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**招商证券股份有限公司**  
**China Merchants Securities Co., Ltd.**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 6099)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021**

The board of directors (the “**Board**”) of China Merchants Securities Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2021. This announcement, containing the full text of the 2021 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

### **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cmschina.com](http://www.cmschina.com)), respectively.

The Company's 2021 interim report will be despatched to H shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board  
**China Merchants Securities Co., Ltd.**  
**HUO Da**  
*Chairman*

Shenzhen, the PRC  
August 27, 2021

*As at the date of this announcement, the executive directors of the Company are Mr. HUO Da and Mr. XIONG Jiantao; the non-executive directors of the Company are Mr. LIU Weiwu, Mr. XIONG Xianliang, Ms. SU Min, Ms. PENG Lei, Mr. GAO Hong, Mr. HUANG Jian, Mr. WANG Daxiong and Mr. WANG Wen; and the independent non-executive directors of the Company are Mr. XIANG Hua, Mr. XIAO Houfa, Mr. XIONG Wei, Mr. HU Honggao and Mr. WONG Ti.*

## Important Notice

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

Forward-looking statements, such as future plans and development strategies, contained in this interim report do not constitute any substantive commitments of the Company to investors. Investors should be aware of the investment risks.
- VII. There is no appropriation of the Company's funds by the controlling shareholder and its associates for non-operating purposes.**
- VIII. There is no provision of guarantee by the Company in favor of any third party in violation of the prescribed decision-making procedures.**
- IX. There are no circumstances where more than half of the Directors cannot undertake that the information in this interim report is true, accurate and complete.**

## Important Notice

**X. This interim report is prepared in both Chinese and English versions. In the event of any discrepancy between the Chinese and English versions of this interim report, the Chinese version shall prevail.**

**XI. Warning on material risks**

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

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

To cope with the above risks, the Company has adopted preventive measures in respect of the organizational structure, systems, indicators, risk management culture and IT system. For details, please see "Potential Risks" in Chapter 3 of this report.

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## Chapter 1: Definitions

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

Common terms and expressions	
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》)
"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》)
"Articles of Association"	the Articles of Association of China Merchants Securities Co., Ltd.
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"CSRC Shenzhen Office"	the Shenzhen office of the CSRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"Exchanges"	the Shanghai Stock Exchange and the Shenzhen Stock Exchange
"SSE"	the Shanghai Stock Exchange (上海證券交易所)
"SZSE"	the Shenzhen Stock Exchange (深圳證券交易所)
"SSE website"	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , the website of the Shanghai Stock Exchange
"CSDC"	China Securities Depository and Clearing Corporation Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange website"	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> , the website of The Stock Exchange of Hong Kong Limited
"Group"	China Merchants Securities Co., Ltd. (招商證券股份有限公司), a joint stock company incorporated under the PRC laws with limited liability in August 1993, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6099) and the A Shares of which are listed on the SSE (stock code: 600999), together with its controlled subsidiaries
"Company's website"	<a href="http://www.cmschina.com">http://www.cmschina.com</a> , the website of China Merchants Securities Co., Ltd.
"China Merchants Group"	China Merchants Group Limited (招商局集團有限公司)
"CM Finance Investment"	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)
"Jisheng Investment"	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)
"China Ocean Shipping"	China Ocean Shipping Co., Ltd. (中國遠洋運輸有限公司)
"China Merchants Bank"	China Merchants Bank Co., Ltd. (招商銀行股份有限公司)
"CMS International"	China Merchants Securities International Company Limited (招商證券國際有限公司)

## Chapter 1: Definitions

Common terms and expressions	
"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)
"A Share(s)"	domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the SSE (stock code: 600999)
"H Share(s)"	overseas-listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 6099)
"NEEQ"	the National Equities Exchange and Quotations
"STAR Market"	the Science and Technology Innovation Board of SSE
"VaR"	Value at Risk
"APP"	Application
"IT"	Information Technology
"IPO"	Initial Public Offering
"Reporting Period", "Current Period"	from January 1, 2021 to June 30, 2021
"Previous Period"	from January 1, 2020 to June 30, 2020
"RMB", "RMB10,000", and "RMB100 million"	Renminbi 1 Yuan, Renminbi 10,000 Yuan and Renminbi 100 million Yuan
"Latest Practicable Date"	August 27, 2021
"%"	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	XIONG Jiantao
Authorized representatives of the Company	WU Huifeng, PENG Lei

### Registered capital and net capital

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of last year
Registered capital	8,696,526,806.00	8,696,526,806.00
Net capital	67,605,182,214.32	58,654,486,820.65

## Chapter 2: Corporate Profile and Key Financial Indicators

### Business qualifications of the Company

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

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



## Chapter 2: Corporate Profile and Key Financial Indicators

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

## Chapter 2: Corporate Profile and Key Financial Indicators

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

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
51	Licence for special institutional client business of insurance companies	China Insurance Regulatory Commission (currently known as the China Banking and Insurance Regulatory Commission)	January 2013
52	Qualification for sale of financial products	CSRC Shenzhen Office	December 2012
53	Qualification of lead underwriting debt financing instruments of non-financial enterprises	National Association of Financial Market Institutional Investors	November 2012
54	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
55	Licence for margin and securities refinancing	China Securities Finance Co., Ltd.	August 2012
56	Qualification of underwriting private placement bonds of small and medium enterprises	Securities Association of China	June 2012
57	Licence for stock repurchase business	CSRC	May 2012
58	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
59	Qualification for third-party custodian services for one customer – multiple bank services	CSRC Shenzhen Office	June 2011
60	Ordinary member for settlement	Shanghai Clearing House	November 2010
61	Qualification for margin financing and securities lending business	CSRC	June 2010
62	Licence for direct investment business	CSRC	August 2009
63	Qualification for intermediary introduction business for China Merchants Futures	CSRC	February 2008
64	Category A clearing participant of the CSDC	CSDC	February 2008
65	Licence for overseas securities investment management business	CSRC	August 2007

