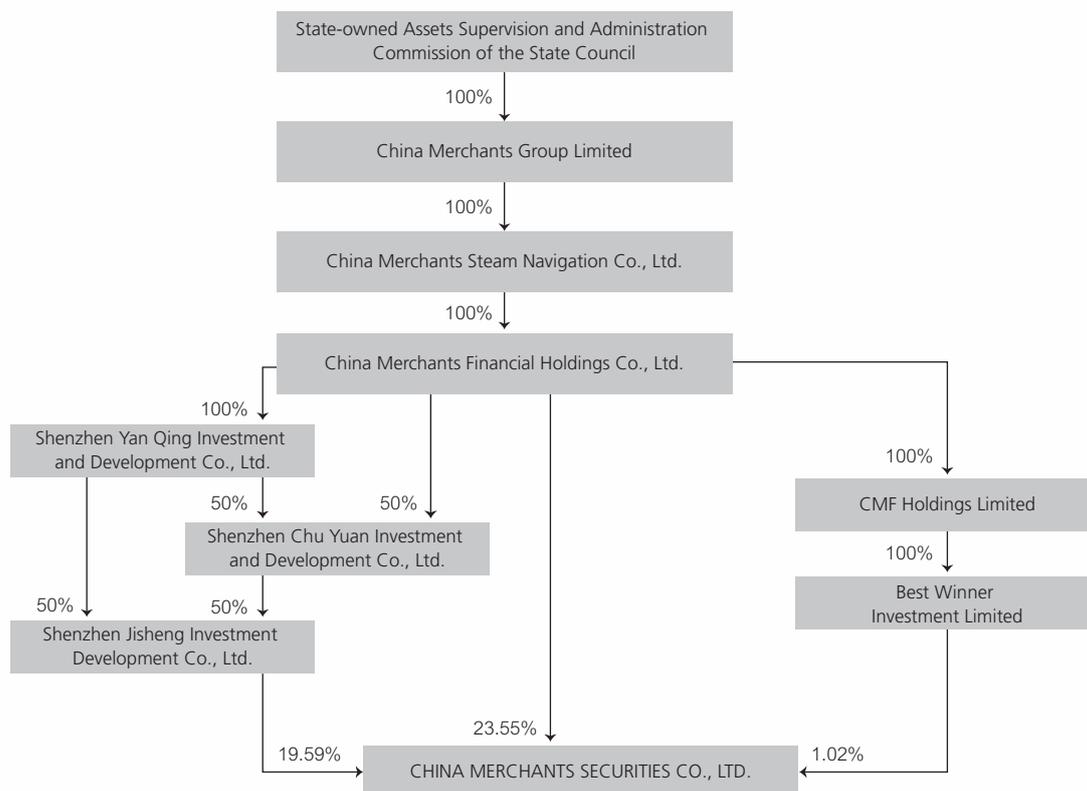
##### 1 Legal person

Name	China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司)
Person in charge or legal representative	MIAO Jianmin (繆建民)
Date of incorporation	May 28, 1997
Principal business	Business as a financial holding company; other businesses approved by the People's Bank of China
Shareholdings in other domestic or overseas listed companies controlled by or associated with it during the Reporting Period	It directly holds 4.55% of the A shares of China Merchants Bank; indirectly holds 8.73% of the A shares of China Merchants Bank through its controlled subsidiaries, namely Shenzhen Yan Qing Investment and Development Co., Ltd. (深圳市晏清投資發展有限公司) and Shenzhen Chu Yuan Investment and Development Co., Ltd. (深圳市楚源投資發展有限公司); and indirectly holds 1.53% of the H shares of China Merchants Bank through Best Winner Investment Limited.
Credit status	Good credit standing
Other descriptions	Mainly equity investment, and there are no major restrictions on the equity and other assets held in China Merchants Securities.

##### 2 Description of change of controlling shareholder during the Reporting Period

In September 2022, the name of CM Finance Investment, the controlling shareholder of the Company, changed from "China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)" to "China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司)". For details, please refer to the relevant announcement published by the Company on the Hong Kong Stock Exchange website on September 16, 2022.

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



## (II) Details of de facto controller

### 1 Legal person

Name	China Merchants Group Limited
Person in charge or legal representative	MIAO Jianmin (繆建民)
Date of incorporation	October 14, 1986

## Chapter 7: Changes in Shares and Shareholders

Principal business

Sea and land passenger and cargo transportation and agency, leasing and agency of sea and land transportation tools and equipment, investment in and management of port and warehouse businesses; sea rescue, salvage and towing; manufacturing; building, repair, inspection and sale of vessels and offshore oil drilling equipment; repair and inspection of oil rigs and containers; contracting and construction of and back office services for sea and land construction projects and offshore oil exploitation projects; procurement, supply and sale of sea and land transportation equipment and relevant supplies; import and export transportation businesses; investment in and management of businesses in the financial, insurance, trust, securities and futures industries; investment in and management of businesses in the tourism, hotel, catering and relevant services industries; real estate development and property management and consultancy business; investment in and management of petrochemical business; investment in and operation of transportation infrastructure; operation of offshore assets; development, operation and management of Shekou Industrial Zone in Shenzhen and Zhangzhou Development Zone in Fujian (market entities may independently select business projects and carry out operating activities in accordance with the laws; operations that require prior approvals according to the laws may only be conducted after obtaining approvals from the relevant authorities; operating activities prohibited and restricted by the industrial policies of the state and the municipality shall not be engaged in).

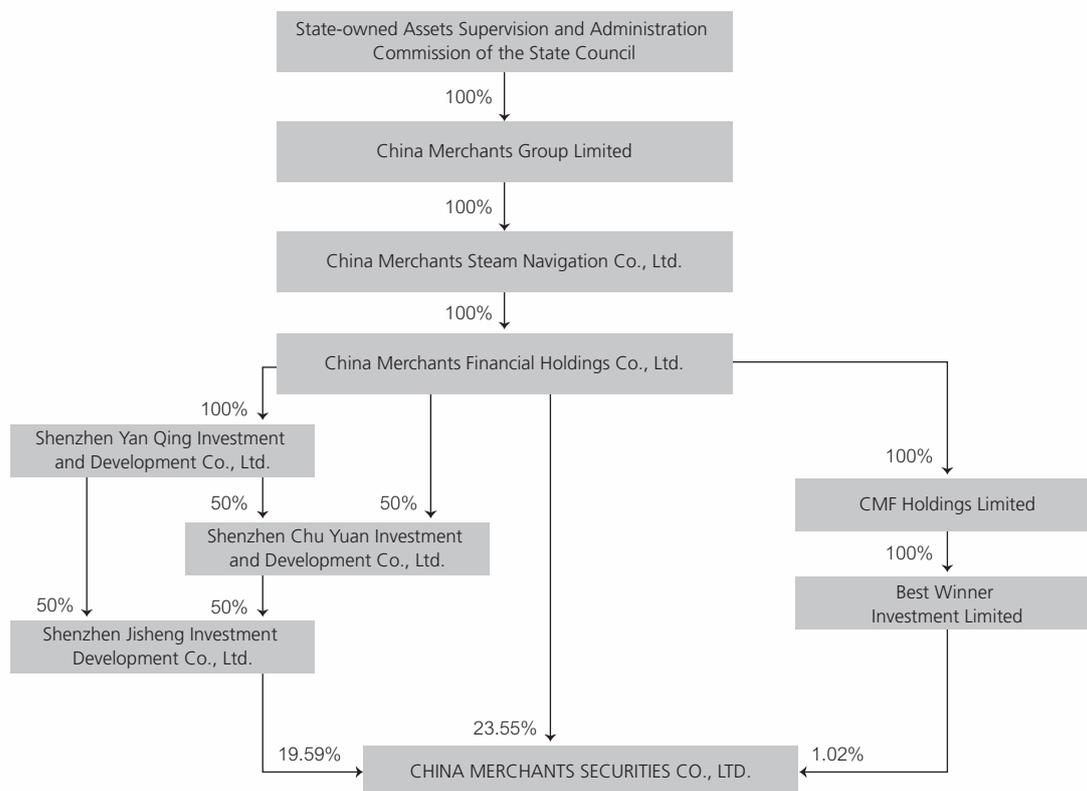
## Chapter 7: Changes in Shares and Shareholders

Shareholdings in other domestic or overseas listed companies controlled by or associated with it during the Reporting Period	74.35% interests in China Merchants Land Limited; 69.15% interests in Liaoning Port Co., Ltd.; 68.72% interests in China Merchants Expressway Network & Technology Holdings Co., Ltd.; 64.82% interests in China Merchants Shekou Industrial Zone Holdings Co., Ltd.; 63.02% interests in China Merchants Port Group Co., Ltd.; 58.00% interests in Sinotrans Limited; 54.14% interests in China Merchants Energy Shipping Co., Ltd.; 51.16% interests in China Merchants Property Operation & Service Co., Ltd.; 45.93% interests in China Merchants Port Holdings Company Limited; 29.97% interests in China Merchants Bank Co., Ltd.; 29.94% interests in Anhui Expressway Company Limited; 28.05% interests in Shanghai International Port (Group) Co., Ltd.; 27.97% interests in Nanjing Tanker Corporation; 27.59% interests in China Merchants China Direct Investments Limited; 24.88% interests in Sichuan Expressway Company Limited; 24.49% interests in China International Marine Containers (Group) Co., Ltd.; 23.08% interests in Ningbo Zhoushan Port Co., Ltd.; 19.08% interests in Jinzhou Port Co., Ltd.; 17.75% interests in Fujian Expressway Development Co., Ltd.; 16.52% interests in Heilongjiang Transport Development Co., Ltd.; 16.32% interests in Hubei Chutian Smart Communication Co., Ltd.; 16.23% interests in Shandong Hi-Speed Company Limited; 15.43% interests in Henan Zhongyuan Expressway Co., Ltd.; 14.04% interests in Jilin Expressway Co., Ltd.; 13.86% interests in Guangxi Wuzhou Communications Co., Ltd.; 12.36% interests in China Great Wall Securities Co., Ltd.; 11.69% interests in Jiangsu Expressway Company Limited; 9.59% interests in Shanxi Road and Bridge Co., Ltd.; 8.70% interests in Qilu Expressway Company Limited; 8.12% interests in Shenzhen Expressway Company Limited; 8.04% interests in Xiandai Investment Co., Ltd.; 6.07% interests in Zhejiang Expressway Company Limited;
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## Chapter 7: Changes in Shares and Shareholders

<p>Shareholdings in other domestic or overseas listed companies controlled by or associated with it during the Reporting Period</p>	<p>6.03% interests in S.F. Holding Co., Ltd.;</p> <p>5.99% interests in Pangang Group Vanadium &amp; Titanium Resources Co., Ltd.;</p> <p>2.81% interests in International Business Settlement Holdings Limited;</p> <p>2.44% interests in JD Logistics, Inc.;</p> <p>2.36% interests in Qingdao Port International Co., Ltd.;</p> <p>2.20% interests in Linklogis Inc.;</p> <p>1.20% interests in Guangxi Oriental Intelligent Manufacturing Technology Co., Ltd.;</p> <p>0.77% interests in Chang Jiang Shipping Group Phoenix Co., Ltd.;</p> <p>0.53% interests in China Shipbuilding Industry Co., Ltd.;</p> <p>0.16% interests in CMMB Vision Holdings Limited;</p> <p>0.10% interests in Sinopec Engineering (Group) Co., Ltd.;</p> <p>0.06% interests in Haitong Securities Co., Ltd.;</p> <p>0.02% interests in Guangdong Xiangnong Green Agricultural Co., Ltd.;</p> <p>0.02% interests in Bank of Tianjin Co., Ltd.;</p> <p>0.02% interests in Air China Limited;</p> <p>0.01% interests in Bank of China Limited.</p>
<p>Other assets and restrictions</p>	<p>Major assets are cash and bank balances, inventory and long-term equity investment, and there are no major restrictions on the equity and other assets held in China Merchants Securities.</p>
<p>Credit status</p>	<p>Granted AAA credit rating with good credit standing</p>
<p>Other descriptions</p>	<p>Nil</p>

### 2 Diagram of the ownership and controlling relationship between the Company and its de facto controller



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

## Chapter 7: Changes in Shares and Shareholders

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

Unit: 10,000 Yuan Currency: RMB

Name of corporate shareholder	Person in charge or legal representative	General manager	Date of incorporation	Organization code	Registered capital	Principal business or operation
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	XU Xin (徐鑫)	RONG Jie (戎捷)	December 11, 2001	91440300734146375H	60,000	Investment in the establishment of businesses (projects are separately reported); domestic business, commodity supply and sales (excluding licensed, exclusive or franchised commodities); and economic information consultancy (excluding restricted items).
Description	Jisheng Investment is a subsidiary of China Merchants Group, the de facto controller of the Company.					

# 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 (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司公開發行2014年公司債券)	14 China Merchants Bonds (14招商債)	122374.SH	May 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 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
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招商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招商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

## 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 (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
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 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
The 2021 Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第二期))	21 China Merchants Securities G3 (21招證G3)	175715.SH	January 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

## 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 (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
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
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

## 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 (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
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
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)) <small>Notes 1 &amp; 2</small>	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)) <small>Notes 1 &amp; 2</small>	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)) <small>Notes 1 &amp; 2</small>	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

## 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 (if any)	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)) <small>Notes 1 &amp; 2</small>	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 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
The 2023 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2023年面向專業投資者公開發行次級債券(第一期)(品種一))	23 China Merchants Securities C1 (23招證C1)	138979.SH	February 27, 2023	March 1, 2023	September 11, 2025	14.00	3.45	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 2023 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2023年面向專業投資者公開發行次級債券(第一期)(品種二))	23 China Merchants Securities C2 (23招證C2)	138980.SH	February 27, 2023	March 1, 2023	March 1, 2026	8.00	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 2023 Type One 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2023年面向專業投資者公開發行次級債券(第二期)(品種一))	23 China Merchants Securities C3 (23招證C3)	115086.SH	March 16, 2023	March 17, 2023	March 17, 2025	15.00	3.25	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 2023 Type Two 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2023年面向專業投資者公開發行次級債券(第二期)(品種二))	23 China Merchants Securities C4 (23招證C4)	115087.SH	March 16, 2023	March 17, 2023	March 17, 2026	17.00	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

### Notes:

1. 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. On the fifth and every subsequent interest payment date, the issuer shall have the right to redeem the perpetual subordinated bonds at the face value plus the interest payable (including all deferred interest and its yield).
2. 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.
3. 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 the bonds, but can choose to sell or continue to hold the bonds bought according to the original rules.

### Payment of bond interest and principal during the Reporting Period

Name	Payment of interest and principal
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))	Full payment of interest in a timely manner
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司公開發行2014年公司債券)	Full payment of interest in a timely manner
The 2017 Perpetual Subordinated Bonds (first tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第一期))	Full payment of principal in a timely manner
The 2017 Perpetual Subordinated Bonds (second tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第二期))	Full payment of principal in a timely manner
The 2017 Perpetual Subordinated Bonds (third tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第三期))	Full payment of principal in a timely manner
The 2017 Perpetual Subordinated Bonds (fourth tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第四期))	Full payment of principal in a timely manner
The 2019 Type Two Non-public Issuance of Corporate Bonds (second tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種二))	Full payment of principal in a timely manner

## Chapter 8: Relevant Information of Bonds

Name	Payment of interest and principal
The 2019 Type Two Non-public Issuance of Corporate Bonds (third tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種二))	Full payment of principal in a timely manner
The 2019 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2019年公司債券(第一期))	Full payment of principal in a timely manner
The 2020 Type Two Non-public Issuance of Corporate Bonds (second tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第二期)(品種二))	Full payment of principal in a timely manner
The 2020 Type Two Non-public Issuance of Corporate Bonds (fourth tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第四期)(品種二))	Full payment of principal in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of principal in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of principal in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner

## Chapter 8: Relevant Information of Bonds

Name	Payment of interest and principal
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
The 2021 Type One 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)(品種一))	Full payment of interest and principal in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
The 2021 Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第二期))	Full payment of interest in a timely manner

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Name	Payment of interest and principal
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
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))	Full payment of interest in a timely manner
The 2021 Short-term Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行短期公司債券(第一期))	Full payment of principal in a timely manner
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))	Full payment of principal in a timely manner
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))	Full payment of principal in a timely manner
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))	Full payment of principal in a timely manner
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))	Full payment of principal in a timely manner

## 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 date of this report, the above bonds have not reached the exercise date of right of redemption, and have not triggered the exercise of (when specific conditions are met) issuer's option of redemption and option of deferring payment of interest.

"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", "22 China Merchants Securities Y4", "23 China Merchants Securities C1", "23 China Merchants Securities C2", "23 China Merchants Securities C3" and "23 China Merchants Securities C4" 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 2022, the Company's own cash and bank balances amounted to RMB24.249 billion, and the unrestricted cash and bank balances amounted to RMB22.525 billion, which met the undertaken amount.

## 3. Intermediaries providing services for bond issuance and business in period of duration

Name of intermediary	Office address	Name of signing accountant	Contact person	Contact number
Everbright Securities Co., Ltd.	51/F, Tower One, 1266 West Nanjing Road, Jing'an District, Shanghai, the PRC	–	WANG Yicong (王一聰) GU Yijun (顧藝珺) ZHOU Chengying (周程穎)	021-52523039 021-52523176 021-52523279
Essence Securities Co., Ltd.	9/F, Essence Financial Building, 119 Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong Province, the PRC	–	XU Yingjie (徐英傑)	0755-81682808
China Galaxy Securities Co., Ltd.	11/F, Qinghai Finance Building, 8 Xiying Street, Fengtai District, Beijing, the PRC	–	CHEN Qu (陳曲) XU Jinjun (許進軍)	010-80927231 010-80927270
CITIC Securities Company Limited	North Tower, Excellence Times Plaza II, 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province, the PRC	–	WANG Chuanzheng (王傳正) YANG Yichen (楊伊晨)	010-60833046
Ping An Securities Company Limited	22/F-25/F, Block B, Ping An Financial Center, 5023 Yitian Road, Futian Street, Futian District, Shenzhen, Guangdong Province, the PRC	–	ZHOU Shunqiang (周順強) GUO Jinzhi (郭錦智)	0755-33547866

## Chapter 8: Relevant Information of Bonds

Name of intermediary	Office address	Name of signing accountant	Contact person	Contact number
GF Securities Co., Ltd.	Room 618, 2 Tengfei 1st Street, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong Province, the PRC	–	WANG Lixin (王麗欣) WU Xueting (伍雪婷) YE Runxuan (葉潤軒)	020-66338971
Jia Yuan Law Offices	F408, Ocean Building, 158 Fuxingmennei Street, Xicheng District, Beijing, the PRC	–	SU Dunyuan (蘇敦淵) WANG Hao (王浩)	0755-82789766
Deloitte Touche Tohmatsu Certified Public Accountants LLP	30/F, Bund Center, 222 Yan An Road East, Huangpu District, Shanghai, the PRC	HONG Ruiming (洪銳明) Barry MAN (文啟斯) ZHOU Hanlin (周瀚林)	HONG Ruiming (洪銳明)	020-28311202
Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.	13/F, Huasheng Building, 398 Hankou Road, Shanghai, the PRC	–	WANG Junying (王雋穎) GAO Fei (高飛)	021-63501349
China Chengxin International Credit Rating Co., Ltd.	60101, Building 1, 2 Nanzhugan Hutong, Dongcheng District, Beijing, the PRC	–	XU Wenbo (許文博)	010-66428877-449

## Chapter 8: Relevant Information of Bonds

### 4. Use of proceeds as at the end of the Reporting Period

Unit: 100 Million Yuan Currency: RMB

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司公開發行2014年公司債券)	55.00	55.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	30.00	30.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	30.00	30.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	29.00	29.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
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))	10.00	10.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	44.30	44.30	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	10.70	10.70	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	15.00	15.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
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))	45.00	45.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2021 Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第二期))	14.00	14.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	20.00	20.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
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))	40.00	40.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
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))	20.00	20.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
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))	43.00	43.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
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))	50.00	50.00	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	RMB2.7 billion have been used to repay due debts, and RMB2.3 billion have been used to supplement the working capital	Nil	Yes
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))	20.00	20.00	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	75.00	75.00	0.00	Operating normally	Repaying due corporate bonds and other debt financing instruments	Repaying due corporate bonds and other debt financing instruments	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
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))	48.00	48.00	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	60.00	60.00	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	60.00	60.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
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))	30.00	30.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	27.00	27.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
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))	20.00	20.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
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))	40.00	40.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
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))	10.00	10.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
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))	50.00	50.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
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面向專業投資者公開發行2022年公司債券(第二期))	40.00	40.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	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 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2022年公司債券(第三期)(品種一))	30.00	30.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
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面向專業投資者公開發行2022年公司債券(第三期)(品種二))	50.00	50.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
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))	10.00	10.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
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))	20.00	20.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	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 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))	26.00	26.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
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))	10.00	10.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
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))	43.00	43.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
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))	47.00	47.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	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 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))	40.00	40.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
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))	20.00	20.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2023 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2023年面向專業投資者公開發行次級債券(第一期)(品種一))	14.00	14.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
The 2023 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2023年面向專業投資者公開發行次級債券(第一期)(品種二))	8.00	8.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
The 2023 Type One 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2023年面向專業投資者公開發行次級債券(第二期)(品種一))	15.00	15.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2023 Type Two 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2023年面向專業投資者公開發行次級債券(第二期)(品種二))	17.00	17.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes

During the Reporting Period, there was no adjustment to or change in the use of proceeds from the above bonds.