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
66	Primary dealer on the integrated e-platform for fixed income securities of the SSE	SSE	July 2007
67	Permit for foreign exchange operation in the securities business	State Administration of Foreign Exchange	December 2006 (latest certificate obtained in November 2012)
68	Clearing participant of the CSDC	CSDC	March 2006
69	Primary dealer of SSE 180 Index Exchange Traded Fund	SSE	March 2006
70	Qualification for quote transfer business	Securities Association of China	January 2006
71	Licence for underwriting business of commercial paper	The People's Bank of China	July 2005
72	Qualification for operation of foreign shares business	CSRC	September 2002
73	Qualification for open-end securities investment fund consignment business	CSRC	August 2002
74	Qualification for trusted investment management business	CSRC	May 2002
75	Qualification for online securities agency business	CSRC	February 2001
76	Qualified member of interbank market	General Administration Department of the People's Bank of China	September 1999
77	Qualifications for RMB special stocks business (unrestricted) in Shanghai	Shanghai Securities Management Office	November 1996
78	Licence for starting foreign exchange business	Shenzhen Office of the State Administration of Foreign Exchange	October 1996
79	Pilot unit of equity trading agency system for non-listed companies	Property Right Transfer Leading Group Office of the Shenzhen Municipal Government	January 1996
80	Licence for starting proprietary business	Shenzhen Securities Management Office	August 1993

## Chapter 2: Corporate Profile and Key Financial Indicators

Qualifications of CMS International, a wholly-owned subsidiary of the Company, are as follows:

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

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

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

## Chapter 2: Corporate Profile and Key Financial Indicators

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

Qualifications of CMS Zhiyuan, a wholly-owned subsidiary of the Company, are as follows:

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

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

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

## Chapter 2: Corporate Profile and Key Financial Indicators

### II. Contact Persons and Contact Methods

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

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

### III. Changes in 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 1998, the registered address of the Company was changed to "8/F-11/F, Block East, Huaqiang Jiahe Building, No. 34 Shennan Central Road, Futian District, Shenzhen". In June 2002, the registered address of the Company was changed to "38/F-45/F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen". In November 2018, the registered address of the Company 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="http://www.cmschina.com">http://www.cmschina.com</a>
E-mail address	IR@cmschina.com.cn
Enquiry index of changes during the Reporting Period	Nil



## Chapter 2: Corporate Profile and Key Financial Indicators

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

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

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

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



## Chapter 2: Corporate Profile and Key Financial Indicators

### VI. Other Relevant Information

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Huangpu, Shanghai, the PRC
	Names of the signing accountants	HONG Ruiming (洪銳明), ZHOU Hanlin (周瀚林)
International accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
	Names of the signing accountants	Barry MAN (文啟斯)
Sponsor that performed continuous supervision duties during the Reporting Period	Name	CITIC Securities Co., Ltd.
	Office address	CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Names of the signing sponsor representatives	ZHAO Wencong (趙文叢), WANG Chen (王琛)
	Period of continuous supervision	August 2020 to December 2021
Domestic legal adviser appointed by the Company	Name	Beijing Jingtian Gongcheng Law Firm, Shenzhen Office
	Office address	Unit 05-06, 16/F, China Resources Tower, No. 2666 Keyuan South Road, Yuehai Street, Nanshan District, Shenzhen, the PRC
International legal adviser appointed by the Company	Name	William Ji & Co. LLP in association with Tian Yuan Law Firm Hong Kong Office
	Office address	Suites 3304-3309, 33/F, Jardine House, One Connaught Place, Central, Hong Kong
A Share Registrar	Name	Shanghai Branch of CSDC
	Office address	3/F, China Insurance Building, 166 Lujiazui East Road, Pudong New District, Shanghai, the PRC
H Share Registrar	Name	Computershare Hong Kong Investor Services Limited
	Office address	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

## Chapter 2: Corporate Profile and Key Financial Indicators

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

## (I) Key accounting data

Unit: 1,000 Yuan Currency: RMB

Key accounting data	The Reporting Period	The Previous Period	Change (%)
Total revenue and other income	19,267,352	15,105,849	27.55
Profit of the period attributable to shareholders of the Company	5,745,385	4,333,834	32.57
Profit of the period attributable to shareholders of the Company after deduction of non-recurring profit or loss	5,656,282	4,331,841	30.57
Net cash from operating activities	-41,072,757	-6,743,330	—
Other comprehensive income (expense)	-270,421	-225,549	—

	End of the Reporting Period	End of last year	Change (%)
Total assets	586,373,334	499,726,679	17.34
Total liabilities	479,270,738	393,901,966	21.67
Equity attributable to shareholders of the Company	107,013,638	105,736,805	1.21
Total owners' equity	107,102,596	105,824,713	1.21
Gearing ratio (%) <sup>Note</sup>	78.11	74.46	Increased by 3.65 percentage points

Note: Gearing ratio = Total liabilities after deduction of accounts payable to brokerage clients/Total assets after deduction of accounts payable to brokerage clients

## Chapter 2: Corporate Profile and Key Financial Indicators

### (II) Key financial indicators

Key financial indicators	The Reporting Period (January – June)	The Previous Period	Change (%)
Basic earnings per share (RMB per share)	0.61	0.50	22.00
Diluted earnings per share (RMB per share)	0.61	0.50	22.00
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.60	0.50	20.00
Weighted average return on net assets (%)	5.73	5.45	Increased by 0.28 percentage point
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	5.64	5.45	Increased by 0.19 percentage point

## 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 June 2021, the key risk control indicators, such as net capital of the Company, were as follows:

Unit: Yuan    Currency: RMB

Items	As at the end of the Reporting Period	As at the end of last year
Net capital	67,605,182,214.32	58,654,486,820.65
Net assets	98,346,243,400.53	98,287,439,443.80
Sum of risk capital provisions	29,081,016,312.53	25,957,355,586.03
Total assets on- and off-balance sheet	328,653,563,077.39	283,672,225,304.43
Risk coverage ratio (%)	232.47	225.96
Capital leverage ratio (%)	15.22	17.38
Liquidity coverage ratio (%)	241.06	278.45
Net stable funding ratio (%)	145.35	144.18
Net capital/net assets (%)	68.74	59.68
Net capital/liabilities (%)	19.56	20.28
Net assets/liabilities (%)	28.45	33.98
Value of proprietary equity securities and security derivatives/net capital (%)	21.73	31.69
Value of proprietary non-equity securities and its derivatives/net capital (%)	356.73	319.68

## Chapter 3: Management's Discussion and Analysis

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

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

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

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

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

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

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

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

In recent years, China's capital market has been developing towards marketization and legalization. Its reform has continued to advance in depth, and governance capabilities have constantly improved. The central government has intensively advanced financial supply-side structural reform, facilitated financial institutions to adapt to economic and social development, promoted the high-standard circulation of technology, capital and the real economy, and put forward higher requirements for all participants in the capital market. With the continuous expansion of the capital market, the securities industry is undergoing an important period of strategic opportunities. Leveraging their capital strength, customer base and brand influence, leading securities firms have gained further dominant position in the competition, thereby further shaping the competitive landscape of "the strong will always be strong". In July 2021, the General Office of the Chinese Communist Party and the General Office of the State Council publicly released the "Opinions on Strictly Combating Illegal Securities Activities According to Law" (《依法從嚴打擊證券違法活動的意見》), which further clarified that "system building, non-intervention and zero tolerance" is the conceptual framework for the law enforcement and justice of the capital market. It has provided an important guarantee for comprehensively deepening the reform of the capital market and better promoting the high-quality development of the capital market.

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In the first half of 2021, despite the fact that the worldwide situation of COVID-19 remained complicated and severe, the global economy has begun to recover as a whole. China has continued to consolidate and advance COVID-19 prevention and control as well as economic and social development. As such, China's economy has continued to recover steadily, as demonstrated by the 12.7% year-on-year increase in its GDP, and its growth rate was among the highest for major economies. China's capital market has improved as a whole. The SSE Composite Index, SZSE Component Index, ChiNext Index, Hang Seng Index and ChinaBond Composite Total Return Index rose by 3.4%, 4.8%, 17.2%, 5.9% and 2.1%, respectively.

According to the statistics from the Securities Association of China, during the Reporting Period, the revenue of the securities industry (China Accounting Standards for Business Enterprises, unaudited, same for below) amounted to RMB232.414 billion, representing a year-on-year increase of 8.91%. Net profit amounted to RMB90.279 billion, representing a year-on-year increase of 8.58%. As at the end of the Reporting Period, the total assets of the securities industry amounted to RMB9.72 trillion, representing an increase of 9.21% as compared to the end of 2020. Net assets amounted to RMB2.39 trillion, representing an increase of 3.46% as compared to the end of 2020. Net capital amounted to RMB1.86 trillion, representing an increase of 2.20% as compared to the end of 2020.

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

The Company, under the control of China Merchants Group, is the largest securities firm of the SASAC. Over years of development, the Company has built up significant competitive advantages. First, the Company adheres to the concept of stable operations. It has been granted the highest AA (Class A) rating for securities firms for 14 consecutive years, which represents a strong pillar for the Company to rely on when seeking policy support, seizing significant opportunities for new pilot projects, making responses to the volatile capital market and facing peer competition in the future. Second, the service capability with a full-service platform that covers a whole industrial chain, a balanced business structure and a solid development foundation will help the Company develop the business with its own features, differentiate its edges and facilitate the provision of one-stop services to clients in the future, thereby paving a sound foundation for development. Third, the wealth management business has a solid foundation with increasingly strengthened competitiveness. It has outstanding capability in providing comprehensive services to institutional clients and maintains stable performance in respect of providing whole industry chain services to corporate clients. Fourth, the Company enjoys the strong brand name of "China Merchants" and its shareholders background as well as good reputation in the market.

According to the statistics from the Securities Association of China, in the first half of 2021, in terms of net income from agency trading (including leasing of trading seats), net income from agency sale of financial products, interest income from margin financing and securities lending, interest income from stock pledge repo, net income from investment banking, net income from asset management and amount of assets under management, the Company ranked 3rd, 8th, 6th, 4th, 8th, 7th and 4th, respectively. According to the statistics from the Asset Management Association of China and Wind, the Company ranked 1st in terms of number of private and mutual funds under custody in the brokerage industry, and ranked 4th in terms of the average monthly active private AUM by securities firms. According to the statistics from Wind (using issue date as statistics caliber), in terms of the amount of equity lead underwriting (excluding share issuance for asset acquisition) and bond lead underwriting, the Company ranked 8th and 9th, respectively.



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### III. Operation Discussion and Analysis

2021 is the first year of the "14th Five-Year Plan", the 30th anniversary of the founding of the Company, and a crucial year for the implementation of the new five-year reform strategy.