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

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 of the Company is guaranteed, and the debt repayment plans are implemented in accordance with the commitments in the prospectus. The repayment guarantee measures include engaging a trustee-manager, 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 debt repayment plans and repayment guarantee measures in the prospectus, paid the interest and principal of corporate bonds in a timely manner, disclosed relevant information in a timely manner, and safeguarded the legitimate rights and interests of investors. The relevant plans and measures are consistent with the relevant commitments in the prospectus.	No	N/A	N/A	N/A	N/A

## 6. 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, % Currency: RMB

Type of liability	Parent company			Consolidated		
	December 31, 2022	December 31, 2021	Percentage of change	December 31, 2022	December 31, 2021	Percentage of change
Short-term borrowings	-	-	-	10,608,901,887.02	5,248,005,983.09	102.15
Short-term debt instruments	25,113,020,712.83	26,539,981,925.30	-5.38	25,147,998,691.61	26,935,839,064.49	-6.64
Placements from banks and other financial institutions	10,802,438,466.70	6,743,717,383.90	60.19	10,802,438,466.70	6,743,717,383.90	60.19
Financial assets sold under repurchase agreements	116,558,515,908.44	124,305,438,041.02	-6.23	120,805,473,266.38	127,417,730,458.56	-5.19
Long-term borrowings	-	-	-	1,163,140,747.44	980,181,988.83	18.67
Bonds payable	131,140,406,742.39	143,122,625,166.26	-8.37	134,627,741,792.54	146,313,957,294.30	-7.99
<b>Total</b>	<b>283,614,381,830.36</b>	<b>300,711,762,516.48</b>	<b>-5.69</b>	<b>303,155,694,851.69</b>	<b>313,639,432,173.17</b>	<b>-3.34</b>

Note: As at December 31, 2021 and December 31, 2022, the perpetual subordinated bonds of the parent company and on a consolidated basis both amounted to RMB15 billion, which are classified as equity instruments and are not included in interest-bearing liabilities. For details, please see "Other equity instruments" in "Chapter 9: Financial Report" of this report.

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

Unit: Yuan, % Currency: RMB

Type of liability	Parent company		Consolidated	
	Within one year	Over one year	Within one year	Over one year
Short-term borrowings	-	-	10,608,901,887.02	-
Short-term debt instruments	25,113,020,712.83	-	25,147,998,691.61	-
Placements from banks and other financial institutions	10,802,438,466.70	-	10,802,438,466.70	-
Financial assets sold under repurchase agreements	116,558,515,908.44	-	120,805,473,266.38	-
Long-term borrowings	-	-	895,159,747.44	267,981,000.00
Bonds payable	63,207,846,696.34	67,932,560,046.05	63,221,045,193.73	71,406,696,598.81
<b>Total</b>	<b>215,681,821,784.31</b>	<b>67,932,560,046.05</b>	<b>231,481,017,252.88</b>	<b>71,674,677,598.81</b>
<b>Proportion</b>	<b>76.05</b>	<b>23.95</b>	<b>76.36</b>	<b>23.64</b>

Note: As at December 31, 2022, the perpetual subordinated bonds of the parent company and on a consolidated basis both amounted to RMB15 billion, and the maturities were both over one year. For details, please see "Other equity instruments" in "Chapter 9: Financial Report" of this report.

## Chapter 8: Relevant Information of Bonds

### (II) Accounting data and financial indicators for the last two years as at the end of the Reporting Period

Unit: 100 Million Yuan Currency: RMB

Key indicators	2022	2021	Year-on-year change (%)	Reason for the change
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	81.81	115.87	-29.39	–
Current ratio	1.51	1.76	-13.96	–
Quick ratio	1.51	1.76	-13.96	–
Gearing ratio (%)	77.19	77.37	-0.23	–
EBITDA/debt ratio	5.08	6.88	-26.13	–
Interest coverage ratio	1.96	2.47	-20.39	–
Cash interest coverage ratio	7.57	-5.30	N/A	Attributable to the change in net cash flow from operating activities from net outflow to net inflow
EBITDA/interest coverage ratio	2.04	2.53	-19.45	–
Loan repayment ratio (%)	100.00	100.00	–	–
Interest payment ratio (%)	100.00	100.00	–	–

Note:

Gearing ratio = (Total liabilities – Accounts payables to brokerage clients)/(Total assets – Accounts payables to brokerage clients).

### **INDEPENDENT AUDITOR'S REPORT**

#### **TO THE SHAREHOLDERS OF CHINA MERCHANTS SECURITIES CO., LTD.**

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

### **Opinion**

We have audited the consolidated financial statements of China Merchants Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 253 to 399, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for Opinion**

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

## Chapter 9: Financial Report

### Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p>1. <i>Determination of consolidation scope of structured entities</i></p> <p>We identified the determination of consolidation scope of structured entities as a key audit matter due to the significant judgment applied by the management in determining whether a structured entity was required to be consolidated by the Group and the significance of the impact arising from consolidating these structured entities to the Group's consolidated financial statements as a whole.</p> <p>The Group held a number of interests in structured entities including investment funds, collective asset management schemes, trust schemes and limited partnerships where the Group was involved as investment manager or investor. As disclosed in note 4 to the consolidated financial statements, the management applied judgment in determining whether these investments should be consolidated in accordance with International Financial Reporting Standard 10: Consolidated Financial Statements ("IFRS 10") by determining i) whether the Group had power over these investees, and ii) whether the combination of investments it held, if any, together with its remuneration and credit enhancement created exposure to variability of returns from the activities of the asset management schemes, investment funds and limited partnerships that was of such significance that it indicated that the Group had control.</p> <p>As disclosed in notes 21 and 23, as at December 31, 2022, the total assets of the consolidated structured entities amounted to RMB22,474 million and the total assets of the unconsolidated structured entities sponsored by the Group amounted to RMB343,388 million, respectively.</p>	<p>Our procedures in relation to the determination of consolidation scope of structured entities included:</p> <ul style="list-style-type: none"><li>• Understanding the key controls of management in determining the consolidation scope as set out in IFRS 10 of interests in structured entities and evaluating the effectiveness of these controls;</li><li>• Examining, on a sample basis, the related investment contracts and other related service agreements of significant structured entities to determine whether management's conclusion as to whether or not a structured entity was required to be consolidated by the Group was in accordance with IFRS 10; and</li><li>• Checking, on a sample basis, the accuracy of management's calculations of the Group's exposure or right to variable returns from its involvement with the structured entities and examining the data used in these calculations by reference to the related contracts.</li></ul>

## Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="209 390 1425 454">2. <i>Measurement of expected credit losses (“ECL”) for advances to customers and stock-pledged repurchase agreements under financial assets held under resale agreements</i></p> <p data-bbox="209 476 798 793">We identified the measurement of ECL for the Group’s financial assets of credit business (advances to customers and stock-pledged repurchase agreements under financial assets held under resale agreements) as a key audit matter due to the significance of these assets to the Group’s consolidated financial statements and the significant management estimates and judgment required in the measurement.</p> <p data-bbox="209 814 798 950">As set out in note 62(2) to the consolidated financial statements, the measurement involved significant management estimates and judgment in the following key areas:</p> <ul data-bbox="209 972 798 1166" style="list-style-type: none"> <li>• Determination of the criteria for significant increase in credit risk (“SICR”) and financial assets that are credit impaired;</li> <li>• Use of models and assumptions;</li> <li>• Determination of loss rate.</li> </ul> <p data-bbox="209 1187 798 1397">The high degree of estimation uncertainty of the ECL had a significant impact on the carrying values of these assets, which in aggregate amounted to RMB94,926 million and constituted appropriately 15.52% of the total assets of the Group as at December 31, 2022.</p> <p data-bbox="209 1418 798 1623">As at December 31, 2022, the Group recognized expected credit losses of RMB245 million for advances to customers; RMB886 million for stock-pledged repurchase agreements; as disclosed in notes 29 and 26 to the consolidated financial statements, respectively.</p>	<p data-bbox="836 476 1425 541">Our procedures in relation to the measurement of ECL for financial assets of credit business included:</p> <ul data-bbox="836 562 1425 1576" style="list-style-type: none"> <li>• Understanding the key controls relating to the measurement of ECL for advances to customers and stock-pledged repurchase agreements and evaluating the effectiveness of these controls;</li> <li>• Evaluating the appropriateness of the ECL model and the critical assumptions and parameters used in the model, in particular, loss rate, with the involvement of our internal experts;</li> <li>• Evaluating the appropriateness of the criteria for SICR and financial assets that are credit impaired determined by management and, on a sample basis, testing the application of criteria for SICR and financial assets that are credit impaired to individual advances to customers and stock-pledged repurchase agreements;</li> <li>• Examining the correctness of major inputs to the ECL model for selected samples, including exposure at default and loss rate; and</li> <li>• For credit-impaired financial assets, on a sample basis, assessing the reasonableness of expected credit losses made by management based on the estimated future cash flows by reference to the latest collateral valuations, as appropriate.</li> </ul>

## Chapter 9: Financial Report

### Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>3. <i>Valuations of financial assets classified under the fair value hierarchy as Level 3</i></p> <p>We identified the valuations of financial assets classified under the fair value hierarchy as Level 3 (“Level 3 financial assets”) as a key audit matter due to the significant management estimates and judgments arising from the involvement of significant unobservable inputs in their valuations.</p> <p>As disclosed in note 63 to the consolidated financial statements, the fair value of the Group’s Level 3 financial assets amounted to RMB12,595 million as at December 31, 2022. Level 3 financial assets were measured using valuation models that involved a number of inputs; some of significant inputs were not based on observable market data, including volatility and discount for lack of marketability, etc.</p>	<p>Our procedures in relation to the valuations of Level 3 financial assets included:</p> <ul style="list-style-type: none"><li>• Understanding the key controls over the valuation process for Level 3 financial assets and evaluating the effectiveness of these controls;</li><li>• Evaluating the appropriateness of the valuation models used by the management for Level 3 financial assets, based on our knowledge of current industry practice;</li><li>• On a sample basis, reading the investment agreements, to understand the relevant investment terms, identifying any conditions that were relevant to the valuations of these financial assets and assessing the application in the valuation;</li><li>• Evaluating, on a sample basis, the appropriateness of the unobservable and observable inputs which are significant, used for measuring the fair value of Level 3 financial assets; and</li><li>• Performing independent valuations of Level 3 financial assets, on a sample basis, and comparing these valuations with the Group’s valuations, with the involvement of our valuation experts, as appropriate.</li></ul>

### Other Information

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

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

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

China Merchants Securities Co., Ltd.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

## Chapter 9: Financial Report

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Woo King Wa.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

March 24, 2023

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

China Merchants Securities Co., Ltd.

## Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended December 31,	
		2022	2021
Fee and commission income	7	11,916,981	15,304,295
Interest income	8	10,668,243	11,342,235
Investment gains or losses, net	9	5,115,011	9,454,795
Other income and gains or losses, net	10	1,635,565	4,241,097
<b>Total revenue, other income and gains</b>		<b>29,335,800</b>	<b>40,342,422</b>
Depreciation and amortization	11	(697,543)	(645,607)
Staff costs	12	(5,802,870)	(8,315,756)
Fee and commission expenses	13	(2,449,716)	(2,835,270)
Interest expenses	14	(9,326,511)	(9,649,572)
Tax and surcharges		(125,696)	(169,923)
Other operating expenses	15	(3,756,057)	(6,246,319)
Impairment losses under expected credit loss model, net of reversal	16	(300,543)	(373,061)
Other impairment losses, net		(6,915)	(3,318)
<b>Total expenses</b>		<b>(22,465,851)</b>	<b>(28,238,826)</b>
Share of results of associates		1,661,711	1,600,257
<b>Profit before income tax</b>		<b>8,531,660</b>	<b>13,703,853</b>
Income tax expenses	17	(452,454)	(2,046,045)
<b>Profit for the year</b>		<b>8,079,206</b>	<b>11,657,808</b>
Attributable to:			
Shareholders of the Company		8,072,319	11,645,065
Non-controlling interests		6,887	12,743
		<b>8,079,206</b>	<b>11,657,808</b>
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)	18		
<b>— Basic and diluted</b>		<b>0.86</b>	<b>1.25</b>

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

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

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,	
	2022	2021
<b>Profit for the year</b>	<b>8,079,206</b>	<b>11,657,808</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 year	(296,999)	(220,830)
Income tax impact	72,090	60,834
Sub-total	(224,909)	(159,996)
<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 year	(376,209)	74,805
Reclassification adjustment to profit or loss	172,275	5,827
Impairment losses under expected credit loss model, net of reversal	(15,180)	3,697
Income tax impact	52,198	(25,534)
Sub-total	(166,916)	58,795
Share of other comprehensive income of associates, net of related income tax	2,493	9,153
Exchange differences arising from translation of foreign operations	465,470	(184,320)
<b>Other comprehensive income (expense) for the year (net of tax)</b>	<b>76,138</b>	<b>(276,368)</b>
<b>Total comprehensive income for the year (net of tax)</b>	<b>8,155,344</b>	<b>11,381,440</b>
<b>Attributable to:</b>		
Shareholders of the Company	8,148,457	11,368,697
Non-controlling interests	6,887	12,743
	<b>8,155,344</b>	<b>11,381,440</b>

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

## Consolidated Statement of Financial Position

As at December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at December 31,	
		2022	2021
<b>Non-current assets</b>			
Property and equipment	19	1,549,043	1,480,506
Right-of-use assets	20	1,556,646	1,643,651
Goodwill		9,671	9,671
Other intangible assets		42,611	35,602
Interests in associates	22	10,745,849	9,648,858
Equity instruments at fair value through other comprehensive income	24	1,628,336	1,409,254
Debt instruments at amortized cost	25	20,411	164,506
Financial assets held under resale agreements	26	125,199	665,863
Financial assets at fair value through profit or loss	32	9,778,342	10,577,488
Deferred tax assets	27	1,832,205	1,561,415
Other non-current assets	28	593,169	747,041
<b>Total non-current assets</b>		<b>27,881,482</b>	<b>27,943,855</b>
<b>Current assets</b>			
Advances to customers	29	81,541,116	98,686,506
Current tax assets		440,274	139,954
Accounts and other receivables	30	5,820,413	5,260,246
Debt instruments at fair value through other comprehensive income	31	60,888,528	40,582,323
Debt instruments at amortized cost	25	539,149	953,120
Financial assets held under resale agreements	26	49,455,546	38,532,729
Financial assets at fair value through profit or loss	32	231,997,648	254,766,790
Derivative financial assets	33	3,664,686	3,204,641
Other current assets		37,646	197,539
Deposits with exchanges and non-bank financial institutions	34	12,213,224	13,141,791
Clearing settlement funds	35	23,804,906	25,873,373
Cash and bank balances	36	113,377,264	87,938,261
<b>Total current assets</b>		<b>583,780,400</b>	<b>569,277,273</b>
<b>Total assets</b>		<b>611,661,882</b>	<b>597,221,128</b>

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

## Consolidated Statement of Financial Position (Continued)

As at December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at December 31,	
		2022	2021
<b>Current liabilities</b>			
Short-term borrowings	38	10,608,902	5,248,006
Short-term debt instruments	39	25,147,999	26,935,839
Placements from banks and other financial institutions	40	10,802,438	6,743,717
Accounts payables to brokerage clients	41	106,377,654	99,605,342
Accrued staff costs	42	6,461,381	8,059,301
Other payables and accrued charges	43	27,538,471	32,690,883
Current tax liabilities		181,858	553,519
Financial liabilities at fair value through profit or loss	44	46,371,940	21,320,342
Derivative financial liabilities	33	2,875,039	4,616,992
Financial assets sold under repurchase agreements	45	120,805,473	127,417,730
Lease liabilities	46	330,846	321,889
Contract liabilities		63,808	—
Provisions		86,314	128,144
Long-term borrowings due within one year	51	895,160	642
Bonds payables due within one year	53	63,221,046	32,920,742
<b>Total current liabilities</b>		<b>421,768,329</b>	<b>366,563,088</b>
<b>Net current assets</b>		<b>162,012,071</b>	<b>202,714,185</b>
<b>Total assets less current liabilities</b>		<b>189,893,553</b>	<b>230,658,040</b>
<b>Equity</b>			
Share capital	47	8,696,526	8,696,526
Other equity instruments	48	15,000,000	15,000,000
Capital reserves		40,346,871	40,361,022
Investment revaluation reserve of financial assets at fair value through other comprehensive income	49	(180,630)	196,165
Translation reserve		238,056	(227,414)
General reserves	50	22,278,999	20,744,058
Retained profits		28,779,256	27,732,673
<b>Equity attributable to shareholders of the Company</b>		<b>115,159,078</b>	<b>112,503,030</b>
Non-controlling interests		82,488	87,421
<b>Total equity</b>		<b>115,241,566</b>	<b>112,590,451</b>

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

## Consolidated Statement of Financial Position (Continued)

As at December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at December 31,	
		2022	2021
<b>Non-current liabilities</b>			
Accrued staff costs	42	97,490	223,661
Deferred tax liabilities	27	482,293	491,857
Financial liabilities at fair value through profit or loss	44	1,372,080	1,867,596
Deferred income		112,947	116,144
Lease liabilities	46	912,500	995,576
Long-term borrowings	52	267,981	979,540
Bonds payables	54	71,406,696	113,393,215
<b>Total non-current liabilities</b>		<b>74,651,987</b>	<b>118,067,589</b>
<b>Total equity and non-current liabilities</b>		<b>189,893,553</b>	<b>230,658,040</b>

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

The consolidated financial statements on pages 253 to 399 were approved and authorized for issue by the board of directors on March 24, 2023 and are signed on its behalf by:

**HUO Da**

*Executive Director, Chairman*

**Wu Zongmin**

*Executive Director, President*

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Equity attributable to shareholders of the Company								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserves	Investment revaluation reserve of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	General reserves	Retained profits	Sub-total		
	(Note 47)	(Note 48)		(Note 49)		(Note 50)				
At January 1, 2021	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 year	—	—	—	—	—	—	11,645,065	11,645,065	12,743	11,657,808
Other comprehensive expense for the year	—	—	—	(92,048)	(184,320)	—	—	(276,368)	—	(276,368)
<b>Total comprehensive (expense) income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(92,048)</b>	<b>(184,320)</b>	<b>—</b>	<b>11,645,065</b>	<b>11,368,697</b>	<b>12,743</b>	<b>11,381,440</b>
Appropriation to general reserves	—	—	—	—	—	2,229,419	(2,229,419)	—	—	—
Distribution to holders of other equity instruments (note 55)	—	—	—	—	—	—	(802,090)	(802,090)	—	(802,090)
Dividends recognized as distribution (note 55)	—	—	—	—	—	—	(3,800,382)	(3,800,382)	(13,230)	(3,813,612)
Transfer to retained profits for cumulative fair value change of FVTOCI in associates upon disposal (note 49)	—	—	—	22,095	—	—	(22,095)	—	—	—
Transfer to retained profits for cumulative fair value change of FVTOCI upon disposal (note 49)	—	—	—	(22,508)	—	—	22,508	—	—	—
At December 31, 2021	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
At January 1, 2022	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 year	—	—	—	—	—	—	8,072,319	8,072,319	6,887	8,079,206
Other comprehensive (expense) income for the year	—	—	—	(389,332)	465,470	—	—	76,138	—	76,138
<b>Total comprehensive (expense) income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(389,332)</b>	<b>465,470</b>	<b>—</b>	<b>8,072,319</b>	<b>8,148,457</b>	<b>6,887</b>	<b>8,155,344</b>
Issue of perpetual bonds (note 48)	—	15,000,000	—	—	—	—	—	15,000,000	—	15,000,000
Underwriting fee of issue of perpetual bonds	—	—	(14,151)	—	—	—	—	(14,151)	—	(14,151)
Redemption of perpetual bonds (note 48)	—	(15,000,000)	—	—	—	—	—	(15,000,000)	—	(15,000,000)
Appropriation to general reserves	—	—	—	—	—	1,534,941	(1,534,941)	—	—	—
Distribution to holders of other equity instruments (note 55)	—	—	—	—	—	—	(782,134)	(782,134)	—	(782,134)
Dividends recognized as distribution (note 55)	—	—	—	—	—	—	(4,696,124)	(4,696,124)	(11,820)	(4,707,944)
Transfer to retained profits for cumulative fair value change of FVTOCI upon disposal (note 49)	—	—	—	12,537	—	—	(12,537)	—	—	—
At December 31, 2022	8,696,526	15,000,000	40,346,871	(180,630)	238,056	22,278,999	28,779,256	115,159,078	82,488	115,241,566

## Consolidated Statement of Cash Flows

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31	
	2022	2021
<b>Operating activities</b>		
Profit before income tax	8,531,660	13,703,853
<b>Adjustments for:</b>		
Interest expenses	9,326,511	9,649,572
Share of results of associates	(1,661,711)	(1,600,257)
Depreciation and amortization	697,543	645,607
Impairment losses under expected credit loss model, net of reversal and other impairment losses, net	307,458	376,379
Losses on disposal of property and equipment, other intangible assets and other non-current assets, net	2,549	5,608
Foreign exchange losses (gains), net	61,431	(12,136)
Gain on disposal of investments in associates	—	(134,216)
Net realized losses from disposal of financial assets at fair value through other comprehensive income	172,275	5,827
Net realized losses from derecognition of financial liabilities measured at amortised cost	6,481	—
Dividend income and interest income on financial assets at fair value through other comprehensive income and debt instrument at amortized cost	(1,416,905)	(1,957,110)
Unrealized fair value changes in financial instruments at fair value through profit or loss	4,715,517	(1,285,316)
Unrealized fair value changes in derivative financial instruments	(1,687,478)	584,685
<b>Operating cash flows before movements in working capital</b>	<b>19,055,331</b>	<b>19,982,496</b>
Decrease (Increase) in advances to customers	17,892,377	(16,735,721)
(Increase) Decrease in other current assets	(830,971)	903,631
(Increase) Decrease in financial assets held under resale agreements	(10,508,243)	12,777,863
Decrease (Increase) in financial instruments at fair value through profit or loss, net	44,226,164	(81,249,971)
Decrease (Increase) in deposits with exchanges and non-bank financial institutions	959,190	(4,074,558)
Decrease (Increase) in pledged and restricted bank deposits	349,407	(399,126)
Decrease (Increase) in clearing settlement funds	3,050,447	(5,001,348)
Increase in cash held on behalf of customers	(10,250,834)	(8,124,202)
Increase in accounts payables to brokerage clients	6,106,916	14,164,099
(Decrease) Increase in accrued staff costs	(1,731,870)	1,127,765
(Decrease) Increase in other current liabilities	(5,485,756)	13,910,712
(Decrease) Increase in financial assets sold under repurchase agreements	(6,813,948)	8,033,572
Increase (Decrease) in placements from other financial institutions	4,070,000	(4,270,000)
<b>Net cash from (used in) operations</b>	<b>60,088,210</b>	<b>(48,954,788)</b>
Income taxes paid	(1,280,134)	(1,780,392)
Interest paid	(3,504,621)	(3,583,425)
<b>Net cash from (used in) operating activities</b>	<b>55,303,455</b>	<b>(54,318,605)</b>

## Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31	
	2022	2021
<b>Investing activities</b>		
Dividends and interest received from investments	2,093,900	2,632,357
Purchases of property and equipment, other intangible assets and other non-current assets	(560,250)	(412,759)
Proceeds from disposals of property and equipment, other intangible assets and other non-current assets	1,630	1,471
Proceeds on disposal of interest in an associate	7,200	1,160,630
Net purchase or proceeds from purchases or disposals of financial instruments at fair value through other comprehensive income	(21,170,963)	9,826,753
Net purchase or proceeds from disposals of debt instruments at amortized cost	498,687	604,955
<b>Net cash (used in) from investing activities</b>	<b>(19,129,796)</b>	<b>13,813,407</b>
<b>Financing activities</b>		
Dividends paid to shareholders and other equity instruments holders	(5,510,034)	(4,615,702)
Interest payment of bonds and short-term debt instruments	(5,560,584)	(4,696,562)
Interest payment of borrowings	(115,093)	(129,838)
Interest payment of lease liabilities	(58,433)	(33,324)
Repayment of bonds and short-term debt instruments	(85,262,139)	(131,975,509)
Repayment of lease liabilities	(335,365)	(308,249)
Repayment of perpetual bonds	(15,000,000)	—
Proceeds from bonds and short-term debt instruments	71,104,881	175,065,469
Net repayment or proceeds from short-term borrowings	4,651,337	2,080,182
Proceeds from long-term borrowings, net of repayment	85,544	331,848
Proceeds from perpetual bonds	15,000,000	—
Payment of underwriting fee of issue of perpetual bonds	(14,151)	—
<b>Net cash (used in) from financing activities</b>	<b>(21,014,037)</b>	<b>35,718,315</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>15,159,622</b>	<b>(4,786,883)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>14,597,238</b>	<b>19,443,988</b>
Effect of foreign exchange rate changes	470,128	(59,867)
<b>Cash and cash equivalents at the end of the year</b>	<b>30,226,988</b>	<b>14,597,238</b>
<b>Net cash flows from operating activities including: interest received</b>	<b>8,860,033</b>	<b>9,186,958</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 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 the rights issue of A Share and H Share by issuing RMB1,702,997,123 A Shares and RMB294,120,354 H Shares, which were listed on the Shanghai Stock Exchange and the Main Board of The Hong Kong Stock Exchanges, respectively.

As at December 31, 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 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 services 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, listed securities market-making business, commodity futures brokerage, financial futures brokerage, futures investment consulting and other business approved by China Securities Regulatory Commission's ("CSRC").

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

### 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

#### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2022 for the preparation of the 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 adoption of the above-mentioned amendments in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

#### New and amendments IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts <sup>1</sup>
Amendments IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2023

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2024

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

The principal accounting policies are as follows.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company: (a) has power over the investee; (b) is exposed, or has rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power to affect its returns.

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

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

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of consolidation (Continued)

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

#### Structured entities

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Business combinations

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currencies

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

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

Monetary items denominated in foreign currencies are translated to functional currency at the spot exchange rate at the end of the year. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to functional currency using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate on the date the fair value is determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

#### Cash and cash equivalents

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

#### Goodwill

Goodwill represents the excess of:

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Goodwill (Continued)

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

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

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

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

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

#### Interests in associates

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Interests in associates (Continued)

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

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

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

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

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

#### Property and equipment and other non-current assets

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Intangible assets

##### (i) Intangible assets acquired separately

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

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

Classes	Useful lives
Trading rights	10 years
Others	5 years

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment on non-financial assets other than goodwill

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

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

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

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

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

#### Leases

##### (i) Definition of a lease

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### (ii) The Group as lessee

#### Allocation of consideration to components of a contract

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

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

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

#### Short-term leases and leases of low-value assets

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

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

#### Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### (ii) The Group as lessee (Continued)

#### Lease liabilities

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

The lease payments include:

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

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### *(ii) The Group as lessee (Continued)*

#### Lease modifications

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

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

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

##### *(iii) The Group as lessors*

#### Classification and measurement of leases

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

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

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

#### Allocation of consideration to components of a contract

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Borrowing costs

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

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

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

#### Government grants

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

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

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

#### Employee benefits

##### (i) Salaries and allowances

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Employee benefits (Continued)

##### *(ii) Contributions to retirement benefits scheme*

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

##### *(iii) Other social welfare*

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

##### *(iv) Other long-term employee benefits*

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

#### Taxation

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

##### *(i) Current tax*

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation (Continued)

##### *(ii) Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

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

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

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

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

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

##### *(iii) Income tax offsetting*

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments

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

#### (i) Recognition and derecognition of financial instruments

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

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

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

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

#### (ii) Classification of financial assets

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### (ii) Classification of financial assets (Continued)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income as stated above. However, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

##### (iii) Financial liabilities and equity instruments

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- Financial guarantee contracts and loan commitments which bear interest lower than the prevailing market rates that are not within the scope of the above.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *(iv) Embedded derivatives*

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. An embedded derivative and its host contract form a hybrid contract.

If a hybrid contract contains a host that is an asset within the scope of IFRS 9, the Group shall not separate an embedded derivative from the host, but shall apply the requirements of IFRS 9 to the entire hybrid contract.

##### *(v) Reclassification of financial instruments*

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets. The Group shall not reclassify any financial liability.

If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

- If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.
- If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
- If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
- If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss at the reclassification date.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### (v) *Reclassification of financial instruments (Continued)*

- If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortized cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.
- If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When reclassifying the financial assets, the Group determines effective interest rate based on the fair value of the financial assets at the reclassification date.

##### (vi) *Measurement of financial instruments*

The Group initially recognizes a financial asset or financial liability at its fair value. Fair value is the transaction price of a financial asset or financial liability. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

After initial recognition, the Group subsequently measure a financial asset at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

After initial recognition, the Group subsequently measure a financial liability at amortized cost or fair value through profit or loss.

Interest income is calculated by using the effective interest method. Interest income is recognized by applying the effective interest rate to the gross carrying amount of financial assets, except the follows:

- For purchased or originated credit-impaired financial assets, the interest income is recognized by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- For financial assets that are not purchased or originated credit-impaired but become credit-impaired financial assets subsequently, the interest income is recognized by applying the effective interest rate to the amortized cost of financial assets. If the credit risk on the credit-impaired financial instrument improves so that it is no longer credit-impaired and the improvement in the credit quality is related objectively to a certain event occurring after the application of rules mentioned above, such as the credit rating of the borrower is increased, then the interest income will be recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *(vii) Impairment of financial instruments*

The Group recognize a loss allowance for expected credit losses (“ECL”) for the following items:

- financial assets that are measured at amortized cost or debt instruments measured at fair value through other comprehensive;
- lease receivables;
- contract assets;
- loan commitments that are not measured at fair value through profit or loss.

ECL is a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument.

The Group always recognizes lifetime ECL for accounts receivable recognized under IFRS 15. The ECL is assessed individually for debtors with significant balances and/or collectively using an impairment matrix.

Except for accounts receivable recognized under IFRS 15, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition at the reporting date and recognizes the loss allowance for expected credit loss and its movement.

- The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. An impairment loss (gain) is recognized in profit or loss for the amount of ECL (or reversal) needed to adjust the loss allowance at the reporting date to the required amount.
- The Group measure the loss allowance for a financial instrument at an amount equal to the 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition. An impairment loss (gain) is recognized in profit or loss for the amount of ECL (or reversal) needed to adjust the loss allowance at the reporting date to the required amount.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *(viii) Profit of loss*

A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognized in profit or loss unless:

- it is a non-held for trading investment in an equity instrument that is designated as at fair value through other comprehensive income based on “3. Financial Instruments (ii) Classification of financial assets”. When the financial asset is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment;
- it is a financial liability designated as at fair value through profit or loss and the entity is required to present the effects of changes in the liability’s credit risk in other comprehensive income and other changes in the fair value of the financial liabilities are included in the profit and loss. When the financial liability is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings as a reclassification adjustment;
- it is a financial asset measured at fair value through other comprehensive income based on “3. Financial Instruments (ii) Classification of financial assets” and the entity is required to recognize fair value changes in other comprehensive income except for impairment gains or losses and foreign exchange gains and losses. Interest calculated using the effective interest method is recognised in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging is recognized in profit or loss when the financial asset is derecognized, reclassified, during the amortization process or in order to recognize impairment or losses. A gain or loss on a financial liability that is measured at amortized cost and is not part of a hedging is recognized in profit or loss when the financial liability is derecognized and through the amortization process.

##### *(ix) Estimation of fair value*

If there is a principal market for the asset or liability, the fair value measurement represents the price in that market.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include market approach, income approach and cost approach. Unobservable inputs are acceptable in valuation technique only when observable inputs are not available.

The fair value of a liability reflects the effect of non-performance risk. Non-performance risk includes, but may not be limited to, an entity’s own credit risk. Non-performance risk is assumed to be the same before and after the transfer of the liability.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *(x) Transfer and derecognize of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition); and
- the consideration received and the related fair value change previously recognized in other comprehensive income are recognized in profit or loss.

If a part of a financial asset is transferred and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between:

- the carrying amount (measured at the date of derecognition) allocated to the part derecognized; and
- the consideration received for the part derecognized and the related fair value change previously recognized in other comprehensive income are recognized in profit or loss.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the entity shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received.

For continuing involvement in transfer of financial assets, the group continues to recognise the transferred asset to the extent of its continuing involvement and an associated liability

##### *(xi) Derivative financial instruments*

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedging instrument are recognized in profit or loss.

All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair values are obtained from quoted market prices in an active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

##### *(xii) Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realizing the asset and settling the liability simultaneously.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

An entity shall account for a contract with a customer that is within the scope of this Standard only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party’s rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity’s future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

When a contract with a customer does not meet the criteria stated above and an entity receives consideration from the customer, the entity shall recognize the consideration received as revenue only when either of the following events has occurred: (1) the entity has no remaining obligations to transfer goods or services to the customer; and (2) all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable, otherwise the consideration received from a customer should be considered as a contract liability.

Revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue from contracts with customers (Continued)

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service. The Group shall consider indicators of the transfer of control, which include, but are not limited to, the following:

- The Group has a present right to payment for the asset and a customer is presently obliged to pay for an asset.
- The Group has transferred the significant risks and rewards of ownership of the asset and the customer has the significant risks and rewards of ownership of the asset.
- The Group has transferred the legal title of the asset and the customer has legal title of the asset.
- The Group has transferred physical possession of the asset and the customer has obtained physical possession of an asset.
- The customer has accepted the good for service.
- Other indicators of the transfer of control of the good or service to the customer.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue from contracts with customers (Continued)

Details of the recognition criteria of major types of revenue of the Group are as follows:

##### (i) *Fee and commission income*

- Brokerage commission income is recognized at a point in time on a trade date basis at a certain percentage of the transaction value of the trades executed.
- Handling and settlement fee income arising from brokerage business is recognized at a point in time when the related services are rendered.
- Commission income of the agency custody of securities business is recognized over time as the customers simultaneously receive benefits provided by the Group.
- Underwriting and sponsoring fees are recognised when the Group has fulfilled its obligations under the underwriting and sponsoring contract.
- Asset and fund management fee income is recognized as a performance obligation satisfied over time as the customers simultaneously receive benefits provided by the Group.
- Depending on the nature of the services and the contract terms, financial advisory services are recognised in profit or loss over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

##### (ii) *Interest income*

Interest income from a financial asset is recognised on an accrual basis using the effective interest method.

##### (iii) *Other income*

Other income is recognized when contracts are due for settlement or services are provided. It mainly comes from the bulk commodities trading of the Group's commodities trading subsidiaries. The revenue is recognized at a point in time when the Group fulfills its performance obligations in the contract and the customer obtains the control of relevant bulk commodity goods.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably measured.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other operating segments.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Financial performance is regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which consolidated financial statements regarding financial position, financial performance and cash flows is available.

Inter segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

#### Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgments in applying accounting policies**

The followings are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized and disclosures made in the consolidated financial statements.

#### ***Determination of consolidation scope***

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor and/or as an investment manager, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes, investment funds and limited partnerships where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes, investment funds and limited partnerships that is of such significance that it indicates that the Group is a principal. The collective asset management schemes, investment funds and limited partnerships are consolidated if the Group has control.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Critical judgments in applying accounting policies (Continued)

##### *Classification of financial assets*

The classification and measurement of financial assets depend on contractual cash flow test and business model test. The Group will consider all the relevant evidences in the business model test, including the way the performance of financial assets are evaluated and reported to the key management, the risk affected the performance of financial asset and how the risk are managed, as well as how the management are paid. The Group also needs to judge whether the contractual cash flow generated by financial assets is only the payment of the principal and interest based on the principal outstanding.

##### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Measurement of ECL*

##### **Significant increase in credit risk and impairment**

In assessing the measurement of expected credit losses (“ECLs”) of financial assets, the Group judges whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition and whether a credit impairment occurs. During the judgement process, both quantitative and qualitative information is also taken into consideration, including forward-looking information.

##### **Establishment of assets group with similar risk characteristics**

When the expected credit loss is measured on a group basis, the financial instruments are grouped by similar characteristics of risk. The Group continuously assesses whether these financial instruments continue to maintain similar credit risk characteristics, so as to ensure that once the characteristics of credit risk change, the financial instruments will be appropriately reclassified. This may result in new assets group or reclassification of assets to certain existing assets group, so as to better reflect the similar credit risk characteristics of which category of assets.

##### **Use of model and assumption**

The Group adopts different models and assumptions to assess the fair value and expected credit loss of financial assets. The Group determines the applicable model for each category of financial assets using judgment so as to determine the assumptions used by such models, including assumptions relating to the key drivers of credit risk.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty (Continued)

##### *Measurement of ECL (Continued)*

##### **Forward-looking information**

In assessing the expected credit loss, the Group used reasonable forward-looking information. Such information is based on the assumption of future trend of different economic driving factors, and the assumption of how these economic driving factors affect each other.

##### **Probability of default**

The probability is key input of expected credit risk. The probability of default is the estimates of possibility of default in certain period of time. The calculation involves historical information, assumption and expectation of future conditions.

##### **Loss given default**

Loss given default is the estimate of loss arising from default. It is based on the difference between contractual cash flows and the cash flows expected to be received by the borrower, and also considered the cash flows from pledge assets and overall credit enhancement.

Details of above significant judgment and estimation on ECL are set out in note 62(2) and note 63.

##### *Fair value of financial instruments*

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques use observable inputs and data of the market. When the market observable inputs are not available, the Group make estimate on the significant unobservable inputs and data. Details of fair value measurement are set out in note 63.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty (Continued)

##### *Income taxes and deferred tax assets*

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realization of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognized in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 27 to consolidated financial statements. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rates
Enterprise income tax ("EIT") <sup>(i)</sup>	Based on taxable profits	25%, 20% <sup>(ii)</sup> , 16.5% <sup>(iii)</sup> , 15% <sup>(iv)</sup>
Value added tax ("VAT")	The output VAT is calculated on the basis of taxable income. After deducting the input VAT allowed to be deducted in the current period, the difference is the VAT payable.	6%, 3% <sup>(v)</sup>
City maintenance and construction tax	Based on value added tax accrued	7%
Education surcharge	Based on value added tax accrued	3%
Local education surcharge	Based on value added tax accrued	2%

- (i) In accordance with the announcement of the State Administration of Taxation concerning the collection of EIT for cross regional operation (No. 57 of the State Administration of Taxation in 2012). The Company adopts the regulations of "integrated calculation, hierarchical management, advance payments in regions where the entities operate, centralization of final settlements and transfers between central and local authorities" for payments of EIT.
- (ii) According to the Enterprise Income Tax Law of the People's Republic of China and relevant regulation on the implementation, and the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2021] No. 12, hereinafter referred to as the "Notice") and other regulations, during the period from January 1, 2021 to December 31, 2022, for a small low-profit enterprise with an annual taxable income that is not more than RMB1 million, it will have its taxable income reduced by 25% and the applicable enterprise income tax rate will be 20%; and during the period from January 1, 2022 to December 31, 2024, for an enterprise with an annual taxable income that is not less than RMB1 million nor more than RMB3 million, it will have its taxable income reduced by 25%, and the applicable enterprise income tax rate will be 20%. Six subsidiaries of China Merchants Zhiyuan Capital Investment Co., Ltd., which is the subsidiary of the Company, benefit from the above-mentioned preferential tax policies.
- (iii) The Company's subsidiary China Merchants Securities International Company Limited and its subsidiaries which are registered in Hong Kong shall pay Hong Kong Profits Tax. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime and will continue to be taxed at a flat rate of 16.5%.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 5. TAXATION (Continued)

- (iv) According to the announcement of the Ministry of Finance, the State Administration of Taxation and National Development and Reform Commission on continuing the EIT Preferential Policies for the Development of Western China, from January 1, 2021 to December 31, 2030, qualified companies are subject to a tax rate of 15%. The subsidiary of the Group incorporated in Ganzhou namely, Ganzhou China Merchants Zhiyuan No. 1 Fund Management Co., Ltd. is subject to the above-mentioned preferential tax policies.
- (v) According to the Notice on finance, real estate development, education industry, etc. (Cai Shui [2016] No. 140), the supplementary notice on issues related to VAT of asset management products (Cai Shui [2017] No. 2) and the notice on issues related to VAT of asset management products (Cai Shui [2017] No. 56) issued by the Ministry of Finance and the State Administration of Taxation, the VAT taxable income accrued from the asset management product manager in the process of managing their products can temporarily apply a simple tax calculation method and pay the VAT at the rate of 3% commencing from January 1, 2018.

### 6. SEGMENT INFORMATION

#### (1) Operating segments

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

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

Management monitors the operating results of the Group's business units separately for the purpose of resource allocation and other operating decisions. Segment performance is measured consistently with operating profit or loss in the consolidated financial statements except that income taxes are not allocated to operating segments.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. SEGMENT INFORMATION (Continued)

#### (1) Operating segments (Continued)

The operating and reportable segment information provided to the chief operating decision maker (hereinafter refer as “CODM”) for the years ended December 31, 2022 and 2021 are as follows:

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>For the year ended December 31, 2022</b>							
<b>Segment revenue and results</b>							
— Segment revenue	17,828,201	1,446,575	1,217,500	6,721,288	547,440	(60,769)	27,700,235
— Segment other income and gains or losses	35,710	—	30,528	1,410	1,567,917	—	1,635,565
Segment revenue and other income	17,863,911	1,446,575	1,248,028	6,722,698	2,115,357	(60,769)	29,335,800
Segment expenses	(12,816,587)	(685,902)	(476,558)	(5,797,559)	(2,750,014)	60,769	(22,465,851)
Segment result	5,047,324	760,673	771,470	925,139	(634,657)	—	6,869,949
Share of results of associates	—	—	656	—	1,661,055	—	1,661,711
Profit before income tax	5,047,324	760,673	772,126	925,139	1,026,398	—	8,531,660
<b>As at December 31, 2022</b>							
<b>Segment assets and liabilities</b>							
Segment assets	216,531,043	956,908	10,055,831	352,766,068	36,922,906	(5,570,874)	611,661,882
Segment liabilities	(173,228,687)	(922,669)	(4,431,658)	(308,698,823)	(14,709,353)	5,570,874	(496,420,316)
<b>For the year ended December 31, 2022</b>							
<b>Other segment information</b>							
Amounts included in the measurement of segment profit or loss or segment assets:							
Interest income	8,197,804	—	47,174	1,936,445	547,440	(60,620)	10,668,243
Interest expenses	(4,376,368)	(12,903)	(50,217)	(4,933,499)	(14,144)	60,620	(9,326,511)
Capital expenditure	(251,640)	(26,498)	(11,804)	(21,969)	(248,339)	—	(560,250)
Depreciation and amortization	(393,106)	(52,017)	(14,663)	(28,010)	(209,747)	—	(697,543)
Impairment losses, net of reversal	(171,036)	—	(90,000)	(39,507)	(6,915)	—	(307,458)

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. SEGMENT INFORMATION (Continued)

#### (1) Operating segments (Continued)

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>For the year ended December 31, 2021</b>							
<b>Segment revenue and results</b>							
Segment revenue	20,650,534	2,610,454	1,746,405	10,840,752	288,409	(35,229)	36,101,325
Segment other income and gains or losses	23,213	545	55,991	107	4,161,241	—	4,241,097
Segment revenue and other income	20,673,747	2,610,999	1,802,396	10,840,859	4,449,650	(35,229)	40,342,422
Segment expenses	(13,829,404)	(1,133,501)	(546,435)	(7,372,978)	(5,391,737)	35,229	(28,238,826)
Segment result	6,844,343	1,477,498	1,255,961	3,467,881	(942,087)	—	12,103,596
Share of results of associates	—	—	1,740	2,897	1,595,620	—	1,600,257
Profit before income tax	6,844,343	1,477,498	1,257,701	3,470,778	653,533	—	13,703,853
<b>As at December 31, 2021</b>							
<b>Segment assets and liabilities</b>							
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>For the year ended December 31, 2021</b>							
<b>Other segment information</b>							
Amounts included in the measurement of segment profit or loss or segment assets:							
Interest income	9,009,411	—	73,187	2,006,457	288,409	(35,229)	11,342,235
Interest expenses	(4,190,729)	(87,959)	(50,239)	(5,341,853)	(14,021)	35,229	(9,649,572)
Capital expenditure	(214,954)	(18,572)	(18,055)	(15,882)	(145,296)	—	(412,759)
Depreciation and amortization	(371,628)	(52,411)	(13,656)	(27,935)	(179,977)	—	(645,607)
Impairment losses, net of reversal	(247,331)	—	(98,528)	(27,202)	(3,318)	—	(376,379)

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. SEGMENT INFORMATION (Continued)

#### (2) Geographical segments

The Group has two major geographical operation in the PRC, namely Mainland China and Outside Mainland China, where the Group's revenue are derived from and the Group's assets are 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 year ended December 31, 2022</b>			
Segment Revenue			
Revenue	26,988,507	711,728	27,700,235
Other income and gains or losses, net	1,675,126	(39,561)	1,635,565
	<b>28,663,633</b>	<b>672,167</b>	<b>29,335,800</b>
<b>For the year ended December 31, 2021</b>			
Segment Revenue			
Revenue	34,292,474	1,808,851	36,101,325
Other income and gains or losses, net	4,236,033	5,064	4,241,097
	<b>38,528,507</b>	<b>1,813,915</b>	<b>40,342,422</b>

#### *Specified non-current assets*

	Mainland China	Outside Mainland China	Total
<b>As at December 31, 2022</b>			
Specified non-current assets	14,318,866	178,123	14,496,989
<b>As at December 31, 2021</b>			
Specified non-current assets	13,380,630	184,699	13,565,329

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. SEGMENT INFORMATION (Continued)

#### (3) Information about major customers

No customer for the years ended December 31, 2022 and 2021 contributed over 10% to the total revenue of the Group.