During the Reporting Period, the Company boosted its revenue, promoted reform and strengthened management, and achieved favorable operating results. Total revenue and other income amounted to RMB19.267 billion and net profit attributable to shareholders of the parent company amounted to RMB5.745 billion, representing a year-on-year increase of 27.55% and 32.57%, respectively. The Company has consolidated and deepened the special program of "promoting the spirit of reform and innovations, improving work culture and enhancing work efficiency", and intensively promoted the "Double Hundred Action" of SOE reform, thereby achieving remarkable reform results in business transformation and mechanism construction. First, for the wealth management business, the Company focused on increasing the AUM of financial products, as well as enhancing service capabilities and business scale. Second, for the investment banking business, the Company established the "Investment Banking Committee" and took organizational and structural reform as an opportunity to fully accelerate the pace of transformation and upgrade, striving to build a modern investment bank with "comprehensive planning, meticulous organization, reasonable division of labor and consistent coordination". Third, the Company strengthened the integration of domestic and international operation and management, and comprehensively improved cross-border development. Fourth, the Company insisted on technological innovation, and has basically established a technological innovation management system and a technological infrastructure system consisting of one fundamental base and three middle platforms (i.e. cloud native architecture, business middle platform, data middle platform and technology middle platform), thereby fully commencing digital development. Fifth, the Company comprehensively optimized the construction of the human resources mechanism of "staff can get in and out; cadre can go up and down; salary can be high and low", explored the professional manager system and the reform of the personalized incentive and restraint mechanism, actively promoted the implementation of the "open competition" (揭榜掛帥) mechanism, and stimulated the new vitality for work and entrepreneurship. Sixth, the Company built a "customer-oriented" coordination system and continued to improve the coordination mechanism, thereby enhancing business coordination.

The Company prudently responded to the complex operating environment. There were no major risk incidents, and various risk losses were kept at a low level. The Company continued to maintain a good momentum for stable operation, and was among the first batch of companies included in the "White List" of the CSRC, thereby creating favorable conditions for the smooth development of various innovative pilot businesses in the future.

## Chapter 3: Management's Discussion and Analysis

### (I) Analysis of principal businesses

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

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

In the first half of 2021, the wealth management and institutional business of the Company maintained a solid position, and ranked 3rd in the industry in terms of net income from agency securities trading.

#### (1) Brokerage and wealth management

In the first half of 2021, the one-way trading volume of stocks and funds in the A share market amounted to RMB112.03 trillion, representing a year-on-year increase of 21.08%. The average net commission rate of the industry decreased by 8.12% year-on-year to 0.26%, which showed a continuous downward trend over the past years. The one-way trading volume of the Hong Kong stock market amounted to HK\$40.79 trillion, representing a year-on-year increase of 51.75%. The demand from residents for wealth management kept rising, and the business model of wealth management has gradually shifted from agency sale of financial products to professional asset allocation and investment consultancy.

During the Reporting Period, the Company seized development opportunities for wealth management, continuously strengthened the three core capabilities of "customer connectivity, consultancy and accompany, and product selection and asset allocation", actively utilized financial technology to promote online and offline marketing, enhanced the experience of wealth management clients, and strived to create differentiated wealth management advantages with the features of securities firms. As of the end of the Reporting Period, the number of clients of the Company amounted to over 13 million, and clients' asset size amounted to RMB4.32 trillion, representing an increase of 13.09% as compared to the end of 2020. During the Reporting Period, the number of new accounts opened increased by 180.96% year-on-year. Through the "China Merchants Securities" APP and WeChat official account and the "China Merchants Securities Zhiyuan Wealth Management" (招商證券智遠理財) WeChat subscription account and video account, the Company provided clients with a full range of advisory services including information, stock trading, investment consultancy and asset allocation. By strengthening APP traffic management through financial technology, the MAU of APP increased by 20.7% year-on-year. The Company provided investment consultancy and online wealth management services through the "China Merchants Securities Fortune+" (招商證券財富+) WeChat Mini Program, and sold financial products in an amount of RMB2.865 billion. Leveraging the research advantages of securities firms, the Company continued to establish the brand of "selected mutual fund" and "private fund 50" high-performance product pool. In the first half of 2021, the Company's net income from agency sale of financial products increased by 131.51% year-on-year. As at the end of the Reporting Period, the Company's holdings of financial products amounted to RMB169.1 billion, representing a year-on-year increase of 42.22%. According to the statistics from the Asset Management Association of China, the Company's holdings of non-monetary market mutual fund in the second quarter amounted to RMB53.4 billion, ranking 5th in the securities industry.



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In June 2021, the Company received the no objection letter from the CSRC regarding the license for conducting pilot fund investment advisory business. In the future, the Company will seize the development opportunities of fund investment advisory business and achieve the transformation and upgrade of wealth management based on account management with customers as the focus.

Operating indicators	First half of 2021	First half of 2020	Year-on-year change
Trading volume of stocks and funds (RMB trillion, two-way)	10.23	7.77	31.68%
Market share of the trading volume of stocks and funds	4.57%	4.20%	Increased by 0.37 percentage point
Market share of net income from agency securities trading	4.75%	4.81%	Decreased by 0.06 percentage point
Ranking of net income from agency securities trading	3	3	—
Number of wealth management advisors	1,106	923	19.83%
Holdings of financial products (RMB100 million)	1,691	1,189	42.22%
Net income from agency sale of financial products (RMB100 million)	4.61	1.99	131.51%
Ranking of net income from agency sale of financial products	8	7	Down by 1 place

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

For the futures brokerage business, in the first half of 2021, the global economy continued to recover, and commodities showed a trend of sharp and rapid rise. The cumulative trading volume and turnover of China's futures market amounted to 3.716 billion lots and RMB286.33 trillion, representing a year-on-year increase of 47% and 73%, respectively. As at the end of June 2021, clients' equity in the whole market amounted to RMB1.04 trillion, representing an increase of 25.52% as compared to the end of 2020. During the Reporting Period, China Merchants Futures tapped the potential of its IB brokerage business and vigorously explored institutional clients, and the growth rate of clients' equity outperformed its peers. As at the end of the Reporting Period, clients' equity of China Merchants Futures amounted to RMB16.262 billion, representing an increase of 31.15% as compared to the end of 2020.

For the overseas market, CMS International has strengthened its sales team and actively seized the business opportunities amid a strong-growing of the Hong Kong market at the beginning of the year. As at the end of the Reporting Period, CMS International's clients' asset size amounted to HK\$249.889 billion, representing an increase of 34.14% as compared to the end of 2020. During the Reporting Period, the number of new accounts opened increased by approximately 4 times year-on-year, and the number of regular trading accounts increased by 164.03% year-on-year. The trading volume amounted to HK\$153.839 billion, representing a year-on-year increase of 94.98%, setting a new record high over the past seven years in terms of market ranking.

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### (2) Capital-based intermediary services

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

As at the end of June 2021, the balance of margin financing and securities lending in the A share market amounted to RMB1,784.203 billion, representing an increase of 10.2% as compared to the end of 2020, of which the balance of securities lending amounted to RMB156.047 billion, representing an increase of 13.92% as compared to the end of 2020. The balance of stock pledge repo amounted to RMB264.863 billion, representing a decrease of 11.98% as compared to the end of 2020.

During the Reporting Period, the Company closely followed the market, actively adapted to changes in market conditions, tailored financing plans for clients, vigorously competed for securities lending business and actively promoted system construction, so as to meet the demand of clients. While prudently controlling risks, the Company continued to strengthen the compliance of the capital-based intermediary business, the comprehensiveness of due diligence and the effectiveness of continuous management, so as to achieve a balanced development in terms of quality, efficiency and scale.

As at the end of June 2021, the balance of the Company's margin financing and securities lending amounted to RMB96.094 billion, representing an increase of 15.59% as compared to the end of 2020, and the overall maintenance coverage ratio was 301.5%. Of which, the balance of securities lending amounted to RMB7.259 billion. The balance of stock pledge repo (including contribution from asset management plans) amounted to RMB26.841 billion, and the overall collateral coverage ratio was 319.66%. Of which, the contribution from self-owned capital amounted to RMB18.120 billion, and the collateral coverage ratio was 363.34%. During the Reporting Period, the Company ranked 5th in the industry in terms of interest income from capital-based intermediary business. Among which, in terms of interest income from margin financing and securities lending and interest income from stock pledge repo, the Company ranked 6th and 4th in the industry, respectively.

Operating indicators	As at the end of June 2021	As at the end of 2020	Year-on-year change
Balance of margin financing and securities lending (RMB100 million)	960.94	831.36	15.59%
Market share of margin financing and securities lending	5.39%	5.13%	Increased by 0.26 percentage point
Of which: Balance of securities lending (RMB100 million)	72.59	62.13	16.84%
Market share of securities lending	4.65%	4.54%	Increased by 0.11 percentage point
Balance of stock pledge repo (including contribution from asset management plans) (RMB100 million)	268.41	304.20	-11.77%
Balance of stock pledge repo by self-owned capital (RMB100 million)	181.20	201.15	-9.92%
Market share of stock pledge repo by self-owned capital	6.50%	4.89%	Increased by 1.61 percentage points

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

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For the overseas market, the balance of margin trading of CMS International (including IPO financing) as at the end of the period amounted to HK\$17.719 billion, representing an increase of 282% as compared to the end of 2020. Benefiting from the increase in margin trading balance and amount of IPO financing, interest income from margin financing (including IPO financing) increased by 91% year-on-year.

### (3) Institutional client integrated services

The Company's integrated services for institutional clients are based on research, trading and custody services, and provide value-added services such as product sales, margin financing and securities lending, market-making, operation outsourcing and fund incubation. An integrated service system for institutional clients has been established.

#### ① Institutional integrated services

During the Reporting Period, the institutional business of the Company continued to maintain its competitive advantages. According to the statistics from Wind, the Company ranked 5th in the industry in terms of commission from mutual fund trading in 2020. In the first half of 2021, despite the fact that the securities market entered a period of turbulence, the newly issued amount and total amount of mutual funds both reached record highs. The Company profoundly explored the demand for mutual funds, insurance asset management and various overseas institutional clients. Through the combination of online and offline services, the Company innovated sales service models, and fully tapped the marketing potential of brokerage branches to improve the overall marketing efficiency of the Company. At the same time, the Company vigorously developed the settlement model of securities firms and actively promoted the implementation of products under the settlement model of securities firms. At present, the Company is cooperating with more than 10 fund companies under this model and actively establishing business cooperation with a number of bank wealth management subsidiaries.

For the primary broker business, the Company continued to push forward the development of PB business system and institutional client digital service system, and further improved the institutional marketing service platform and institutional client service platform. The Company enhanced the professional trading service capabilities for institutional clients, and actively promoted innovative businesses such as return swaps and cross-border derivatives, so as to meet the demand of institutional clients for comprehensive financial services. During the Reporting Period, the Company continued to increase its investment in the "Geetek Institutional Transaction Service Platform". The latency for responding to market data service was shortened from 180 microseconds to 4 microseconds. As such, the trading volume of stocks and funds of Geetek's institutional clients increased by 126% year-on-year. As at the end of the Reporting Period, the Company's trading assets under private funds reached RMB268.7 billion, representing an increase of 28.32% as compared to the end of 2020, and the number of private fund managers for securities investment with asset size over RMB5 billion accounted for 78.87% of total market.

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### ② Research

The Company's domestic stock research covered 1,283 listed companies in 17 industry sectors and 71 categories on the CSRC, covering 85% of the total market capitalization of CSI 300 Index constituent stocks and 82% of the total market capitalization of ChiNext Index constituent stocks. The Company takes the leading positions in the research of a wide variety of areas, including quantitative trading, electronics, strategy, food and beverage, macro-economy, media, electric devices and new energy, fixed-income, small and mid-cap, finance, communications, real estates, automobiles, computer and agricultural industries. The Company's overseas stock research covers 127 listed companies in 20 major industries including overseas macro strategies.