### 7. FEE AND COMMISSION INCOME

	Year ended December 31,	
	2022	2021
Securities and futures brokerage business	8,816,284	10,668,498
Underwriting and sponsorship business	1,303,526	2,450,094
Asset management and fund management business	831,846	1,046,033
Financial advisory business	151,211	167,043
Investment advisory business	62,068	36,385
Other business	752,046	936,242
	<b>11,916,981</b>	<b>15,304,295</b>

### 8. INTEREST INCOME

	Year ended December 31,	
	2022	2021
Advances to customers and securities lending	5,571,384	6,233,534
Exchanges and financial institutions balances, deposits and clearing settlement funds	2,452,230	2,004,027
Debt instruments at fair value through other comprehensive income ("FVTOCI")	1,381,054	1,460,827
Financial assets held under securities back-lending resale agreements	726,291	1,141,805
Other financial assets held under resale agreements	469,420	431,834
Debt instruments at amortized cost	31,441	70,208
Others	36,423	—
	<b>10,668,243</b>	<b>11,342,235</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9. INVESTMENT GAINS OR LOSSES, NET

	Year ended December 31,	
	2022	2021
Dividend and interest income from financial assets at FVTPL	6,145,699	5,943,362
Dividend from financial assets at FVTOCI	23,225	426,075
Net losses from disposal of debt instruments measured at FVTOCI	(172,275)	(5,827)
Net losses on derecognition of debt instruments at amortized cost	(6,481)	—
Net gains on disposal of interests in an associate	—	134,216
Net (losses) gains from financial assets at FVTPL	(2,456,690)	4,828,781
Net gains (losses) from financial liabilities at FVTPL	141,353	(1,048,759)
Net gains (losses) from derivative financial instruments	1,440,180	(823,053)
	<b>5,115,011</b>	<b>9,454,795</b>

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

	Year ended December 31,	
	2022	2021
Income from commodity trading	1,354,813	4,008,036
Government grants <sup>(i)</sup>	116,852	82,297
Refund from tax withholding and remittance	81,631	33,447
Rental income	16,453	19,147
Foreign exchange (losses) gains, net	(50,521)	12,136
Others	116,337	86,034
	<b>1,635,565</b>	<b>4,241,097</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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 11. DEPRECIATION AND AMORTIZATION

	Year ended December 31,	
	2022	2021
Depreciation of right-of-use assets	349,557	326,505
Depreciation of property and equipment	183,538	191,380
Amortization of other non-current assets	158,797	122,855
Amortization of other intangible assets	5,651	4,867
	<b>697,543</b>	<b>645,607</b>

### 12. STAFF COSTS

	Year ended December 31,	
	2022	2021
Salaries, bonus and allowances	4,524,065	7,217,754
Contributions to retirement benefits <sup>(i)</sup>	628,343	505,550
Other social welfare <sup>(ii)</sup>	472,920	382,201
Others	177,542	210,251
	<b>5,802,870</b>	<b>8,315,756</b>

- (i) The domestic employees of the Group in the PRC participate in state-managed retirement benefits plans, which are operated by the relevant municipal and provincial governments. According to the relevant regulations, retirement benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These retirement benefits plans are defined contribution plans and contributions to the plans are expensed as incurred. In addition to the above retirement benefits plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on certain percentage of employees' salaries and recognized in profit or loss as expense. These annuity schemes are defined contribution plans.

The Group also operates MPF schemes for all qualified employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the schemes, and contributions of the same amounts are made by employees but are subject to maximum for individual employees. The assets of the scheme are held separately from those of the Group, and in funds under the control of trustees.

- (ii) The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, which are operated by the relevant municipal and provincial governments. These social welfare plans are recognized as expense as incurred.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13. FEE AND COMMISSION EXPENSES

	Year ended December 31,	
	2022	2021
Securities and futures brokerage business	2,372,981	2,752,580
Underwriting and sponsorship business	44,416	62,183
Financial advisory business	17,819	12,842
Asset management and fund management business	3,040	7,455
Investment advisory business	11,460	210
	<b>2,449,716</b>	<b>2,835,270</b>

### 14. INTEREST EXPENSES

	Year ended December 31,	
	2022	2021
Bonds payables	5,190,386	4,728,369
Financial assets sold under repurchase agreements	2,127,449	2,607,276
Short-term debt instruments	593,103	1,024,378
Placements from banks and other financial institutions	629,986	605,017
Accounts payables to brokerage clients	468,274	300,554
Borrowings	165,409	174,023
Lease liabilities	38,073	38,360
Others	113,831	171,595
	<b>9,326,511</b>	<b>9,649,572</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15. OTHER OPERATING EXPENSES

	Year ended December 31,	
	2022	2021
Cost of commodity trading	1,364,247	3,998,450
Labor insurance expenses	815,982	657,866
Business and promotion expenses	334,374	429,080
Electronic equipment operation expenses	488,438	437,772
Postal and communications expenses	222,814	177,528
Member fees of stock exchange	333,451	249,715
Clearing fee	162,397	141,408
Auditors' remuneration	4,114	3,795
Others	30,240	150,705
	<b>3,756,057</b>	<b>6,246,319</b>

- (i) Expense relating to short-term leases is RMB8,067 thousand (Year ended December 31, 2021: RMB11,396 thousand).

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

	Year ended December 31,	
	2022	2021
Impairment loss on financial assets held under resale agreements (note 26)	145,565	277,516
Impairment loss on advances to customers (note 29)	96,471	43,055
Impairment loss on accounts and other receivables (note 30)	19,001	25,288
Impairment loss on debt instruments at amortized cost (note 25)	54,686	23,505
(Reversal of) Impairment loss on debt instruments at FVTOCI (note 31)	(15,180)	3,697
	<b>300,543</b>	<b>373,061</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 17. INCOME TAX EXPENSES

	Year ended December 31,	
	2022	2021
Current tax:		
— PRC Enterprise Income Tax	644,496	1,937,596
— Hong Kong Profits Tax	1,357	126,775
	<b>645,853</b>	<b>2,064,371</b>
Over provision in respect of prior years:		
— PRC Enterprise Income Tax	(37,487)	(11,805)
— Hong Kong Profits Tax	(214)	(1,356)
	<b>(37,701)</b>	<b>(13,161)</b>
Deferred taxation		
— Origination and reversal of temporary differences (note 27)	(155,698)	(5,165)
	<b>452,454</b>	<b>2,046,045</b>

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended December 31,	
	2022	2021
<b>Profit before income tax</b>	<b>8,531,660</b>	<b>13,703,853</b>
Tax at the income tax rate of 25%	2,132,915	3,425,963
Tax effect of share of result of associates	(415,428)	(400,064)
Tax effect of expenses not deductible for tax purpose	92,460	30,303
Tax effect of income that are not taxable	(1,141,311)	(732,064)
Effect of different tax rates of subsidiaries	22,686	(73,036)
Tax effect of tax losses not recognized	52,099	3,004
Utilization of deferred tax assets previously not recognized	(72,801)	(1,107)
Over provision in respect of prior years	(37,701)	(13,161)
Others	(180,465)	(193,793)
<b>Income tax expense for the year</b>	<b>452,454</b>	<b>2,046,045</b>

Majority of the tax losses comes from the subsidiaries in Hong Kong and these losses can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. These estimated tax losses have no expiry dates but are subject to the approval of the Hong Kong Inland Revenue Department.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	Year ended December 31,	
	2022	2021
Earnings for the purpose of basic earnings per share:		
Profit attributable to shareholders of the Company	8,072,319	11,645,065
Less: Profit attributable to holders of perpetual subordinated bonds	(611,829)	(802,090)
	7,460,490	10,842,975
Number of shares:		
Weighted average number of ordinary shares	8,696,526	8,696,526
Earnings per share:		
Earnings per share (in RMB)	0.86	1.25

For the years ended December 31, 2022 and 2021, there were no dilutive shares.

### 19. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
<b>Cost</b>						
As at January 1, 2022	1,277,180	60,431	964,112	63,934	30,900	2,396,557
Additions	—	3,183	247,375	1,549	66,354	318,461
Disposals	—	(3,031)	(60,941)	(1,902)	—	(65,874)
Transfer to other non-current assets	—	—	—	—	(65,816)	(65,816)
Exchange differences	—	105	3,883	2,792	1,212	7,992
As at December 31, 2022	1,277,180	60,688	1,154,429	66,373	32,650	2,591,320
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2022	310,909	51,643	515,446	38,053	—	916,051
Charge for the year	32,014	2,659	138,050	10,815	—	183,538
Disposals	—	(2,880)	(57,840)	(1,801)	—	(62,521)
Exchange differences	—	105	3,060	2,044	—	5,209
As at December 31, 2022	342,923	51,527	598,716	49,111	—	1,042,277
<b>Carrying values</b>						
As at December 31, 2022	934,257	9,161	555,713	17,262	32,650	1,549,043

China Merchants Securities Co., Ltd.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19. PROPERTY AND EQUIPMENT (Continued)

	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
<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 to other non-current assets	—	—	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>						
As at December 31, 2021	966,271	8,788	448,666	25,881	30,900	1,480,506

As at December 31, 2022, included in leasehold land and buildings were carrying values of RMB10,341 thousand (December 31, 2021: RMB830,366 thousand), for which the Group was in the progress to obtain the relevant land and building certificates. The directors of the Company consider that this matter will not have significant impact on the consolidated financial statements for the year ended December 31, 2022.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20. RIGHT-OF-USE ASSETS

	Land and buildings	Leasehold land	Total
<b>Cost</b>			
As at January 1, 2022	2,426,752	432,600	2,859,352
Additions	254,788	—	254,788
Disposals	(46,820)	—	(46,820)
Exchange differences	19,161	—	19,161
As at December 31, 2022	2,653,881	432,600	3,086,481
<b>Accumulated depreciation</b>			
As at January 1, 2022	1,181,861	33,840	1,215,701
Charge for the year	338,582	10,975	349,557
Disposals	(45,799)	—	(45,799)
Exchange differences	10,376	—	10,376
As at December 31, 2022	1,485,020	44,815	1,529,835
<b>Carrying values</b>			
<b>As at December 31, 2022</b>	<b>1,168,861</b>	<b>387,785</b>	<b>1,556,646</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20. RIGHT-OF-USE ASSETS (Continued)

	Land and buildings	Leasehold land	Total
<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)
As at December 31, 2021	2,426,752	432,600	2,859,352
<b>Accumulated depreciation</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
Disposals	(73,340)	—	(73,340)
Exchange differences	(3,635)	—	(3,635)
As at December 31, 2021	1,181,861	33,840	1,215,701
<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>

The Group leases offices for its operations. Lease contracts are entered into for a fixed term of 12 months to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended December 31, 2022, total cash outflow for leases amounted to RMB401,865 thousand (2021: RMB352,971 thousand).

As at December 31, 2022 and December 31, 2021, the lease agreements did not impose any covenants other than the security interests in the leased assets that were held by the lessor. Leased assets may not be used as security for borrowing purposes.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

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

As at December 31, 2022, the Group consolidated 56 (December 31, 2021: 48) structured entities. The total assets of the consolidated structured entities amounted to RMB22,473,686 thousand (2021: RMB20,539,335 thousand).

The financial impact of these structured entities on the Group's financial position as at December 31, 2022 and 2021, and the results and cash flows for the years ended December 31, 2022 and 2021, though consolidated, are not significant and therefore not disclosed separately.

### 22. INTERESTS IN ASSOCIATES

	As at December 31,	
	2022	2021
Cost of unlisted investments in associates	4,578,935	4,586,135
Share of post-acquisition profits and other comprehensive income, net of dividends received	6,836,064	5,731,873
<b>Sub-total</b>	<b>11,414,999</b>	<b>10,318,008</b>
Impairment loss	(669,150)	(669,150)
	<b>10,745,849</b>	<b>9,648,858</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22. INTERESTS IN ASSOCIATES (Continued)

The following list contains only the particulars of material associates using the equity method in the consolidated financial statements:

Name of associates	Place and date of incorporation/ establishment	Equity interest held by the Group		Principal activities
		December 31,		
		2022	2021	
Bosera Asset Management Co., Ltd.	PRC/July 13, 1998	49%	49%	Fund management
China Merchants Fund Management Limited	PRC/December 27, 2002	45%	45%	Fund management
Guangdong Equity Exchange Center Co., Ltd. <sup>(i)</sup>	PRC/July 6, 2018	12%	12%	Transaction settlement services
Hunan China Merchants Xiangjiang Industry Management Co., Ltd.	PRC/March 13, 2008	40%	40%	Investment management
Twenty-first Century Technology Investment Co., Ltd.* <sup>(ii)</sup>	PRC/June 19, 2000	23%	23%	Investment holding

\* English name translated is for identification purpose only.

- (i) Guangdong Equity Exchange Center Co., Ltd. was recognized as an associate as the Group has rights to participate in its financial and operational decision making.
- (ii) This associate has been undergoing liquidation, and impairment losses have been fully recognized and written off.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22. INTERESTS IN ASSOCIATES (Continued)

Summarized financial information of the Group's material associates, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

#### Bosera Asset Management Co., Ltd.

	As at December 31 and year ended December 31,	
	2022	2021
Total assets	11,788,482	10,849,149
Total liabilities	(3,485,359)	(3,714,036)
Net assets	8,303,123	7,135,113
Revenue	5,316,063	5,763,985
Profit for the year	1,724,397	1,778,698
Other comprehensive income (expense)	13,613	(3,933)
Total comprehensive income	1,738,010	1,774,765
Dividends declared by the associate attributable to the Group	279,300	196,000
Net assets of the associate attributable to the Group	8,303,123	7,135,113
The Group's share of net assets of the associate	4,068,530	3,496,205
— Goodwill	3,425,523	3,425,523
— Impairment loss recognized	(669,150)	(669,150)
<b>Carrying amount in the consolidated financial statements</b>	<b>6,824,903</b>	<b>6,252,578</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22. INTERESTS IN ASSOCIATES (Continued)

#### China Merchants Fund Management Limited

	As at December 31 and year ended December 31,	
	2022	2021
Total assets	12,309,577	10,149,304
Total liabilities	(4,134,635)	(3,158,060)
Net assets	8,174,942	6,991,244
Revenue	5,757,073	5,231,916
Profit for the year	1,812,981	1,602,598
Other comprehensive (expense) income	(9,283)	24,611
Total comprehensive income	1,803,698	1,627,209
Dividends declared by the associate attributable to the Group	279,000	244,040
Net assets of the associate attributable to the Group	8,174,942	6,991,244
The Group's share of net assets of the associate	3,678,724	3,146,060
— Goodwill	199,545	199,545
<b>Carrying amount in the consolidated financial statements</b>	<b>3,878,269</b>	<b>3,345,605</b>

Aggregate information of associates that are not individually material:

	As at December 31 and year ended December 31,	
	2022	2021
The Group's share of profit for the year	915	7,762
The Group's share of other comprehensive income	—	22,095
The Group's share of total comprehensive income	915	29,857
Dividend declared by associates attributable to the Group	1,713	2,240
<b>Aggregate carrying amount of the Group's interests in these associates</b>	<b>42,677</b>	<b>50,675</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group is principally involved with structured entities through holding financial investments. These structured entities generally purchase assets through raising funds from third party investors. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. The interests held by the Group in the unconsolidated structured entities are set out as follows:

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

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

As at December 31, 2022, the total assets of these unconsolidated structured entities sponsored by the Group amounted to RMB343,388,410 thousand (2021: RMB475,795,492 thousand).

The amount of fee income derived from these unconsolidated structured entities managed by the Group are detailed in Note 7.

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

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

The carrying amounts of the related accounts in the consolidated statement of financial position represents the maximum exposure of losses to the Group for its interests in these unconsolidated structured entities sponsored by third party institutions as at December 31, 2022 and 2021. They are accounted for as financial assets at fair value through profit or loss and listed as below:

	As at December 31, 2022	
	2022	2021
Funds	50,079,136	23,756,461
Trust schemes	232,395	3,495,651
Wealth management products	998,231	401,000
Others	18,549,994	68,060,297
	<b>69,859,756</b>	<b>95,713,409</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at December 31,	
	2022	2021
Equity investments	1,628,336	1,409,254
	<b>1,628,336</b>	<b>1,409,254</b>

The investments represent equity investments and are only used by the Company for securities lending. Due to the Company's changes in strategy, the Group disposed of these investments and a loss after tax arising from such disposals amounting to RMB12,537 thousand was reclassified from other comprehensive income to retained earnings.

### 25. DEBT INSTRUMENTS AT AMORTIZED COST

#### (1) Analyzed by nature

	As at December 31,	
	2022	2021
<b>Non-current</b>		
Bonds	20,422	164,590
Less: Expected credit losses	(11)	(84)
	<b>20,411</b>	<b>164,506</b>
<b>Current</b>		
Bonds	622,751	977,320
Less: Expected credit losses	(83,602)	(24,200)
	<b>539,149</b>	<b>953,120</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at December 31,	
	2022	2021
At the beginning of the year	24,284	1,134
Expected credit losses recognized	54,686	23,505
Exchange differences	4,643	(355)
<b>At the end of the year</b>	<b>83,613</b>	<b>24,284</b>

	As at December 31, 2022			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	536,144	—	107,029	643,173
Expected credit losses	346	—	83,267	83,613

	As at December 31, 2021			
	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 year ended December 31, 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. (2021: There was no transfer between the stages of expected credit losses.)

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	As at December 31,	
	2022	2021
<b>Non-current</b>		
Analyzed by collateral type:		
Listed equity investments <sup>(i)</sup>	125,224	665,863
Analyzed by market:		
Stock exchanges	125,224	665,863
Less: Expected credit losses	(25)	—
	<b>125,199</b>	<b>665,863</b>
<b>Current</b>		
Analyzed by collateral type:		
Listed equity investments <sup>(i)</sup>	14,145,765	13,774,595
Bonds	36,195,898	25,498,711
<b>Sub-total</b>	<b>50,341,663</b>	<b>39,273,306</b>
Analyzed by market:		
Stock exchanges	29,404,870	18,422,481
Interbank bond market	20,936,793	20,850,825
<b>Sub-total</b>	<b>50,341,663</b>	<b>39,273,306</b>
Less: Expected credit losses	(886,117)	(740,577)
	<b>49,455,546</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 December 31, 2022, the Group received collateral amounted to RMB83,900 million (2021: RMB78,449 million) in connection with its reverse resale agreements and securities back-lending.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at December 31,	
	2022	2021
At the beginning of the year	740,577	463,061
Expected credit losses recognized	145,565	277,516
<b>At the end of the year</b>	<b>886,142</b>	<b>740,577</b>

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

	As at December 31, 2022			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	12,934,277	122,016	1,214,696	14,270,989
Expected credit losses	13,905	2,400	869,837	886,142
Collateral	38,335,574	652,280	435,027	39,422,881

	As at December 31, 2021			
	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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

(3) The following tables show reconciliation of loss allowances that has been recognized for financial assets held under resale agreements.