During the Reporting Period, the Company continued to push forward research transformation, promoted the in-depth integration of research and business, leveraged its research capabilities, focused on building advantageous industries and distinctive brands, and improved services for core mutual fund, insurance and private fund clients. The Company strengthened internal coordination, enhanced research services for key businesses such as investment banking and investment, increased research efforts on hot topics such as carbon neutrality and commodities, and strengthened the building of research teams in key industries, so as to provide forward-looking planning and intellectual support for the Company's business and strategic decision-making. The Company improved the digital operation of the research business to provide more abundant research products.

### ③ Custody and outsourcing

In recent years, the rapid development of quantitative private funds, the continuous introduction of standardized products for bank wealth management, trust companies and third-party wealth management companies, the expansion of QFII investment scope and the two-way opening of the financial industry have provided greater development potentials for the custody and outsourcing business. As at the end of the Reporting Period, the AUM of private investment funds and mutual funds reached RMB17.89 trillion and RMB23.03 trillion, representing an increase of 12.02% and 15.79% as compared to the end of 2020, respectively.

During the Reporting Period, the Company's custody and outsourcing business continued to maintain its industry leading position. Through increasing investment in financial technology for the custody and outsourcing business, the Company established the comprehensive digital and intelligent operation and management system, improved risk management measures, and continuously enhanced operational efficiency and customer services. The Company actively promoted the China Merchants Securities Private Fund Index (CMSFI), the first private fund series index in the market. Benchmarking the international fund service industry, the Company provided comprehensive financial services for international asset management institutions. As at the end of the Reporting Period, the number and value of custody and outsourcing products (including products of asset management subsidiaries) of the Company amounted to 30.9 thousand and RMB3.36 trillion, representing an increase of 17.94% and 17.07% as compared to the end of 2020, respectively. According to the statistics from the Asset Management Association of China and Wind, the Company maintained a market share of 23.93% in terms of the number of private fund products under custody, and ranked 1st for seven consecutive years in terms of the number of private fund products under custody and the number of mutual fund products under custody.

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### 2. *Investment banking business*

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

In the first half of 2021, the Company firmly advanced the reform of the investment banking business and established the Investment Banking Committee to further promote the transformation towards modern investment banking, vigorously facilitated the coordination of domestic and international business, and deepened the professional transformation and accelerated the regional planning. The Company strengthened the quality control of the investment banking business and established an intelligent investment banking platform to improve entire business process management and internal control.

#### (1) **Equity underwriting**

In the first half of 2021, the reform of the IPO registration system continued to advance; the IPO regulatory review system was continuously improved; the system for the transfer of listing from NEEQ was established; and the A share equity financing market was active. According to the statistics from Wind (using issue date as statistics caliber), the total amount of equity financing in the A share market (excluding share issuance for asset acquisition, same for below) was RMB647.920 billion, representing a year-on-year increase of 64.95%. A total of 251 IPOs were completed with raised proceeds of RMB192.516 billion, representing a year-on-year increase of 96.09% and 34.04%, respectively. The proceeds raised from refinancing amounted to RMB455.404 billion, representing a year-on-year increase of 82.76%. For the Hong Kong market, benefiting from events such as the listing of large-scale new economy companies and the secondary listing of companies in Hong Kong, 50 IPO projects were completed in the Hong Kong market in the first half of the year, and the amount of financing reached HK\$236.072 billion, representing a year-on-year increase of 140.21%.

According to the statistics from Wind (using issue date as statistics caliber), the Company ranked 8th and 7th in the industry in terms of the value and number of A share projects underwritten, respectively. Of which, the Company ranked 10th and 8th in terms of the value and number of IPO projects underwritten and ranked 8th and 7th in terms of the value and number of refinancing projects underwritten, respectively. In the overseas market, the Company completed 10 equity financing projects, including 7 Hong Kong IPO projects and 3 U.S. IPO/SPAC (Special Purpose Acquisition Company) projects. The Company's value of IPOs underwritten in the Hong Kong market reached HK\$3.212 billion, representing a year-on-year increase of 158%, ranking 7th among Chinese securities firms, and the value of IPOs underwritten in the U.S. amounted to US\$633 million.

In the first half of 2021, the Company successfully completed a number of market influential projects, including the A share listing projects of Bank of Chongqing (the first "A+H" city commercial bank in the western region) and Dongrui Food Group Co., Ltd. (a national key leading enterprise in the agricultural industry), the Hong Kong listing projects of Strawbear Entertainment Group (a leading entertainment content production company in China) and JD Logistics, Inc. (a leading logistics service provider), and the U.S. listing projects of Waterdrop Inc. and Missfresh Limited (new economy companies).



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According to the statistics from the CSRC, SSE and SZSE, as of the end of the Reporting Period, 29 IPO projects underwritten by the Company were pending approval or to be registered. In addition, the Company continued to promote the "Gazelle Incubator Project" (羚躍計劃)<sup>1</sup> to create a multi-channel cooperation "ecosystem" for the investment banking business, thereby enriching the reserves of investment banking projects. As of the end of June 2021, more than 150 companies have been selected into the "Gazelle Incubator Project" company database.