	Stage 1 12 months ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total
At January 1, 2022	17,448	—	723,129	740,577
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	—	—	—	—
— Transfer to Stage 3	—	—	—	—
— Charged to profit or loss	(3,543)	2,400	146,708	145,565
<b>At December 31, 2022</b>	<b>13,905</b>	<b>2,400</b>	<b>869,837</b>	<b>886,142</b>

	Stage 1 12 months ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total
At January 1, 2021	13,980	601	448,480	463,061
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	—	—	—	—
— Transfer to Stage 3	(4,269)	—	4,269	—
— Charged to profit or loss	7,737	(601)	270,380	277,516
<b>At December 31, 2021</b>	<b>17,448</b>	<b>—</b>	<b>723,129</b>	<b>740,577</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27. DEFERRED TAX ASSETS (LIABILITIES)

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

	As at December 31,	
	2022	2021
Deferred tax assets	1,832,205	1,561,415
Deferred tax liabilities	(482,293)	(491,857)
	<b>1,349,912</b>	<b>1,069,558</b>

The followings are the major deferred tax assets (liabilities) recognized and movements thereon during the year:

	Financial instruments at fair value through profit and loss/ derivatives	Accrued staff costs	Deferred income	Impairment allowances	Financial instruments at fair value through other comprehensive income	Property and equipment	Others	Total
At January 1, 2021	(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
At December 31, 2021	(745,937)	1,553,391	29,036	212,250	(60,102)	(2,815)	83,735	1,069,558
At January 1, 2022	(745,937)	1,553,391	29,036	212,250	(60,102)	(2,815)	83,735	1,069,558
(Credit) charge to profit or loss	228,317	(111,973)	(799)	31,067	—	862	8,224	155,698
Credit to other comprehensive income	—	—	—	—	124,288	—	—	124,288
Exchange differences	—	—	—	—	113	—	255	368
At December 31, 2022	(517,620)	1,441,418	28,237	243,317	64,299	(1,953)	92,214	1,349,912

As at December 31, 2022, the Group has unused tax losses that available for offset against future profits. No deferred tax asset has been recognised in respect of the above tax losses approximately RMB370,477 thousand (2021: RMB73,951 thousand) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB15,181 thousand (2021: Nil) with expiry in 2027. Other losses may be carried forward indefinitely.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 28. OTHER NON-CURRENT ASSETS

#### (1) Analyzed by nature

	As at December 31,	
	2022	2021
Leasehold improvements and deferred expenses	593,169	455,226
Prepayment for investment	—	291,815
	<b>593,169</b>	<b>747,041</b>

Leasehold improvements and deferred expenses are amortized within five years.

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

	As at December 31,	
	2022	2021
At the beginning of the year	455,226	348,166
Additions	230,924	182,547
Transfer from construction in progress (note 19)	65,816	47,368
Amortization	(158,797)	(122,855)
<b>At the end of the year</b>	<b>593,169</b>	<b>455,226</b>

### 29. ADVANCES TO CUSTOMERS

#### (1) Analyzed by nature

	As at December 31,	
	2022	2021
Advances to customers	81,785,847	98,832,293
Less: Expected credit losses	(244,731)	(145,787)
	<b>81,541,116</b>	<b>98,686,506</b>

Credit facility limits granted to margin clients are determined by the discounted market value of collateral securities accepted by the Group.

The majority of the advances to customers which are secured by underlying pledged securities and cash collateral as disclosed in Note 41 are interest bearing. The Group maintains a list of approved stocks for margin lending with respective loan-to-collateral ratios. Any excess in the ratio will trigger a margin call upon which the customers have to make good the difference.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29. ADVANCES TO CUSTOMERS (Continued)

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

	As at December 31,	
	2022	2021
Collateral measured at fair value:		
Cash	8,360,104	9,019,690
Bonds	781,082	1,929,661
Equity securities	205,593,006	272,671,945
Funds	3,489,182	2,207,212
	<b>218,223,374</b>	<b>285,828,508</b>

#### (3) The movements of allowance of impairment losses are as follows

	As at December 31,	
	2022	2021
At the beginning of the year	145,787	107,239
Expected credit losses recognized	96,471	43,055
Write-off of expected credit losses	—	(3,996)
Exchange differences	2,473	(511)
<b>At the end of the year</b>	<b>244,731</b>	<b>145,787</b>

	As at December 31, 2022			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	81,396,880	82,991	305,976	81,785,847
Expected credit losses	101,599	86	143,046	244,731

	As at December 31, 2021			
	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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29. ADVANCES TO CUSTOMERS (Continued)

(4) The following tables show reconciliation of expected credit losses that has been recognized for advances to customers.

	Stage 1 12m ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total ECL
As at January 1, 2022	55,219	113	90,455	145,787
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(17)	17	—	—
— Transfer to Stage 3	(233)	—	233	—
— Write-off of expected credit losses	—	—	—	—
— Charged (credit) to profit or loss	46,630	(44)	52,358	98,944
<b>As at December 31, 2022</b>	<b>101,599</b>	<b>86</b>	<b>143,046</b>	<b>244,731</b>

	Stage 1 12m ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total ECL
As at January 1, 2021	52,186	66	54,987	107,239
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(73)	73	—	—
— Transfer to Stage 3	(2,337)	(11)	2,348	—
— Write-off of expected credit losses	—	—	(3,996)	(3,996)
— Charged (credit) to profit or loss	5,443	(15)	37,116	42,544
<b>As at December 31, 2021</b>	<b>55,219</b>	<b>113</b>	<b>90,455</b>	<b>145,787</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30. ACCOUNTS AND OTHER RECEIVABLES

#### (1) Analyzed by nature

	As at December 31,	
	2022	2021
<b>Accounts and other receivables from/related to:</b>		
Clearing houses, brokers and dealers	2,614,256	2,184,661
Deposits of OTC derivative business	1,945,603	1,627,462
Fee and commission income	868,168	1,040,738
Other receivables	113,456	110,449
Dividends receivable	21,148	456
Others	317,530	336,723
<b>Sub-total</b>	<b>5,880,161</b>	<b>5,300,489</b>
Less: Expected credit losses of accounts and other receivables	(59,748)	(40,243)
	<b>5,820,413</b>	<b>5,260,246</b>

Fair value gain or losses arising from these business are recorded in derivative assets or liabilities.

#### (2) Analyzed by ageing

As at the end of the year, the ageing analysis based on transaction dates of accounts and other receivables, which is primarily comprised of fees and commission receivable and receivables related funds redemption, is as follows:

	As at December 31, 2022		As at December 31, 2021	
	Amount	Expected credit losses	Amount	Expected credit losses
Within 1 year	5,545,410	(177)	5,109,520	(671)
Between 1 and 2 years	163,235	(11,835)	55,699	(2,236)
Between 2 and 3 years	50,409	(12,236)	53,325	(18,549)
Over 3 years	121,107	(35,500)	81,945	(18,787)
	<b>5,880,161</b>	<b>(59,748)</b>	<b>5,300,489</b>	<b>(40,243)</b>

## Notes to the Consolidated Financial Statements (Continued)

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

#### (1) Analyzed by type

	As at December 31,	
	2022	2021
<b>Current</b>		
Government bonds	42,024,156	22,599,689
Bonds issued by policy banks	1,514,649	4,254,253
Bonds issued by commercial banks and other financial institutions	5,427,777	—
Others	11,921,946	13,728,381
	<b>60,888,528</b>	<b>40,582,323</b>

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

	As at December 31,	
	2022	2021
At the beginning of the year	21,840	18,575
Expected credit losses recognized	—	3,697
Reversal of expected credit losses	(15,180)	—
Exchange differences	932	(432)
<b>At the end of the year</b>	<b>7,592</b>	<b>21,840</b>

	As at December 31, 2022			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	60,888,528	—	—	60,888,528
Expected credit losses	7,592	—	—	7,592

	As at December 31, 2021			
	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 year ended December 31, 2021 and 2022, there was no material transfer between the stages of expected credit losses.

## Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at December 31	
	2022	2021
<b>Current</b>		
Debt securities	148,400,039	155,037,861
Funds	50,079,136	23,603,284
Equity investments <sup>(i)</sup>	23,239,597	17,758,074
Others <sup>(ii)</sup>	10,278,876	58,367,571
<b>Sub-total</b>	<b>231,997,648</b>	<b>254,766,790</b>
<b>Non-current</b>		
Funds	—	153,177
Equity investments <sup>(i)</sup>	3,355,941	4,536,836
Others <sup>(ii)</sup>	6,422,401	5,887,475
<b>Sub-total</b>	<b>9,778,342</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 63.

As at December 31, 2022, debt securities of RMB2,048,692 thousand (2021: 1,708,716 thousand) and RMB27,053,174 thousand (2021: 15,466,674 thousand) classified as FVTPL were pledged as collateral for certain derivative transactions and securities borrowing, respectively. Moreover, it also entered into certain repurchase and securities leading arrangements and the details are disclosed in Note 56.

## Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

### 33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31, 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
Interest derivative instrument	1,288,145,882	27,929	12,314	278,309,095	685,971	704,685
Equity derivative instrument	140,435,636	3,328,149	2,697,403	135,518,609	2,376,353	3,707,597
Currency derivatives	25,913,288	213,901	35,947	40,545,960	3,524	48,959
Credit derivatives	997,806	8,047	144	860,000	9,861	345
Other derivative instrument	60,578,529	86,660	129,231	38,112,697	128,932	155,406
	<b>1,516,071,141</b>	<b>3,664,686</b>	<b>2,875,039</b>	<b>493,346,361</b>	<b>3,204,641</b>	<b>4,616,992</b>

Under a daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC futures contracts, interest rate swap contracts and bond forward contracts traded in the National Interbank Funding Center and foreign exchange contracts traded in the China Foreign Exchange Trade System are settled daily and the corresponding receipts and payments are included in "clearing settlement funds". Accordingly, these contracts are presented after netting of their settlements at the end of the reporting period.

## Notes to the Consolidated Financial Statements (Continued)

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

	As at December 31,	
	2022	2021
<b>Deposits with stock exchanges and clearing houses:</b>		
China Securities Depository and Clearing Corporation Limited	848,929	1,115,266
Shanghai Clearing House	668,000	576,337
Hong Kong Securities Clearing Company Limited	87,003	134,668
Hong Kong Stock Exchange	23,486	552
The SEHK Options Clearing House Limited	603	12,804
China Beijing Equity Exchange	—	2,878
<b>Deposits with futures and commodity exchanges and financial institutions:</b>		
China Financial Futures Exchange	5,391,792	6,784,949
Dalian Commodity Exchange	2,056,337	1,548,864
Shanghai Futures Exchange	1,228,495	1,189,585
Others	1,908,579	1,775,888
	<b>12,213,224</b>	<b>13,141,791</b>

## Notes to the Consolidated Financial Statements (Continued)

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### 35. CLEARING SETTLEMENT FUNDS

	As at December 31,	
	2022	2021
Clearing settlement funds held with clearing houses for:		
House accounts	7,875,448	6,893,468
Clients	15,929,458	18,979,905
	<b>23,804,906</b>	<b>25,873,373</b>

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

### 36. CASH AND BANK BALANCES

	As at December 31,	
	2022	2021
Bank balances – house accounts	24,248,926	9,777,458
House accounts	22,524,645	7,703,770
Pledged and restricted bank deposits		
— Restricted bank deposit for purchase of bond, stock and as risk reserve and credit (note 37)	1,724,281	2,073,688
Cash held on behalf of customers	89,128,338	78,160,803
	<b>113,377,264</b>	<b>87,938,261</b>

### 37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at December 31,	
	2022	2021
Bank balances – house accounts (note 36)	24,076,253	9,777,458
Clearing settlement funds – house accounts (note 35)	7,875,016	6,893,468
Less: Pledged and restricted bank deposits (note 36)	(1,724,281)	(2,073,688)
	<b>30,226,988</b>	<b>14,597,238</b>

## Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

### 38. SHORT-TERM BORROWINGS

	As at December 31,	
	2022	2021
<b>Current</b>		
Secured bank borrowings <sup>(i)</sup>	30,675	—
Unsecured bank borrowings <sup>(ii)</sup>	10,543,978	5,246,025
Interests accrued	34,249	1,981
	<b>10,608,902</b>	<b>5,248,006</b>

- (i) As at December 31, 2022, the Group's secured bank borrowings were funds that the Group had financed from banks by discounting outstanding bills receivable at a discount rate of 1.70% (2021:Nil).
- (ii) As at December 31, 2022, the floating interest rates of Group's short-term unsecured bank borrowings ranged from 1.85%-6.10% (2021: 0.96%-1.44%) per annum while the Group had no unsecured bank borrowings bear fixed interest rates (2021: the fixed interest rate of these borrowings was 4.00%) per annum.

### 39. SHORT-TERM DEBT INSTRUMENTS

	Coupon rate	As at January 1, 2022	Issuance/ Other Transfer	Redemption/ Exchange difference	As at December 31, 2022
Short-term bond payables	1.88%-3.25%	4,200,000	6,600,000	10,800,000	—
Short-term financing bills payables	1.82%-2.75%	1,800,000	35,000,000	12,800,000	24,000,000
Principals of income certificates	0.05%-7.18%	20,609,046	10,757,092	30,374,507	991,631
Interest accrued		326,793	581,453	751,878	156,368
		<b>26,935,839</b>	<b>52,938,545</b>	<b>54,726,385</b>	<b>25,147,999</b>

## Notes to the Consolidated Financial Statements (Continued)

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

	Coupon rate	As at January 1, 2021	Issuance/ Other Transfer	Redemption/ Exchange difference	As at December 31, 2021
Short-term bond payables	3.25%	2,100,000	4,200,000	2,100,000	4,200,000
Short-term financing bills payables	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>

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

	As at December 31,	
	2022	2021
Placement from banks <sup>(i)</sup>	10,800,000	2,230,000
Placement from other financial institutions <sup>(ii)</sup>	—	4,500,000
Interest accrued	2,438	13,717
	<b>10,802,438</b>	<b>6,743,717</b>

(i) As at December 31, 2022, the effective interest rates on amount due to banks ranged from 1.96%-3.45% (2021: 2.23%-3.10%) per annum.

(ii) As at December 31, 2021, the effective rate interest rate on amount due to other financial institutions was 2.80% per annum.

### 41. ACCOUNTS PAYABLES TO BROKERAGE CLIENTS

	As at December 31,	
	2022	2021
Clients' deposits for margin financing and securities lending	8,360,104	9,019,690
Clients' deposits for other brokerage business	98,017,550	90,585,652
	<b>106,377,654</b>	<b>99,605,342</b>

## Notes to the Consolidated Financial Statements (Continued)

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### 41. ACCOUNTS PAYABLES TO BROKERAGE CLIENTS (Continued)

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 repayables 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.

### 42. ACCRUED STAFF COSTS

	As at December 31,	
	2022	2021
<b>Non-current</b>		
Salaries, bonus and allowances	97,490	223,661
<b>Current</b>		
Salaries, bonus and allowances	6,355,091	7,927,716
Short-term social welfare	52,054	52,054
Defined contribution plans <sup>(i)</sup>	911	1,218
Others	53,325	78,313
	<b>6,461,381</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 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 these funds set up by the governments on a monthly basis. Besides, the Group sets up annuity schemes and MPF schemes for qualified employees in the PRC and Hong Kong and contributes to these schemes, which are managed by third parties, on an annual basis or on a monthly basis.

The total expense recognized in profit or loss of RMB628,343 thousand (2021: RMB505,550 thousand) represents contributions payables to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2022, contributions of RMB911 thousand due in respect of the year ended December 31, 2022 had not been paid to these plans (2021: RMB1,218 thousand). The amounts were paid subsequent to the end of reporting period.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43. OTHER PAYABLES AND ACCRUED CHARGES

	As at December 31,	
	2022	2021
Deposits of equity return swaps <sup>(i)</sup>	19,405,427	23,617,908
Settlement payables to brokers and clearing houses	5,389,622	5,106,756
Notes payables	942,000	1,772,900
Dividends payables to holders of other equity instruments	574,515	592,196
Other tax payables	530,156	556,606
Commission and handling fee payables	145,738	134,191
Futures risk reserve	138,519	116,382
Others <sup>(ii)</sup>	412,494	793,944
	<b>27,538,471</b>	<b>32,690,883</b>

- (i) As at December 31, 2022 and 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 these consolidated financial statements under note 33 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at December 31,	
	2022	2021
<b>Non-current</b>		
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities <sup>(i)</sup>	1,372,080	1,867,596
<b>Current</b>		
<b>Financial liabilities held for trading</b>		
— Equity securities	1,437,918	383,159
— Debt securities	41,818,085	18,621,982
— Structured notes	1,483,752	1,753,125
— Others	215,462	434,603
	<b>44,955,217</b>	<b>21,192,869</b>
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities <sup>(i)</sup>	1,416,723	127,473
	<b>46,371,940</b>	<b>21,320,342</b>

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at December 31,	
	2022	2021
<b>Current</b>		
Analyzed by collateral type:		
Bonds	111,543,173	106,741,683
Gold	9,262,300	20,676,047
	<b>120,805,473</b>	<b>127,417,730</b>
Analyzed by market:		
Stock exchanges	16,064,354	45,340,025
Interbank bond market	100,886,752	79,482,490
Over-the-counter	3,854,367	2,595,215
	<b>120,805,473</b>	<b>127,417,730</b>

Sales and repurchase agreements are transactions in which the Group sells a security as well as rights and interests in margin loans and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed dates and prices. These securities are not derecognized from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risk and rewards of these securities and margin loans.

As at December 31, 2022, the Group's pledged collateral in connection with its repurchase financing business amounted to RMB135,670 million (2021: RMB147,234 million).

### 46. LEASE LIABILITIES

	As at December 31,	
	2022	2021
Within 1 year	330,846	321,889
Within a period of more than 1 year but not more than 2 years	263,269	260,417
Within a period of more than 2 years but not more than 5 years	415,927	451,283
Within a period of more than 5 years	233,304	283,876
<b>Sub-total</b>	<b>1,243,346</b>	<b>1,317,465</b>
Less: Amount due for settlement within 12 months shown under current liabilities	(330,846)	(321,889)
Amount due for settlement after 12 months shown under non-current liabilities	912,500	995,576

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47. SHARE CAPITAL

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

	As at December 31,	
	2022	2021
Registered, issued and fully paid ordinary shares of RMB1 each:		
At the beginning and at the end of the year		
— 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>

### 48. OTHER EQUITY INSTRUMENTS

	At the beginning of the year	Addition	Redemption	At the end of the year
Perpetual subordinated bonds	15,000,000	15,000,000	(15,000,000)	15,000,000

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48. OTHER EQUITY INSTRUMENTS (Continued)

The Company did not exercise the issuer's renewal option and redeemed four matured batches of perpetual subordinated bonds with principals of RMB4,000,000,000, RMB5,000,000,000, RMB3,700,000,000 and RMB2,300,000,000, which were issued in February, March, May and June 2017.

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 RMB15 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 RMB4,700,000,000, the third tranche of RMB4,000,000,000 and the fourth tranche of RMB2,000,000,000, respectively, with a cumulative issuance amount of RMB15 billion. And the interest rates of above perpetual subordinated bonds ranged from 3.72%-3.95%.

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

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

	As at December 31,	
	2022	2021
At the beginning of the year	196,165	288,626
Debt instruments at FVTOCI		
Net changes in fair value for the year	(376,209)	74,805
Reclassification to profit or loss	172,275	5,827
Income tax impact	52,309	(26,047)
Expected credit losses of debt instruments at FVTOCI		
Net changes in profit or loss for ECL Reclassification adjustment	(15,180)	3,697
Income tax impact	(111)	513
Equity instruments at FVTOCI		
Net changes in fair value for the year	(296,999)	(220,830)
Transfer to retained profits	12,537	(22,508)
Income tax impact	72,090	60,834
Share of other comprehensive income of associates		
Transfer to retained profits	—	22,095
Share of other comprehensive income that will be reclassified subsequently to profit or loss	2,493	9,153
<b>At the end of the year</b>	<b>(180,630)</b>	<b>196,165</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50. GENERAL RESERVES

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

In accordance with the Company Law of the PRC and the Articles of Association, 10% of the net profit of the Company is required to be allocated to the statutory reserve until the statutory reserve has reached 50% of the share capital of the Company. As of December 31, 2022, the accumulated surplus reserve has reached 50% of the Company's registered capital and therefore no further allocation is required for this year.

In accordance with the "Financial Rules for Financial Enterprises" (Cai Zheng Bu Order No. 42) and 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"), the Company, China Merchants Securities Asset Management Co., Ltd. and China Merchants Futures Co., Ltd. are 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.

In accordance with the "Interim Measures for the Supervision and Administration of Risk Reserves of Publicly Offered Securities Investment Funds (CSRC Order No. 94)" and the requirements of the guidance of CSRC about regulating financial institutions in the asset management business for collective asset management business of securities (CSRC Announcement [2018] No. 39), the Company is required to appropriate 10% of its management fees earned from public offering products and large-size collective assets management business as general risk reserve. Moreover, no further general risk reserve is required when reserve balance reach 1% of the net asset value of the asset management plan at the end of last quarter.

The Company and China Merchants Securities Asset Management Co., Ltd. appropriate 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 reserve are as follows:

#### As at December 31, 2022

	At the beginning of the year	Addition	At the end of the year
Statutory reserve <sup>(i)</sup>	5,236,148	—	5,236,148
General risk reserve	8,075,605	806,194	8,881,799
Transaction risk reserve	7,432,305	728,747	8,161,052
	<b>20,744,058</b>	<b>1,534,941</b>	<b>22,278,999</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50. GENERAL RESERVE (Continued)

As at December 31, 2021

	At the beginning of the year	Addition	At the end of the year
Statutory reserve <sup>(i)</sup>	5,236,148	—	5,236,148
General risk reserve	6,914,897	1,160,708	8,075,605
Transaction risk reserve	6,363,594	1,068,711	7,432,305
	<b>18,514,639</b>	<b>2,229,419</b>	<b>20,744,058</b>

- (i) The statutory reserve has reached 50% of the share capital of the Company at December 31, 2022 and 2021. Therefore, no net profit of the Company was transferred to the statutory surplus during the year.