	First half of 2021		First half of 2020		Year-on-year change in amount
	Lead underwriting amount (RMB100 million)	Number of projects	Lead underwriting amount (RMB100 million)	Number of projects	
<b>A share projects</b>					
IPOs	67.96	9	57.96	6	17.25%
Refinancing	94.91	11	71.78	6	32.22%
<b>Total</b>	<b>162.87</b>	<b>20</b>	<b>129.74</b>	<b>12</b>	<b>25.55%</b>

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

Note: Refinancing excludes share issuance for asset acquisition

### (2) Bond underwriting

In the first half of 2021, the yield of the bond market fluctuated within a narrow range. Under the economic recovery and prudent monetary policy environment, the bond market entered a post-pandemic recovery period. Despite the fact that the value of issuance of the asset securitization business grew rapidly driven by credit ABS, the value of issuance of credit bonds grew slightly due to the outbreak of risk events in real estate companies and the tightening of regulatory policies for urban construction investment bonds. Affected by the expected rise in inflation, the yield of long maturity U.S. bonds rose sharply. The yield of U.S. 10-year treasury bonds rose from 0.92% at the beginning of the year to 1.47% at the end of June 2021. The bond spread between Chinese and U.S. bonds narrowed, and the attractiveness of offshore U.S. bond issuance declined slightly.

During the Reporting Period, the total domestic bonds (excluding central bank bills and inter-bank deposit certificates) issued reached RMB18.47 trillion, representing a year-on-year increase of 2.98%. Of which, the total credit bonds (excluding treasury bonds, local government bonds, central bank bills, inter-bank deposit certificates and policy bank bonds) issued reached RMB9.25 trillion, representing a year-on-year increase of 1.33%. The ABS issued amounted to RMB1.41 trillion, representing a year-on-year increase of 49.72%. Of which, the credit ABS issued amounted to RMB425.790 billion, representing a year-on-year increase of 104.98%. The Chinese offshore bonds (excluding RMB bonds) issued reached US\$91.343 billion, representing a year-on-year decrease of 3.91%.

Note<sup>1</sup> The Company provides one-stop comprehensive financial services for strategic emerging industries and high-quality technological innovation enterprises in a full-platform collaborative model.

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During the Reporting Period, the Company speeded up the expansion of the bond team, continued to consolidate the leading advantages of the credit ABS business, remedied for its business weakness, and actively planned for the infrastructure public offering REITs business and green bond business. According to the statistics from Wind, in the first half of 2021, the domestic bonds (including bonds issued as a principal) lead underwritten by the Company amounted to RMB179.611 billion, representing a year-on-year increase of 33.76%, ranking 9th in the industry. Of which, in terms of the amount of ABS underwritten and amount underwritten in the credit asset securitization business, the Company ranked 5th and 1st in the industry, respectively. Benefiting from the synergy between the domestic and overseas businesses, the amount of overseas bonds underwritten by the Company increased significantly. During the Reporting Period, the Company completed 12 offshore bond issuance projects with HK\$3.283 billion underwritten, representing a year-on-year increase of 109.6%. According to the statistics from Bloomberg, in the first half of 2021, in terms of the amount of Chinese offshore bonds (excluding RMB bonds) underwritten, the Company ranked 8th among Chinese securities firms.

In the first half of 2021, the Company completed a number of market influential projects, including assisting China Merchants Shekou Industrial Zone Holdings Co., Ltd. to issue the first batch of infrastructure public offering REITs projects in the domestic market, i.e. Bosera Fund REIT; assisting Zhongguancun Development Group Co., Ltd. to issue the first batch of technological innovation corporate bonds in the market; assisting Industrial Bank to issue the "USD + HKD" dual-currency green bonds in the offshore market; and assisting Guoren Property and Casualty Insurance to issue the "USD + offshore RMB" dual-currency bonds (being the first insurance company to do so).

	First half of 2021		First half of 2020		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	0.00	0	6.25	2	-100.00%
Corporate bonds	239.02	71	212.88	53	12.27%
Financial bonds	655.56	59	353.40	21	85.50%
Short-term commercial papers	46.40	14	50.80	11	-8.66%
Medium-term notes	73.46	23	77.64	21	-5.38%
Private placement notes	57.32	15	85.25	15	-32.76%
Exchangeable bonds	0.00	0	39.99	4	-100.00%
Asset-backed securities	724.35	173	473.60	134	52.95%
Municipal bonds (Note)	0.00	2	43	271	-100.00%
<b>Total</b>	<b>1,796.11</b>	<b>357</b>	<b>1,342.81</b>	<b>532</b>	<b>33.76%</b>

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

Note: Bond underwriting includes bonds issued as a principal. For two municipal bonds underwritten in the first half of 2021, the Company has no actual amount underwritten.

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### (3) Financial advisory

In the first half of 2021, the A share M&A and restructuring market was active. According to the statistics from Wind, the number of announced transactions in the Chinese M&A market (excluding overseas M&A) was 4,223 and the transaction amount was RMB1,193.138 billion, representing a year-on-year increase of 51.85%. The number of completed deals was 2,593 and the transaction amount was RMB438.190 billion, representing a year-on-year decrease of 45.86%.

During the Reporting Period, the Company closely focused on the opportunities arising from economic restructuring and upgrade as well as SOE reform, fully leveraged its role as a professional platform for the capital operation of China Merchants Group, actively promoted China Merchants Group's collaboration projects between industrial and financial companies and collaboration projects between financial companies, and deepened its close cooperation with strategic clients from large-scale central enterprises and SOEs. According to the statistics from Wind, during the Reporting Period, the Company completed two M&A and restructuring projects with a transaction value of RMB18.490 billion, ranking 7th in the industry. Of which, the share swap absorption merger project of Dalian Port (PDA) Company Limited and Yingkou Port Liability Co., Ltd. was the first case in the port industry.

### 3. Investment management

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

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

2021 is the final year of the transition period for the new asset management regulations. The asset management industry has accelerated its transformation to active management. As of the end of June 2021, the total AUM of securities companies reached RMB10.52 trillion, representing an increase of 0.95% as compared to the end of 2020. The total revenue of securities companies from asset management reached RMB14.6 billion, representing a year-on-year increase of 2.14%.