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

	As at December 31,	
	2022	2021
Unsecured bank borrowings	892,436	—
Interest accrued	2,724	642
	<b>895,160</b>	<b>642</b>

### 52. LONG-TERM BORROWINGS

	As at December 31,	
	2022	2021
Unsecured bank borrowings	267,981	979,540
Analysed by maturity:		
1 to 2 years	178,654	—
2 to 5 years	89,327	979,540
	<b>267,981</b>	<b>979,540</b>

As at December 31, 2022, the Group's unsecured long-term bank borrowings bore floating interest rate of 5.619%-5.663% (2021: 1.259%-1.711%) per annum.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53. BONDS PAYABLES DUE WITHIN ONE YEAR

	As at December 31,	
	2022	2021
Non-convertible bonds <sup>(1)</sup>	30,482,178	29,996,864
Subordinated bonds <sup>(2)</sup>	13,194,316	—
Income certificates	16,421,328	338,298
Interest accrued	3,123,224	2,585,580
	<b>63,221,046</b>	<b>32,920,742</b>

(1) The following table presents an analysis of non-convertible bonds

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
12CM03	CNY	5,500,000	2013/03/05	2023/03/05	5.15%
CMSEC N2301	USD	300,000	2020/01/21	2023/01/21	2.63%
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%
21CMG1	CNY	1,500,000	2021/01/18	2023/01/18	3.24%
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%
21CMG6	CNY	2,000,000	2021/07/29	2023/10/12	2.95%

(2) The details of subordinated bonds 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%
20CMC2	CNY	1,070,000	2020/12/03	2023/12/03	4.43%
21CMC4	CNY	3,000,000	2021/05/18	2023/11/18	3.55%
21CMC5	CNY	2,700,000	2021/06/24	2023/06/24	3.48%
21CMC6	CNY	2,000,000	2021/06/24	2023/12/23	3.60%

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. BONDS PAYABLES

	As at December 31,	
	2022	2021
Non-convertible bonds <sup>(1)</sup>	47,110,378	60,117,993
Subordinated bonds <sup>(2)</sup>	21,783,914	34,955,405
Income certificates	2,512,404	18,125,187
Interest accrued	—	194,630
	<b>71,406,696</b>	<b>113,393,215</b>

(1) The details of non-convertible bonds 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%
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%
21CMG5	CNY	4,000,000	2021/07/12	2024/07/12	3.22%
21CMG7	CNY	4,300,000	2021/07/29	2024/06/13	3.12%
21CMG9	CNY	5,000,000	2021/08/12	2024/08/12	3.08%
21CMG10	CNY	2,000,000	2021/08/12	2026/08/12	3.41%
CMSI GEM N2409	USD	500,000	2021/09/16	2024/09/16	1.30%
22CMG1	CNY	5,000,000	2022/01/17	2025/01/17	2.89%
22CMG2	CNY	4,000,000	2022/07/26	2025/07/26	2.70%
22CMG3	CNY	3,000,000	2022/08/11	2025/02/12	2.54%
22CMG4	CNY	5,000,000	2022/08/11	2025/08/11	2.59%

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. BONDS PAYABLES (Continued)

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

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
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%
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%

### 55. DIVIDENDS

	As at December 31,	
	2022	2021
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.

### 56. TRANSFERS OF FINANCIAL ASSETS

#### (1) Repurchase agreements

The Group entered into repurchase agreements with certain counterparties to sell the Group's securities and interests in margin loans and the proceeds are presented as financial assets sold under repurchase agreements. Under these agreements, the Group is unable to dispose of these securities until they are repurchased.

The following tables provide a summary of carrying amounts and fair values in respect of these financial assets transferred but are continued to be recognized and their associated liabilities:

## Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

### 56. TRANSFERS OF FINANCIAL ASSETS (Continued)

#### (1) Repurchase agreements (Continued)

As at December 31, 2022

	Financial assets at fair value through profit or loss	Debt instruments at amortized cost	Debt instruments at fair value through other comprehensive income	Securities/ gold lending arrangements	Total
Fair value of transferred assets	85,358,962	76,083	30,202,225	15,127,038	130,764,308
Carrying amount of associated liabilities	78,858,132	70,286	27,902,067	13,974,984	120,805,469
<b>Net position</b>	<b>6,500,830</b>	<b>5,797</b>	<b>2,300,158</b>	<b>1,152,054</b>	<b>9,958,839</b>

As at December 31, 2021

	Financial assets at fair value through profit or loss	Debt instruments at amortized cost	Debt instruments at fair value through other comprehensive income	Securities/ gold lending arrangements	Total
Fair value of transferred assets	95,022,450	426,020	21,377,720	25,551,430	142,377,620
Carrying amount of associated liabilities	85,038,260	381,260	19,131,520	22,866,690	127,417,730
<b>Net position</b>	<b>9,984,190</b>	<b>44,760</b>	<b>2,246,200</b>	<b>2,684,740</b>	<b>14,959,890</b>

#### (2) Securities lending arrangements

As of December 31, 2022, the Group entered into securities lending agreements with its clients to lend its financial assets classified as financial assets at fair value through profit or loss of RMB546,745 thousand (2021: RMB496,181 thousand) and equity instruments at fair value through other comprehensive income of RMB658,107 thousand (2021: RMB1,003,092 thousand). These lending agreements are secured by client's securities and deposits held as collateral. Legal ownership of these securities is transferred to the clients and the clients are allowed to sell these securities under these lending arrangements, but they have obligations to return these securities to the Group at specified future dates. The Group is of the opinion that it retains substantially all the risks and rewards of these securities and therefore are not derecognized these securities in the consolidated financial statements.

### 57. CAPITAL COMMITMENTS AND CONTINGENCIES

As of December 31, 2022 and 2021, the Group does not have any significant capital commitments or any significant contingencies.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of directors and supervisors of the Company paid by the Group for the years ended December 31, 2022 and 2021 are as follows:

#### Year ended December 31, 2022

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonus charge during the year	Total emoluments
<b>Executive directors:</b>					
HUO Da	0	2,047	356	1,096	3,499
WU Zongmin <sup>(1)</sup>	0	1,869	373	987	3,229
	<b>0</b>	<b>3,916</b>	<b>729</b>	<b>2,083</b>	<b>6,728</b>
<b>Non-executive directors:</b>					
LIU Weiwu	0	0	0	0	0
DENG Weidong <sup>(2)</sup>	0	0	0	0	0
SU Min	0	0	0	0	0
PENG Lei <sup>(3)</sup>	0	0	0	0	0
GAO Hong	0	0	0	0	0
HUANG Jian	0	0	0	0	0
LIU Chong <sup>(4)</sup>	0	0	0	0	0
Wang Wen	0	0	0	0	0
WANG Daxiong <sup>(5)</sup>	0	0	0	0	0
XIONG Xianliang <sup>(6)</sup>	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Independent non-executive directors:</b>					
XIANG Hua	200	0	0	0	200
XIAO Houfa	200	0	0	0	200
XIONG Wei	200	0	0	0	200
HU Honggao	200	0	0	0	200
WANG Di <sup>(7)</sup>	200	0	0	0	200
FENG Jinhua <sup>(8)</sup>	0	0	0	0	0
	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

#### Year ended December 31, 2022 (Continued)

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonus charge during the year	Total emoluments
<b>Supervisors:</b>					
ZHOU Linda Lei	0	1,861	353	876	3,090
LI Xiaofei <sup>(9)</sup>	0	0	0	0	0
WANG Zhangwei	0	0	0	0	0
MA Yunchun	0	0	0	0	0
ZHANG Zhen	0	0	0	0	0
ZOU Qun	0	0	0	0	0
YIN Hongyan	0	1,330	306	0	1,636
HE Min	0	875	219	0	1,094
SHEN Weihua	0	1,011	231	0	1,242
	0	5,077	1,109	876	7,062
	1,000	8,993	1,838	2,959	14,790

The emoluments of executive directors and supervisors shown above were emoluments charge during the year 2022. The emoluments of executive directors and supervisors shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

During the Reporting Period, the remuneration before tax deferred from 2019 to 2022 for the Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company during their tenure of office amounted to RMB916.4 thousand (HUO Da), RMB733.1 thousand (ZHOU Linda Lei), respectively; and the remuneration before tax deferred from 2019-2021 to 2022 for the employee representative Supervisors who worked full-time for the Company during their tenure of office amounted to RMB1.02 million (HE Min), RMB2.3272 million (YIN Hongyan) and RMB1.4858 million (SHEN Weihua), respectively.

In addition to the annual remuneration determined according to the Company's Scheme of Management Methods of the Remuneration of Senior Management, the Company implemented the Retention Plan for the Grant of Mid- to Longterm Cash Incentives for Key Employees upon the approval of the Remuneration and Appraisal Committee under the Board in 2020. Pursuant to which, the incentives for key employees shall be confirmed and granted in instalments based on the results of performance appraisals of the Company and individuals. During the Reporting Period, the incentives before tax granted for 2020 amounted to RMB1.6874 million (HUO Da), RMB1.2618 million (ZHOU Linda Lei), RMB720.4 thousand (YIN Hongyan) and RMB306.9 thousand (HE Min), respectively, all of which are dominated in RMB.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Year ended December 31, 2021

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonus charge during the year	Total emoluments
<b>Executive directors:</b>					
HUO Da	0	2,033	285	1,565	3,883
XIONG Jiantao	0	1,537	217	0	1,754
	<b>0</b>	<b>3,570</b>	<b>502</b>	<b>1,565</b>	<b>5,637</b>
<b>Non-executive directors:</b>					
LIU Weiwu	0	0	0	0	0
SU Jian	0	0	0	0	0
XIONG Xianliang	0	0	0	0	0
SU Min	0	0	0	0	0
PENG Lei	0	0	0	0	0
GAO Hong	0	0	0	0	0
HUANG Jian	0	0	0	0	0
WANG Daxiong	0	0	0	0	0
WANG Wen	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Independent non-executive directors:</b>					
XIANG Hua	200	0	0	0	200
XIAO Houfa	200	0	0	0	200
XIONG Wei	200	0	0	0	200
HU Honggao	200	0	0	0	200
WANG Di	200	0	0	0	200
	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

#### Year ended December 31, 2021 (Continued)

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonus charge during the year	Total emoluments
<b>Supervisors:</b>					
ZHOU Linda Lei	0	1,648	259	1,252	3,159
LI Xiaofei	0	0	0	0	0
WANG Zhangwei	0	0	0	0	0
MA Yunchun	0	0	0	0	0
ZHANG Zhen	0	0	0	0	0
ZOU Qun	0	0	0	0	0
YIN Hongyan	0	1,042	187	180	1,409
HE Min	0	736	177	20	933
SHEN Weihua	0	832	160	160	1,152
	0	4,258	783	1,612	6,653
	1,000	7,828	1,285	3,177	13,290

- (1) WU Zongmin was appointed Executive Director in April 2022.
- (2) DENG Weidong was appointed as a non-executive director in April 2022.
- (3) PENG Lei resigned as a non-executive director and left in December 2022.
- (4) LIU Chong was appointed as a non-executive Director in November 2022.
- (5) WANG Daxiong resigned in May 2022.
- (6) XIONG Xianliang resigned in January 2022.
- (7) WANG Di resigned in November 2022.
- (8) FENG Jinhua was appointed as an independent non-executive director in November 2022.
- (9) LI Xiaofei resigned in December 2022.

As of the date of the issuance of these consolidated financial statements, the above compensation packages including performance-based bonus for executive directors, supervisors for the year ended December 31, 2022 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.

Except for non-executive directors who were not remunerated by the Company, no directors of the Company waived or agreed to waive any emolument paid by the Group during the year. No emoluments were paid by the Group to the directors of the Company as an incentive payment for joining the Group or as compensation for resignation during the year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 59. INDIVIDUALS WITH HIGHEST EMOLUMENTS

One (2021: two) of the five individuals with the highest emoluments were directors or supervisors of the Company. The emoluments of the remaining four individuals (2021: three) with the highest emoluments are as below:

	As at December 31,	
	2022	2021
Basic salaries and allowances	4,387	3,723
Bonuses	24,276	4,964
Contributions to retirement benefit scheme	969	722
	<b>29,632</b>	<b>9,409</b>

Bonuses disclosed above were determined with reference to the results of the Group and performance of these individuals. No emoluments were paid by the Group to these individuals as an incentive payment for joining the Group or as compensation for resignation during the year.

The emoluments of the individuals (non-director) with the highest emoluments are within the following bands:

	As at December 31,	
	2022	2021
Emolument bands		
HKD3,000,001 to HKD3,500,000	0	2
HKD3,500,001 to HKD4,000,000	0	0
HKD4,000,001 to HKD4,500,000	0	0
HKD4,500,001 to HKD5,000,000	0	1
HKD5,000,001 to HKD5,500,000	0	0
HKD5,500,001 to HKD6,000,000	0	0
HKD6,000,001 to HKD6,500,000	0	0
HKD6,500,001 to HKD7,000,000	0	0
HKD7,000,001 to HKD7,500,000	0	0
HKD7,500,001 to HKD8,000,000	2	0
HKD8,000,001 to HKD8,500,000	1	0
HKD8,500,001 to HKD9,000,000	0	0
HKD9,000,001 to HKD9,500,000	0	0
HKD9,500,001 to HKD10,000,000	0	0
HKD10,000,001 to HKD10,500,000	0	0
HKD10,500,001 to HKD11,000,000	1	0

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 60. SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (1) Relationship of related parties

##### a. Major shareholders

Major shareholders include shareholders of the Company with 5% or above direct ownership. Share percentage in the Company:

	As at December 31,	
	2022	2021
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

The details of the Group's associates is set out in note 22.

##### 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

##### c. Other related parties (Continued)

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 de facto controller
Shenzhen Merchants Property Management Co., Ltd.*	Fellow subsidiary of the de facto controller
Shenzhen Merchants Daojiahui Technology Co., Ltd.*	Fellow subsidiary of the de facto controller
China Merchants (Shanghai) Investment Co., Ltd.*	Fellow subsidiary of the de facto controller
China Merchants Property Management Co., Ltd.	Fellow subsidiary of the de facto controller
Liaoning Port Co., Ltd.	Fellow subsidiary of the de facto controller
Shenzhen Expressway Co., Ltd.	Significant influence by the de facto controller
China Merchants Real Estate (Beijing) Co., Ltd.*	Fellow subsidiary of the de facto controller
China Merchants Shekou Industrial Zone Holdings Co., Ltd.*	Fellow subsidiary of the de facto controller
China Merchants Real Estate (Suzhou) Co. Ltd.*	Fellow subsidiary of the de facto controller
China Merchants Capital Management (Beijing) Co., Ltd.*	Fellow subsidiary of the de facto controller
China Merchants Port Group Co., Ltd.	Fellow subsidiary of the de facto controller
Zhuhai Yiyun Real Estate Co., Ltd.*	Fellow subsidiary of the de facto controller
Beijing Zhaoyi Enterprise Management Co., Ltd.*	Fellow subsidiary of the de facto controller
AVIC Property Management Co., Ltd.	Fellow subsidiary of the de facto controller
Shenzhen Ruizhi Yuancheng Technology Co., Ltd.*	Significant influence by the de facto controller
Sinotrans (New Zealand) Co., Ltd.	Fellow subsidiary of the de facto controller
Shanghai Rural Commercial Bank Co., Ltd.	The director of the Company acts as a director of the entity
China Merchants Venture Investment Management Co., Ltd.*	Fellow subsidiary of the de facto controller
Jingzhou Merchants Huide Capital Management Co., Ltd.*	Fellow subsidiary of the de facto controller joint controlling company
Shenzhen Merchants Guoxie No. 2 Equity Investment Fund Management Co., Ltd.*	Fellow subsidiary of the de facto controller joint controlling company
Zhangjiagang Zhaogang Equity Investment Partnership (Limited Partnership)*	Fellow subsidiary of the de facto controller joint controlling company
Hainan Bosera Innovation Management Co., Ltd.*	Significant influence by the de facto controller

\* English name translated is for identification purpose only.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

- a. *During the years ended December 31, 2022 and 2021, the Group's major transactions and balances with its associate are as follows*

Transactions between the Group and an associate:

	As at December 31,	
	2022	2021
Fee and commission income		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	222,547	284,188

Balances between the Group and an associate:

	As at December 31,	
	2022	2021
Accounts and other receivables		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	50,411	66,908

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

Transactions between the Group and other related parties:

	Yearended December 31,	
	2022	2021
Fee and commission income		
— China Merchants Bank Co., Ltd.	45,247	60,201
— China Merchants Port Group Co., Ltd.	15,453	534
— China Merchants Property Management Co.,Ltd.	11,750	2,830
— China Merchants Shekou Industrial Zone Holdings Co., Ltd.*	7,485	685
— AVIC Property Management Co., Ltd.	6,563	—
— Liaoning Port Co., Ltd.	3,019	5,660
— Sinotrans (New Zealand) Co., Ltd.	—	5,807
Interest income		
— China Merchants Bank Co., Ltd.	514,692	429,546
Investment gains or losses, net		
— China Merchants Bank Co., Ltd.	9,585	20,643
— China Merchants Shekou Industrial Zone Holdings Co., Ltd.*	4,085	31,939
Other income and gains or losses, net		
— Shenzhen Expressway Co.,Ltd.	11,058	10,804
Fee and commission expenses		
— China Merchants Bank Co., Ltd.	125,702	206,446
Interest expenses of placement and borrowings from banks		
— China Merchants Bank Co., Ltd.	19,214	10,300
Other operating expenses		
— Shenzhen Merchants Property Management Co., Ltd.*	43,516	40,100
Purchase of software and office supplies		
— Shenzhen Merchants Daojiahui Technology Co., Ltd.*	32,923	24,767
— Shenzhen Ruizhi Yuancheng Technology Co., Ltd.*	7,197	5,208
Interest expenses of lease liabilities		
— China Merchants Bank Co., Ltd.	17,292	18,107
Interest expenses of repurchase agreements business		
— China Merchants Bank Co., Ltd.	32,314	71,032
— Shanghai Rural Commercial Bank Co., Ltd.	15,099	12,050

\* English name translated is for identification purpose only.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

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

	As at December 31,	
	2022	2021
Accounts and other receivables		
— Zhuhai Yiyun Real Estate Co., Ltd.*	—	291,815
Cash and bank balances		
— China Merchants Bank Co., Ltd.	26,094,986	25,643,886
Structured deposits and certificates of deposit		
— China Merchants Bank Co., Ltd.	80,000	400,000
Short-term borrowings		
— China Merchants Bank Co., Ltd.	408,842	408,954
Placements from banks		
— China Merchants Bank Co., Ltd.	2,000,411	—
Other payables and accrued charges		
— Beijing Zhaoyi Enterprise Management Co., Ltd.*	—	341,506
Lease liabilities		
— China Merchants Bank Co., Ltd.	482,570	545,400
— China Merchants (Shanghai) Investment Co., Ltd.*	35,080	44,083

\* English name translated is for identification purpose only.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

#### (3) Key management personnel

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

	As at December 31,	
	2022	2021
<b>Short-term benefits</b>		
— Salaries, bonus and allowances	31,351	24,405
Post-employment benefits		
— Contribution to retirement schemes	2,289	2,424
	<b>33,640</b>	<b>26,829</b>

### 61. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	As at December 31,	
	2022	2021
<b>Financial assets</b>		
Equity instruments at fair value through other comprehensive income	1,628,336	1,409,254
Debt instruments at fair value through other comprehensive income	60,888,528	40,582,323
Financial assets measured at amortized cost	286,897,228	271,508,210
Derivative financial assets	3,664,686	3,204,641
Financial assets at fair value through profit or loss	241,775,990	265,344,278
	<b>594,854,768</b>	<b>582,048,706</b>
<b>Financial liabilities</b>		
Derivative financial liabilities	2,875,039	4,616,992
Financial liabilities at fair value through profit or loss	47,744,020	23,187,938
Financial liabilities at amortized cost	437,657,712	446,534,980
	<b>488,276,771</b>	<b>474,339,910</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT

#### (1) Risk management structure

Since its establishment, the Group has been developing an all-around, innovative and forward-looking risk management system, which 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, or 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 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 suggestion on business decisions. The Risk Management Committee consists of the Securities Investment Decision Committee, the Credit Risk Committee, the Valuation Committee, the Capital Commitment Committee and the Investment Banking Business Risk Policy Committee. Within the scope of their authorization, experts shall review and collectively make decisions on the risks of securities investment, credit risk, securities valuation, capital commitment and investment banking business. The Company integrates the risk management of subsidiaries into an overall risk management system and carries out vertical management. The person in charge of the risk management of the subsidiary shall be nominated, appointed, removed and assessed by the chief risk officer of the Group.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

- (iv) the Risk Management Department is the leading department in respect of management of market, credit and operational risks of the Company. It is also responsible for managing market risk and credit risk, assisting and guiding all units in performing risk management. The Capital Management Department is the leading department in respect of management of management of liquidity risk. It is also responsible for managing liquidity risk and facilitating the establishment of the liquidity risk management systems. Legal and Compliance Department is responsible for leading the Group's legal and compliance risk management, money laundering risk management and assisting in the compliance director on reviewing, supervising and scrutinizing compliance issues of the Group, promoting the implementation of anti-money laundering work. The Administration Department together with the Risk Management Department and other relevant departments promote the management of reputation risk of the company. Internal Audit Department is responsible for monitoring the effectiveness and implementation of the Company's risk management process by audits, and responsible for initiating evaluation of entire internal control system at least once a year;
- (v) All departments of the Company, branches and wholly-owned subsidiaries of the Company are responsible for directly managing and supervising risks of their own businesses and management scopes.

#### (2) Credit risk

The Group's exposure to credit risk represents the 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.

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 meet 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.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

For OTC derivatives trading business, the Group has formulated a set of management measures and rules in respect of eligibility of investors, due diligence of customers, credit approval, potential risk exposure measurement rules, margin collection and mark to market, liquidation 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 terms 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 grant and margin.

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

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

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

- If the credit risk of the financial instrument has not increased significantly since its initial recognition, it is classified as "Stage 1" and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The increase in or reversal of the impairment loss allowance is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument over its lifetime. The increase in or reversal of the impairment loss allowance is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.
- If the financial instrument is credit-impaired at the first, the financial instrument is moved to "Stage 3" and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument over its lifetime. The increase in or reversal of the impairment loss allowance thus formed is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

The criteria for the three-stage classification of ECL of the principal financial assets are as follows:

- Advances to customers: exposures with collateral coverage ratios less than 100% for more than 30 days, or when principles are more than 30 days past due, are considered to be credit impaired and classified as Stage 3; exposures with collateral coverage ratios less than 100% for less than 30 days, or when principles are less than or equal to 30 days past due, 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

On the basis of credit rating of counterparties, credit assessment on borrowers and the quantitative management of collaterals, the Group fully considers the customer portfolio of each credit related transaction, the amount of a single debt, the term of borrowing, the 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 on 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, restrictions, concentration, volatility, prices, operations of issuers etc., the Group considers 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 conditions of restrictions on trading, the loss rates on advances to customers range from 0.00% to 1.25%, the loss rates on financial assets under resale agreements range from 0.00% to 3.78%.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### *SICR*

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

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

Other events being identified as an indicator of a significant increase in credit risks include:

- The significant adverse changes in the industry or policies, geographical environment of issuers, or deterioration of the issuers' own business operations;
- The consolidated financial statements of the 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 with overdue interest, it indicates that its credit risk has significantly increased. While the Group would fully consider the financing entity's credit status, contract period, the industry of the collateral, liquidity, restriction on sales, concentration, volatility, performance protection and issuer's operation performance factors, and then 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### *Forward-looking information*

For credit business, when calculating expected credit losses, the Group takes into account forward-looking information that can be obtained without unnecessary additional costs or efforts, such as macroeconomic factors, industry policies and industry environment, overall risk characteristics of the securities market, stock market volatility cycles, etc. By constructing the relationship between these specific indicators and the loss rate, forward-looking adjustments are made to the expected credit loss of credit business.

For debt securities investments, forward-looking adjustment factors are firstly evaluated mainly based on analyzing the relationship between the default rate and the long-term average default rate under different economic environments (or macroeconomic factors) in China and other countries through historical data analysis, and determined through forecasting economic environment. When making forward looking factor adjustments, the Group considers three different scenarios to appropriately reflect the non-linearities of the development of key economic indicators and determine scenario weightings by data analysis and professional judgment.

For the current year, the weighted average forecasted (weighted average of optimistic, neutral and pessimistic scenarios) growth rate of the Gross Domestic Product made by the Group was 5.00% (2021: 5.58%).

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 December 31,	
	2022	2021
Financial assets at FVTPL <sup>(i)</sup>	149,179,179	159,073,122
Derivative financial assets	3,664,686	3,204,641
Advances to customers	81,541,116	98,686,506
Financial assets held under resale agreements	49,580,745	39,198,592
Accounts and other receivables	5,820,413	5,260,246
Deposits with exchanges and non-bank financial institutions	12,213,224	13,141,791
Clearing settlement funds	23,804,906	25,873,373
Cash and bank balances	113,377,264	87,938,261
Debt instruments at amortized cost	559,560	1,117,626
Debt instruments at FVTOCI	60,888,528	40,582,323
Equity instruments at FVTOCI <sup>(ii)</sup>	658,107	1,003,092
Other non-current assets	—	291,815
Other current assets	1,893	—
<b>Maximum credit risk exposure</b>	<b>501,289,621</b>	<b>475,371,388</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### a. Maximum credit risk exposure (Continued)

- (i) Financial assets at fair value through profit or loss represent the investment 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.

##### b. Risk concentration

The Group's maximum credit risk exposure without taking account of any collaterals and other credit enhancements are categorized by geographical area as follows:

#### As at December 31, 2022

	Mainland China	Outside Mainland China	Total
Financial assets at FVTPL	146,959,153	2,220,026	149,179,179
Derivative financial assets	2,852,126	812,560	3,664,686
Advances to customers	78,659,209	2,881,907	81,541,116
Financial assets held under resale agreements	49,580,745	—	49,580,745
Accounts and other receivables	3,321,071	2,499,342	5,820,413
Deposits with exchanges and non-bank financial institutions	11,932,628	280,596	12,213,224
Clearing settlement funds	23,350,778	454,128	23,804,906
Cash and bank balances	94,476,129	18,901,135	113,377,264
Debt instruments at amortized cost	118,008	441,552	559,560
Debt instruments at FVTOCI	58,935,508	1,953,020	60,888,528
Equity instruments at FVTOCI	658,107	—	658,107
Other current assets	1,893	—	1,893
<b>Maximum credit risk exposure</b>	<b>470,845,355</b>	<b>30,444,266</b>	<b>501,289,621</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

As at December 31, 2021

	Mainland China	Outside Mainland China	Total
Financial assets at FVTPL	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 investment at amortized cost	912,335	205,291	1,117,626
Debt instruments at FVTOCI	39,900,470	681,853	40,582,323
Equity instruments at FVTOCI	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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### c. Credit rating analysis of financial assets

The carrying amounts of debt securities at the end of the year are categorized by rating distribution as follows:

	As at December 31,	
	2022	2021
Rating		
Issuers in Mainland China		
— PRC sovereign bonds <sup>(i)</sup>	136,071,387	115,533,692
— AAA	64,844,355	68,044,591
— AA+	2,693,403	7,518,267
— AA	707,350	1,921,413
— AA-	1,353	—
— AA- below	352,432	41,022
— A-1	—	798,041
— Non-rated	1,037,743	1,344,281
Sub-total	205,708,023	195,201,307
Issuers in Hong Kong and other regions <sup>(ii)</sup>		
— PRC sovereign bonds <sup>(i)</sup>	4,534	—
— A	3,093,458	241,803
— B	970,064	1,196,239
— Non-rated	72,048	98,462
Sub-total	4,140,104	1,536,504
	<b>209,848,127</b>	<b>196,737,811</b>

- (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 the bonds rated Baa1~B3 by Moody, BBB+~B- by S&P and BBB+~B- by Fitch; C rating are the bonds rated Caa1~C by Moody, CCC+~C by S&P and CCC~C by Fitch; D rating are bonds rated D by S&P and D by Fitch.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Liquidity risk

##### a. *Origin and management of liquidity risk*

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

In order to prevent liquidity risk, the Group has established high-quality current asset reserve and minimum excess reserve quota system. The Group has formulated liquidity emergency management plans to retain minimum excess reserve in the funding plan. The Group has reserved treasury bonds, PBOC bills and other highly liquid assets which can be liquidated at any time under extreme circumstances for unexpected expenses. In addition, the Group has actively developed management for funding gaps. By using management tools of cash flow gap, sensitivity analysis and stress testing, the Group can identify potential risks as early as possible to arrange financing and adjust the pace of fund utilization for business purposes in advance to effectively manage the payment risk. The Group has also continuously expanded their financing channels and has a balanced distribution of debt maturities, so as to avoid the payment risk caused by single financing channel or servicing debts when due. Besides, the Group has established internal risk reporting system to promptly monitor the liquidity risk in the operation of each business and at each branch. Moreover, the Group takes measures to promote the safe, sound and sustainable operations of each business and each branch.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	As at December 31, 2022							
	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	11,772,043	—	10,150,569	453,914	988,356	286,806	—	11,879,645
Short-term debt instruments	25,147,999	—	124,409	4,235,693	20,984,043	—	—	25,344,145
Placements from banks and other financial institutions	10,802,438	—	10,804,877	—	—	—	—	10,804,877
Bonds payables	134,627,742	—	4,205,775	19,679,020	41,097,713	74,448,867	—	139,431,375
Financial assets sold under repurchase agreements	120,805,473	—	109,071,728	6,971,077	4,896,673	—	—	120,939,478
Financial liabilities at fair value through profit or loss	47,744,020	2,870,917	41,975,848	76,097	1,449,078	—	1,372,080	47,744,020
Accounts payables to brokerage clients	106,377,654	106,377,654	—	—	—	—	—	106,377,654
Other payables and accrued charges	26,881,017	25,903,870	35,147	100,000	842,000	—	—	26,881,017
Lease liabilities	1,243,346	—	42,837	42,736	250,492	732,529	291,081	1,359,675
Sub-total	485,401,732	135,152,441	176,411,190	31,558,537	70,508,355	75,468,202	1,663,161	490,761,886
Derivative financial liabilities — net settlement	2,875,039	800,641	120,396	571,809	1,227,795	154,398	—	2,875,039
<b>Total</b>	<b>488,276,771</b>	<b>135,953,082</b>	<b>176,531,586</b>	<b>32,130,346</b>	<b>71,736,150</b>	<b>75,622,600</b>	<b>1,663,161</b>	<b>493,636,925</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	As at December 31, 2021							
	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 payables	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
Sub-total	469,722,918	132,332,991	138,017,903	24,095,709	60,954,607	123,828,440	358,803	479,588,453
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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk

##### a. *Origin and management of market risk*

Market risks of the Group refer to the risks of loss resulting from adverse changes in the market. Securities portfolio held by the Group are derived from the proprietary investments, market-making business and other investment activities. Movements in securities holding primarily arise from the relevant strategies of proprietary investments and needs of market-making. The securities of the Group are measured at fair values which fluctuates daily according to the market factors and change in the portfolios of the securities. Market risks of the Group primarily include: (i) equity price risk, which represents the exposures arise from fluctuation in the spot price, future price and volatility of indices such as stocks, equity portfolio, commodities and stock index futures; (ii) interest rate risk, which primarily represents the exposures arise from movements in the yield curve of fixed income investment, fluctuation in interest rates and credit spreads; and (iii) commodity risk, which represents exposures arise from changes in the spot price, future price and the relevant volatility; and (iv) exchange rate risk, which represents the exposures arise from changes in the spot rate, future rate and volatility of foreign currency exchange rates.

The Group collectively allocates economic capital in accordance with the risk preference and risk tolerance indicators set by the directors of the Group. By considering the risks associated with each type of investments and their interrelationship, the Group allocates the overall risk limits to different business departments/business lines. The front-office business departments are responsible for market risk management at the frontiers. The person in charge and investment manager shall utilize their extensive experience and in-depth knowledge of the markets and products to conduct risk management in trading transactions within their authorities and dynamically manages risk exposures to the securities held in open position by taking initiative measures to mitigate or hedging these risks. Risk Management Department is independent from other business departments and reports to Chief Risk Officer. By applying professional risk management tools and methods, Risk Management Department aims to independently monitor, measure and manage market risk at different levels, including investment strategies, business units/lines and the entire Group. Reports of evaluation and risk analysis are generated and delivered to the responsible officers of the business departments/business lines and management of the Group on a daily, monthly or quarterly basis to facilitate decision making. When risk level is approaching or exceeds the threshold values, Risk Management Department will warn against relevant management officers promptly, and the respective business departments/business lines will implement measures according to the resolutions of the relevant committees.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### b. Price risk

##### Value at Risk ("VaR")

The Group adopts Value at Risk ("VaR") as the risk evaluation tool for measuring the market risk of the entire securities investment portfolio which comprises various financial instruments. VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in 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:

	At December 31, 2022			
	Final	Highest	Lowest	Average
Market risk of equity price	129,344	134,261	109,445	121,525
Market risk of interest rate	81,904	81,904	31,477	53,111
Market risk of commodity price	23,101	23,101	12,760	16,976
Market risk of foreign exchange	640	1,638	115	633
	<b>183,279</b>	<b>183,279</b>	<b>135,992</b>	<b>150,185</b>

	At December 31, 2021			
	Final	Highest	Lowest	Average
Market risk of equity price	158,679	395,272	158,679	244,690
Market risk of interest rate	37,035	61,867	36,804	47,192
Market risk of commodity price	11,931	24,648	8,504	15,742
Market risk of foreign exchange	435	906	42	430
	<b>173,292</b>	<b>419,984</b>	<b>173,292</b>	<b>260,413</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### c. Interest rate risk

The tables below summarize the Group's interest-bearing financial assets and liabilities as at year and by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

	At December 31, 2022						Total
	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	
<b>Financial assets</b>							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	1,628,336	1,628,336
Debt instruments at fair value through other comprehensive income	733,186	2,238,306	17,863,347	39,146,643	907,046	—	60,888,528
Financial assets at fair value through profit or loss	2,495,634	5,236,448	48,240,283	72,142,519	19,314,663	94,346,443	241,775,990
Derivative financial assets	—	24,700	—	—	—	3,639,986	3,664,686
Advances to customers	9,458,728	17,842,239	54,240,149	—	—	—	81,541,116
Financial assets held under resale agreements	37,451,464	1,769,257	10,234,825	125,199	—	—	49,580,745
Debt instruments at amortized cost	1,672	467,713	46,402	20,011	—	23,762	559,560
Accounts and other receivables	—	—	30,674	—	—	5,789,739	5,820,413
Other non-current assets	—	—	—	—	—	—	—
Deposits with exchanges and non-bank financial institutions	8,115,682	—	—	—	—	4,097,542	12,213,224
Clearing settlement funds	23,804,906	—	—	—	—	—	23,804,906
Cash and bank balances	106,626,158	5,633,426	1,117,680	—	—	—	113,377,264
Sub-total	188,687,430	33,212,089	131,773,360	111,434,372	20,221,709	109,525,808	594,854,768
<b>Financial liabilities</b>							
Borrowings	10,840,847	886,067	45,129	—	—	—	11,772,043
Short-term debt instruments	124,190	4,216,159	20,183,285	—	—	624,365	25,147,999
Placements from banks and other financial institutions	10,802,438	—	—	—	—	—	10,802,438
Bonds payables	4,171,736	19,447,013	38,780,223	68,894,292	—	3,334,478	134,627,742
Financial assets sold under repurchase agreements	109,042,933	6,932,843	4,829,697	—	—	—	120,805,473
Derivative financial liabilities	3,311	699	—	—	—	2,871,029	2,875,039
Financial liabilities at fair value through profit or loss	41,818,086	—	—	—	—	5,925,934	47,744,020
Accounts payables to brokerage clients	93,159,725	—	—	—	—	13,217,929	106,377,654
Other payables and accrued charges	—	100,000	842,000	—	—	25,939,017	26,881,017
<b>Lease liabilities</b>	42,718	42,452	245,676	679,197	233,303	—	1,243,346
Sub-total	270,005,984	31,625,233	64,926,010	69,573,489	233,303	51,912,752	488,276,771
<b>Net position</b>	<b>(81,318,554)</b>	<b>1,586,856</b>	<b>66,847,350</b>	<b>41,860,883</b>	<b>19,988,406</b>	<b>57,613,056</b>	<b>106,577,997</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	At December 31, 2021						
	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
Sub-total	138,724,306	30,636,908	139,213,690	107,390,094	34,264,404	131,819,304	582,048,706
<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 payables	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
<b>Lease liabilities</b>	28,269	51,452	242,168	711,700	283,876	—	1,317,465
Sub-total	226,122,111	24,142,399	56,068,921	111,579,536	283,876	56,143,067	474,339,910
<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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

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### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

#### Sensitivity analysis

The Group conducts sensitivity analysis on interest rates to measure the impact of a reasonably possible change in interest rates on the Group's profit and equity, assuming all other variables were held constant. Assuming a parallel change in market interest rate and without taking into account of any possible risk management activities that may be taken by the management to reduce interest rate risks, the Group's interest rate sensitivity analysis is as follows:

#### Sensitivity to profit

	As at December 31,	
	2022	2021
<b>Change in basis points</b>		
Increase by 100bps	(369,098)	(2,954,670)
Decrease by 100bps	227,578	3,034,860

#### Sensitivity to equity

	As at December 31,	
	2022	2021
<b>Change in basis points</b>		
Increase by 100bps	(1,462,917)	(3,773,844)
Decrease by 100bps	1,356,811	3,884,582

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### d. Foreign currency rate risk

Foreign exchange rate risk represents the adverse changes in the financial position and cash flows of the Group due to changes in foreign exchange rates. The Group conducts sensitivity analysis on foreign exchange rates to measure its foreign exchange rate risks. The table below indicates the sensitivity analysis on exchange rate changes in currencies that the Group has significant exposure, which calculates the impacts to equity arising from a reasonably possible change in the exchange rate of a foreign currency against Renminbi, 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 December 31,	
	2022	2021
<b>Change in exchange rate</b>		
Depreciation of USD by 3%	42,481	2,376
Depreciation of HKD by 3%	(112,390)	(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.

#### (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 year, 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 Consolidated Financial Statements (Continued)

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### 63. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2022	2021				
<b>1) Financial assets at fair value through profit or loss</b>						
<b>Debt securities</b>						
— Traded on stock exchanges	1,860,311	1,963,237	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchange or interbank market	144,396,485	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	2,143,243	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	20,966,001	14,989,525	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchanges (inactive)	24,828	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)	2,165,229	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	158,448	177,593	Level 2	Bid prices quoted by market dealers.	N/A	N/A
— Traded on National Equities Exchange and Quotations	7,500	12,011	Level 2	Bid prices or negotiated prices.	N/A	N/A
— Unlisted Equity	2,440,774	2,498,030	Level 2	Latest observable transaction prices.	N/A	N/A
— Unlisted Equity	112,846	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	635,711	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	84,201	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.

## Notes to the Consolidated Financial Statements (Continued)

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2022	2021				
<b>1) Financial assets at fair value through profit or loss (Continued)</b>						
<b>Debt securities (Continued)</b>						
— Unlisted Equity	–	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	13,606,150	6,067,197	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on over-the-counter market	36,472,986	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
<b>Other investments</b>						
— Wealth management and trust products and others	253,984	103,972	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Wealth management and trust products and others	9,547,209	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	232,395	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	6,667,689	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 Consolidated Financial Statements (Continued)

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2022	2021				
<b>2) Debt instruments at fair value through other comprehensive income</b>						
<b>Bonds</b>						
— Traded on stock exchanges	918,980	681,853	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchange or interbank market	59,969,548	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	1,621,133	1,405,908	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchanges (inactive)	7,203	3,346	Level 2	Quoted closing prices for stocks suspended for trading adjusted by fair value changes of similar securities.	N/A	N/A
<b>4) Derivative financial instruments</b>						
— Interest rate swap — assets	23,279	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	10,490	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	4,650	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Bond futures — liabilities	1,824	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Equity return swaps — assets	2,454,820	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	1,668,572	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	7,371	31,495	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Stock index futures — liabilities	5,088	3,179	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Options — assets	319,615	234,403	Level 1	Quoted closing prices in an active market.	N/A	N/A

## Notes to the Consolidated Financial Statements (Continued)

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2022	2021				
<b>4) Derivative financial instruments (Continued)</b>						
— Options — liabilities	604,811	655,621	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Over-the-counter option — liabilities	3,305	-	Level 2	Option pricing model. Key inputs mainly include the underlying price, the strike price and time to expiry.	N/A	N/A
— Over-the-counter option — assets	546,343	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	415,627	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	163,820	-	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	19,052	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
— Foreign exchange contracts — liabilities	19,897	-	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	7,002	1,523	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Currency futures — liabilities	100	532	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Currency futures — assets	24,027	-	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	15,950	-	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
— Credit default swap — assets	511	-	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
— Credit default swap — assets	7,536	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.

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2022	2021				
<b>4) Derivative financial instruments (Continued)</b>						
— Credit default swap — liabilities	144	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	17,145	52,408	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Commodity futures — liabilities	30,664	137,945	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Commodity swap — assets	68,177	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 swap — liabilities	85,689	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	1,338	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
— Commodity forward contracts — liabilities	9,567	–	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	3,311	–	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.

## Notes to the Consolidated Financial Statements (Continued)

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2022	2021				
<b>5) Financial liabilities at fair value through profit or loss</b>						
— Structured entities	2,732,367	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	1,437,918	383,159	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Debt securities	41,818,085	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
— Structured notes	1,483,752	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	1,008	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Income right	8,578	—	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	46,850	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	17,210	112,406	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Others	198,252	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

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

## Notes to the Consolidated Financial Statements (Continued)

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

Analysis of financial instruments, measured at fair value at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized as follows:

	As at December 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	36,686,446	193,048,230	12,041,314	241,775,990
— Debt securities	1,860,311	144,396,485	2,143,243	148,400,039
— Equity investments	20,966,001	2,631,550	2,997,987	26,595,538
— Funds	13,606,150	36,472,986	—	50,079,136
— Others	253,984	9,547,209	6,900,084	16,701,277
Derivative financial assets	355,783	2,755,024	553,879	3,664,686
Debt instruments at fair value through other comprehensive income	918,980	59,969,548	—	60,888,528
Equity instruments at fair value through other comprehensive income	1,621,133	7,203	—	1,628,336
	<b>39,582,342</b>	<b>255,780,005</b>	<b>12,595,193</b>	<b>307,957,540</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	1,456,136	46,241,034	46,850	47,744,020
Derivative financial liabilities	642,487	1,813,470	419,082	2,875,039
	<b>2,098,623</b>	<b>48,054,504</b>	<b>465,932</b>	<b>50,619,059</b>

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

	As at December 31, 2021			
	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>

## Notes to the Consolidated Financial Statements (Continued)

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

#### Reconciliation of Level 3 fair value measurements

	Financial assets	Financial liabilities
As at January 1, 2022	14,378,243	786,381
Gain or losses for the year	(63,535)	(130,399)
Additions	4,259,761	239,177
Sales and settlements	(4,202,205)	(418,157)
Transfers into Level 3	222,334	—
Transfers out Level 3	(1,999,405)	(11,070)
As at December 31, 2022	12,595,193	465,932
<b>Total gains or losses for the year included in profit or loss for assets/liabilities held at the end of the reporting period</b>	<b>542,062</b>	<b>(247,388)</b>

	Financial assets	Financial liabilities
As at January 1, 2021	12,211,873	1,278,950
Gain 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 Level 3	(699,246)	—
As at December 31, 2021	14,378,243	786,381
<b>Total gains or losses for the year included in profit or loss for assets/liabilities held at the end of the reporting period</b>	<b>537,497</b>	<b>16,617</b>

For the fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis, the Group reassesses the hierarchy category at the end of each reporting period, based on the lowest level input that has a significant impact on the overall fair value measurement, to determine whether there are any transfers between different levels. In both the year 2022 and 2021, the Group had equity investments that were transferred from Level 3 to Level 1, primarily because the trading restrictions on these investments had been lifted and their fair values were determined based on quoted closing prices in an active market without any liquidity discounts. In addition, there were also some equity investments that were transferred between Level 3 and Level 2. The reason for transfers from Level 3 to Level 2 was that the valuation technique based on significant unobservable inputs used for these investments had changed to valuation technique based on the most recent market transaction prices, and vice versa for transfers from Level 2 to Level 3.

China Merchants Securities Co., Ltd.

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### 64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realize the balances simultaneously.

Type of financial assets	As at December 31, 2022					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Accounts and other receivables	745,970	(428,736)	317,234	(1,657)	(3,571)	312,006

Type of financial liabilities	As at December 31, 2022					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Accounts payable to brokerage clients	(7,709,833)	212,362	(7,497,471)	433,189	—	(7,064,282)
Other payables and accrued charges	(493,159)	389,697	(103,462)	1,657	(35,467)	(137,272)
	(8,202,992)	602,059	(7,600,933)	434,846	(35,467)	(7,201,554)

## Notes to the Consolidated Financial Statements (Continued)

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### 64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Type of financial assets	As at December 31, 2021					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Accounts and other receivables	863,487	(575,097)	288,390	(132,995)	1,232	156,627

Type of financial liabilities	As at December 31, 2021					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Accounts payable to brokerage clients	(9,526,255)	490,707	(9,035,548)	758,365	—	(8,277,183)
Other payables and accrued charges	(973,530)	557,558	(415,972)	132,995	(18,771)	(301,748)
	(10,499,785)	1,048,265	(9,451,520)	891,360	(18,771)	(8,578,931)

The Group has entered into master netting arrangements with counterparties for the derivative instruments, accounts and other receivables, accounts payable to brokerage clients and other payables and accrued charges for netting trades.

The Group has entered into master netting arrangements with Hong Kong Securities Clearing Company Limited for netting trades, net receivables and payables are settled on the same settlement date as the company.

Except for the enforceable master netting arrangements and the offsetting rights of the financial assets under the similar agreements as disclosed above, the collateral financial assets held under resale agreement, financial assets sold under repurchase agreement, secured loan receivables and margin accounts receivable are disclosed in the corresponding notes and are generally not presented on a net basis in financial position. However, assuming the fair value of the collateral is presented on net basis, the risk exposure of the corresponding accounts will be reduced accordingly. As at December 31, 2022 and 2021, due to the fair value of the collateral is higher than the book value of the financial instruments, collateral net exposure after offsetting and net amount is considered not significant.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 65. OTHER SIGNIFICANT EVENTS

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 demanded 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 December 31, 2022, the Group has received lawsuit materials and relevant notices initiated by 7,999 investors transferred by the Shanghai Financial Court and the Wuhan Intermediate People's Court. The Shanghai Financial Court and the Wuhan Intermediate People's Court had made first-instance judgments and rulings of the cases involving 7,083 investors, and according to the court judgment, the Group bears joint and several liability within a total amount of RMB251 million. In addition, based on the loss appraisal opinions delivered by the Shanghai Financial Court and the Wuhan Financial Court, the aggregate loss of these investments for parallel cases that have not been judged was RMB152 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 consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 65. OTHER SIGNIFICANT EVENTS (Continued)

In addition, on August 12, 2022, the Group received notice of case filing from the CSRC regarding the role as the independent financial advisor of China Securities Co. Ltd. in 2014. On September 19, 2022, the Group received an administrative penalty decision from the CSRC for not fulfilling duties diligently during the period of performing independent financial advisor business work for China Securities Co. Ltd. in 2014, and violating relevant laws and regulations, for which the Group was subjected to administrative penalties in accordance with the law.

As of December 31, 2022, except for cases and the administrative penalty from the CSRC's mentioned above, the Group had no other pending legal proceedings, arbitration or administrative procedures that may result in adverse judgments, which may be expected to have a significant adverse effect on the Group's financial situation or operating results.

### 66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following table only contains details of subsidiaries that have significant influence on the Group's performance, assets or liabilities. Unless otherwise stated, the type of shares held is ordinary share.

						As at December 31	
						2022	2021
Unlisted investments, at cost						18,869,797	18,869,797

Name of subsidiaries	Place of incorporation/ establishment	Proportion ownership interest held by the Company (As at December 31, 2022)		Proportion ownership interest held by the Company (As at December 31, 2021)		Issued and fully paid share capital	Principal activities
		Directly	Indirectly	Directly	Indirectly		
China Merchants Securities International Company Limited	PRC	100.00%	0.00%	100.00%	0.00%	HK\$4,103,627,390	Investment holding
China Merchants Securities (HK) Co., Limited	PRC	0.00%	100.00%	0.00%	100.00%	HK\$5,500,000,000	Securities brokerage
China Merchants Futures (HK) Co., Limited	PRC	0.00%	100.00%	0.00%	100.00%	HK\$200,000,000	Futures brokerage
China Merchants Securities Investment Management (HK) Co., Limited	PRC	0.00%	100.00%	0.00%	100.00%	HK\$400,000,000	Investment holding
CMS Capital (HK) Co., Limited	PRC	0.00%	100.00%	0.00%	100.00%	HK\$5,000,000	Assets management

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Proportion ownership interest held by the Company (As at December 31, 2022)		Proportion ownership interest held by the Company (As at December 31, 2021)		Issued and fully paid share capital	Principal activities
		Directly	Indirectly	Directly	Indirectly		
CMS Asset Management (HK) Co., Limited	PRC	0.00%	100.00%	0.00%	100.00%	HK\$10,000,000	Assets management
China Merchants Futures Co., Ltd.	PRC	100.00%	0.00%	100.00%	0.00%	RMB3,598,000,000	Futures brokerage
China Merchants Zhiyuan Capital Investment Co., Ltd.	PRC	100.00%	0.00%	100.00%	0.00%	RMB1,800,000,000	Investment holding
Shenzhen China Merchants Zhiyuan Consultancy Services Co., Ltd.	PRC	0.00%	100.00%	0.00%	100.00%	RMB3,000,000	Consulting services
Beijing Zhiyuan Lixin Investment Management Co., Ltd.* <sup>(i)</sup>	PRC	N/A	N/A	0.00%	100.00%	RMB10,000,000	Investment management
Shenzhen China Merchants Zhiyuan Equity Investment and Funds Management Co., Ltd.	PRC	0.00%	70.00%	0.00%	70.00%	RMB15,000,000	Investment management
Ganzhou China Merchants Zhiyuan No. 1 Fund Management Co., Ltd.*	PRC	0.00%	100.00%	0.00%	100.00%	RMB10,000,000	Investment management
Ganzhou Zhaoyuan Investment Management Co., Ltd.* <sup>(i)</sup>	PRC	N/A	N/A	0.00%	100.00%	RMB10,000,000	Investment management
Anhui Traffic Control Merchants Private Equity Fund Management Co., Ltd.*	PRC	0.00%	100.00%	0.00%	100.00%	RMB25,000,000	Investment management
Qingdao Guoxin Merchants Private Equity Fund Management Co., Ltd.*	PRC	0.00%	65.00%	0.00%	65.00%	RMB10,000,000	Investment management
Shenyang China Merchants Business and Development Investment Management Co., Ltd.*	PRC	0.00%	70.00%	0.00%	70.00%	RMB4,000,000	Investment management

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Proportion ownership interest held by the Company (As at December 31, 2022)		Proportion ownership interest held by the Company (As at December 31, 2021)		Issued and fully paid share capital	Principal activities
		Directly	Indirectly	Directly	Indirectly		
China Merchants Securities Investment Co., Ltd.	PRC	100.00%	0.00%	100.00%	0.00%	RMB7,100,000,000	Investment holding
China Merchants Securities Asset Management Co., Ltd.	PRC	100.00%	0.00%	100.00%	0.00%	RMB1,000,000,000	Assets management
China Merchants Securities (UK) Limited	UK	0.00%	100.00%	0.00%	100.00%	US\$22,000,000	Futures brokerage
Anhui Zhiyuan Smart City Fund Management Co., Ltd.*	PRC	0.00%	100.00%	0.00%	100.00%	RMB4,500,000	Equity fund management, investment advisory service, investment management, financial consultancy service
China Merchants Securities (HK) Finance Co., Limited	PRC	0.00%	100.00%	0.00%	100.00%	HK\$500,000	Investment and financing Management
China Merchants Securities Capital Investment Co., Ltd.*	PRC	0.00%	100.00%	0.00%	100.00%	RMB500,000,000	Financial services
Anhui Traffic Control China Merchants Fund Management Co., Ltd.*	PRC	0.00%	70.00%	0.00%	70.00%	RMB15,000,000	Investment management
China Merchants Securities (Korea) Co., Ltd.	Korea	0.00%	100.00%	0.00%	100.00%	KRW8,523,900,000	Securities brokerage, futures brokerage
Chizhou Zhongnan China Merchants Equity Investment Management Co., Ltd.*	PRC	0.00%	72.00%	0.00%	72.00%	RMB10,000,000	Investment management
Humble Easy Limited	UK	0.00%	98.40%	0.00%	98.40%	US\$5,000,000	Investment management

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Proportion ownership interest held by the Company (As at December 31, 2022)		Proportion ownership interest held by the Company (As at December 31, 2021)		Issued and fully paid share capital	Principal activities
		Directly	Indirectly	Directly	Indirectly		
Bliss Moment Limited	UK	0.00%	100.00%	0.00%	100.00%	US\$10,000,000	Investment management
CMS International Gemstone Limited	UK	0.00%	100.00%	0.00%	100.00%	US\$1	Investment management
Sweet Blaze Holding Limited <sup>(i)</sup>	UK	0.00%	0.04%	0.00%	100.00%	US\$1	Investment management
True Summit International Limited	UK	0.00%	100.00%	0.00%	100.00%	US\$1	Investment management
Mega Vantage Development Limited	UK	0.00%	100.00%	0.00%	100.00%	US\$1	Investment management
China Opportunities Limited	UK	0.00%	100.00%	0.00%	100.00%	US\$12,749,889	Assets management

\* English name translated is for identification purpose only.

(i) The entity has been liquidated and deregistered in 2022.

(ii) The Group has lost control over Sweet Blaze Holding Limited in 2022.

The above subsidiaries are all limited liability company.

The directors of the Company considered that none of these subsidiaries has non-controlling interests material to the Group at the end of the year, and therefore there is no further information to be disclosed.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 67. LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Short-term debt instruments	Bonds payables	Lease liabilities	Dividend payables	Others	Total
At January 1, 2022	6,228,188	26,935,839	146,313,957	1,317,465	592,196	—	181,387,645
Cash changes							
— Cash flow from financing activities <sup>(i)</sup>	4,621,788	(2,400,708)	(17,317,134)	(393,798)	(5,510,034)	(14,151)	(21,014,037)
— Cash flow from operating activities	30,675	—	—	—	—	—	30,675
Non-cash changes							
— Financing cost incurred	135,735	593,103	5,190,386	38,073	5,492,353	—	11,449,650
— Additions of leases				273,900			273,900
— Disposal of leases				(1,021)			(1,021)
— Exchange differences	755,657	19,765	440,533	8,727	—	—	1,224,682
<b>At December 31, 2022</b>	<b>11,772,043</b>	<b>25,147,999</b>	<b>134,627,742</b>	<b>1,243,346</b>	<b>574,515</b>	<b>(14,151)</b>	<b>173,351,494</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 67. LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Borrowings	Short-term debt instruments	Bonds payables	Lease liabilities	Dividend payables	Others	Total
At January 1, 2021	3,961,652	36,216,758	92,980,628	1,260,399	592,196	—	135,011,633
Cash changes							
— Cash flow from financing activities <sup>(i)</sup>	2,282,192	(10,299,487)	48,692,885	(341,573)	(4,615,702)	—	35,718,315
— Cash flow from operating activities	—	—	—	—	—	—	—
Non-cash changes							
— Financing cost incurred	132,002	1,024,378	4,728,369	38,360	4,615,702	—	10,538,811
— Additions of leases				503,662			503,662
— Disposal of leases				(140,344)			(140,344)
— Exchange differences	(147,658)	(5,810)	(87,925)	(3,039)	—	—	(244,432)
<b>At December 31, 2021</b>	<b>6,228,188</b>	<b>26,935,839</b>	<b>146,313,957</b>	<b>1,317,465</b>	<b>592,196</b>	<b>—</b>	<b>181,387,645</b>

- (i) The cash flows represent the proceeds from and repayment of borrowings, short-term debt instruments, bonds payables and interests paid in the consolidated statement of cash flows.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 68. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at December 31,	
	2022	2021
<b>Non-current assets</b>		
Property and equipment	1,465,950	1,406,056
Right-of-use assets	1,422,456	1,486,022
Other intangible assets	3,000	3,000
Investments in subsidiaries	18,869,797	18,869,797
Interests in associates	10,742,765	9,638,430
Equity instruments at fair value through other comprehensive income	1,538,047	1,409,254
Debt instruments at amortized cost	—	72,229
Financial assets held under resale agreements	100,224	665,863
Financial assets at fair value through profit or loss	42	42
Deferred tax assets	1,683,149	1,376,609
Other non-current assets	557,680	430,657
<b>Total non-current assets</b>	<b>36,383,110</b>	<b>35,357,959</b>
<b>Current assets</b>		
Advances to customers	78,659,209	94,637,589
Current tax assets	388,636	—
Accounts and other receivables	2,988,176	2,684,253
Amount due from a subsidiary	1,891,607	1,104,108
Debt instruments at fair value through other comprehensive income	58,608,252	39,378,364
Debt instruments at amortized cost	15,539	480,395
Financial assets held under resale agreements	49,480,521	37,971,484
Financial assets at fair value through profit or loss	208,983,948	232,250,838
Derivative financial assets	2,917,524	3,020,670
Deposits with exchanges and non-bank financial institutions	7,947,557	4,835,452
Clearing settlement funds	23,942,745	27,394,380
Cash and bank balances	66,775,369	63,563,514
<b>Total current assets</b>	<b>502,599,083</b>	<b>507,321,047</b>
<b>Total assets</b>	<b>538,982,193</b>	<b>542,679,006</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 68. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

	As at December 31,	
	2022	2021
<b>Current liabilities</b>		
Short-term debt instruments	25,113,021	26,539,982
Placements from banks and other financial institutions	10,802,438	6,743,717
Accounts payables to brokerage clients	74,116,727	77,130,251
Accrued staff costs	6,184,843	7,617,696
Other payables and accrued charges	25,023,834	27,124,607
Current tax liabilities	—	415,290
Financial liabilities at fair value through profit or loss	41,818,085	18,621,982
Derivative financial liabilities	2,135,710	5,825,876
Financial assets sold under repurchase agreements	116,558,516	124,305,438
Lease liabilities	291,867	283,551
Contract liabilities	63,808	—
Provisions	86,314	128,144
Bonds payables due within one year	63,221,046	32,920,742
<b>Total current liabilities</b>	<b>365,416,209</b>	<b>327,657,276</b>
<b>Net current assets</b>	<b>137,182,874</b>	<b>179,663,771</b>
<b>Total assets less current liabilities</b>	<b>173,565,984</b>	<b>215,021,730</b>
<b>Equity</b>		
Share capital	8,696,526	8,696,526
Other equity instruments	15,000,000	15,000,000
Capital reserves	40,233,165	40,247,316
Investment revaluation reserve of financial assets at fair value through other comprehensive income	(170,658)	196,857
General reserves	20,678,128	19,301,518
Retained profits	20,187,720	20,165,464
<b>Total equity</b>	<b>104,624,881</b>	<b>103,607,681</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 68. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

	As at December 31,	
	2022	2021
<b>Non-current liabilities</b>		
Accrued staff costs	97,490	223,661
Deferred income	112,947	116,144
Lease liabilities	811,305	872,361
Bonds payables	67,919,361	110,201,883
<b>Total non-current liabilities</b>	<b>68,941,103</b>	<b>111,414,049</b>
<b>Total equity and non-current liabilities</b>	<b>173,565,984</b>	<b>215,021,730</b>

The movements in the Company's reserves are set out as follows:

#### Capital reserves

##### For the year ended December 31, 2022

	At the beginning of the year	Increase	Decrease	At the end of the year
Capital reserves	40,247,316	—	(14,151)	40,233,165

##### For the year ended December 31, 2021

	At the beginning of the year	Increase	Decrease	At the end of the year
Capital reserves	40,247,316	—	—	40,247,316

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 68. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

The movements in the Company's reserves are set out as follows: (Continued)

*Investment revaluation reserve of financial assets at fair value through other comprehensive income*

	As at December 31,	
	2022	2021
At the beginning of the year	196,857	295,852
Debt instruments at FVTOCI		
Net changes in fair value for the year	(355,358)	154,890
Reclassification to profit or loss	149,927	(53,688)
Income tax impact	51,358	(25,300)
Expected credit losses of debt instruments at FVTOCI		
Net changes in profit or loss for ECL Reclassification adjustment	446	(2,054)
Income tax impact	(111)	513
Equity instruments at FVTOCI		
Net changes in fair value for the year	(294,284)	(220,830)
Transfer to retained profits	5,924	(22,508)
Income tax impact	72,090	60,834
Share of other comprehensive income of associates	2,493	9,148
<b>At the end of the year</b>	<b>(170,658)</b>	<b>196,857</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 68. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

The movements in the Company's reserves are set out as follows (Continued)

#### General reserves

##### For the year ended December 31, 2022

	At the beginning of the year	Addition	At the end of the year
Statutory reserve	5,236,148	—	5,236,148
General risk reserve	7,097,091	688,305	7,785,396
Transaction risk reserve	6,968,279	688,305	7,656,584
	<b>19,301,518</b>	<b>1,376,610</b>	<b>20,678,128</b>

##### For the year ended December 31, 2021

	At the beginning of the year	Addition	At the end of the year
Statutory reserve	5,236,148	—	5,236,148
General risk reserve	6,097,171	999,920	7,097,091
Transaction risk reserve	5,968,359	999,920	6,968,279
	<b>17,301,678</b>	<b>1,999,840</b>	<b>19,301,518</b>

#### Retained profits

The movements of retained profits of the Company are as follows:

	As at December 31,	
	2022	2021
At the beginning of the year	20,165,464	16,746,068
Profit for the year	6,883,048	9,999,200
Transfer from other comprehensive income	(5,924)	22,508
Appropriation to general reserve	(1,376,610)	(1,999,840)
Distribution to holders of other equity instruments	(782,134)	(802,090)
Dividends recognized as distribution	(4,696,124)	(3,800,382)
<b>At the end of the year</b>	<b>20,187,720</b>	<b>20,165,464</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

### 69. EVENTS AFTER THE REPORTING PERIOD

#### (1) Bond issue

On March 1, 2023, the Company issued the first tranche of publicly offered subordinated bonds to professional investors with two bond types named as “23 China Merchants Securities C1” and “23 China Merchants Securities C2”. The aggregate principal amount of “23 China Merchants Securities C1” is RMB1.4 billion, its duration is 925 days and the interest rate is 3.45% per annum. The aggregate principal amount of “23 China Merchants Securities C2” is RMB0.8 billion, its duration is 3 years and the interest rate is 3.55% per annum.

On March 17, 2023, the Company issued the second tranche of publicly offered subordinated bonds to professional investors with two bond types named as “23 China Merchants Securities C3” and “23 China Merchants Securities C4”. The aggregate principal amount of “23 China Merchants Securities C3” is RMB1.5 billion, its duration is 2 years and the interest rate is 3.25% per annum. The aggregate principal amount of “23 China Merchants Securities C4” is RMB1.7 billion, its duration is 3 years and the interest rate is 3.40% per annum.

#### (2) Profit distribution

In accordance with the 2022 profit distribution plan approved in the twenty-eighth meeting by the seven session of the board of directors on March 24, 2023, the Company proposed cash dividends of RMB1.85 per 10 shares (inclusive of tax) to shareholders based on 8,696,526,806 shares of total capital. The proposed profit distribution plan is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

## Chapter 10: Information Disclosure of a Securities Company

### I. Relevant Information on the Major Administrative Approvals of the Company

No.	Issuing authority	Title	Document No.	Date of announcement
1	CSRC	Approval for the Registration of Short-term Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Professional Investors (關於同意招商證券股份有限公司向專業投資者公開發行短期公司債券註冊的批覆)	Zheng Jian Xu Ke [2022] No. 3211 (證監許可[2022]3211號)	December 21, 2022
2	CSRC	Approval for Market Making Trading Qualification for Listed Securities of China Merchants Securities Co., Ltd. (關於核准招商證券股份有限公司上市證券做市交易業務資格的批覆)	Zheng Jian Xu Ke [2022] No. 2458 (證監許可[2022]2458號)	October 13, 2022
3	CSRC	Approval for the Registration of Perpetual Subordinated Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Professional Investors (關於同意招商證券股份有限公司向專業投資者公開發行永續次級公司債券註冊的批覆)	Zheng Jian Xu Ke [2022] No. 222 (證監許可[2022]222號)	January 26, 2022

**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