During the Reporting Period, CMS Asset Management focused on clients' demand, comprehensively improved active management capabilities, accelerated the transformation of massive collective asset management to mutual funds, focused on improving investment and research capabilities, continuously enriched investment strategies for fixed-income products, promoted the growth of equity products, and continued to expand cooperation opportunities between institutions. As such, its operating results and active AUM maintained steady growth. In the first half of 2021, the Company's net income from asset management business amounted to RMB563 million, representing a year-on-year increase of 7.03%, ranking 7th in the industry and up by three places as compared to the end of 2020. As of the end of June 2021, the value of entrusted management of the Company amounted to RMB518.128 billion, representing a decrease of 4.39% as compared to the end of 2020. During the Reporting Period, the average monthly active private AUM amounted to RMB281.307 billion, representing a year-on-year increase of 16.85%, and accounted for 59.88% of the average monthly AUM, up by 20.94 percentage points year-on-year. According to the statistics from the Securities Association of China and the Asset Management Association of China, the Company ranked 4th in the industry in terms of the value of entrusted management and average monthly active private AUM.



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Category	AUM (RMB100 million)		Net income from asset management business (RMB100 million)	
	As of the end of June 2021	As of the end of 2020	First half of 2021	First half of 2020
Collective asset management	1,556.82	1,303.40	3.57	3.64
Separate asset management	2,953.15	3,475.80	1.86	1.49
Specialized asset management	671.31	640.02	0.20	0.13
<b>Total</b>	<b>5,181.28</b>	<b>5,419.22</b>	<b>5.63</b>	<b>5.26</b>

Source: Internal statistics of the Company

### (2) Private equity fund management

In the first half of 2021, China's economy operated steadily with an upward trend; the reform of the capital market was fully deepened; and China focused on building a new landscape of dual circulation and innovation-driven development. At the same time, along with the SOE mixed-ownership reform, the spin-off of subsidiaries and the return of overseas-listed Chinese companies, the equity investment industry faced new development opportunities. In China, fundraising and investment in the private equity market have recovered, and IT, healthcare and semiconductors have become popular investment fields. According to the statistics from ZeroIPO Group, in the first half of 2021, the total amount of newly-raised funds in the domestic equity investment market was RMB454.774 billion, representing a year-on-year increase of 6.9%; the number of newly-raised funds was 1,941, representing a year-on-year increase of 58.2%; the total investment amount was RMB470 billion, representing a year-on-year increase of 50.3%; the number of investment projects was 4,230, representing a year-on-year increase of 26.0%; and the number of exit cases was 1,880<sup>2</sup>, representing a year-on-year increase of 23.6%.

During the Reporting Period, leveraging the distinctive resource platform of China Merchants Group and China Merchants Securities, CMS Zhiyuan continued to establish a distinctive business system and build professional investment capabilities. In terms of fundraising, CMS Zhiyuan cooperated with Tongling Nonferrous Metals, a listed company, to establish an advanced structural materials industrial fund in an amount of RMB1 billion. In terms of investment, it continued to focus on key industries such as information and communication technology (ICT), medicine and healthcare and advanced manufacturing, and successfully invested in ten companies including ChangXin Memory Technologies, FABU Technology and Nalong Science and Technology. In terms of management, three investees have undergone IPO, with another three approved and filed for IPO. In terms of exiting, it has recorded exiting proceeds of RMB1.7 billion.

Note<sup>2</sup> 1 exit case refers to the exit of 1 equity investment fund from 1 investee. If N equity investment funds exit from 1 company, it is recorded as N transactions.

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### (3) Fund management

In the first half of 2021, opportunities and challenges coexisted in the mutual fund industry. The total amount of newly-raised mutual funds reached RMB1.6 trillion and the total amount of AUM of mutual funds reached RMB23.03 trillion, both hitting a historical high for the corresponding periods. At the same time, the pilot investment advisory business for mutual funds continued to expand. Along with the listing and trading of the first batch of mutual fund REITs and the successive listing of the first batch of CSI STAR&CHINEXT 50 ETF (中證科創創業50ETF), it has provided new choices for investment and financing.

#### ① Bosera Funds

The Company holds 49% of the equity of Bosera Funds. In the first half of 2021, Bosera Funds firmly focused on, improved and strengthened its equity investment capabilities and pension business, enhanced the capability of digital technology, and achieved steady growth in scale and revenue.

As of the end of the Reporting Period, the AUM of Bosera Funds amounted to RMB1,536.9 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) amounted to RMB895.3 billion, representing an increase of 16.48% and 25.64% as compared to the end of 2020, respectively. According to the statistics from Wind, as of the end of June 2021, Bosera Funds ranked 9th in the industry in terms of AUM of non-monetary mutual funds, and ranked 2nd in terms of AUM of bond mutual funds.

#### ② China Merchants Fund

The Company holds 45% of the equity of China Merchants Fund. In the first half of 2021, China Merchants Fund seized market opportunities, adhered to the principle of "strengthening internal functions and promoting transformation", and further strengthened marketization and professionalization. By promoting the integration of investment and research, strengthening in-depth research, introducing innovative products and insisting on digital transformation, China Merchants Fund maintained good growth momentum in general.

As of the end of the Reporting Period, the AUM of China Merchants Fund amounted to RMB870.9 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) amounted to RMB575.2 billion, representing an increase of 11.04% and 14.29% as compared to the end of 2020, respectively. According to the statistics from Wind, as of the end of June 2021, China Merchants Fund ranked 8th in the industry in terms of AUM of non-monetary mutual funds, and ranked 3rd in terms of AUM of equity mutual funds.

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### 4. Investment and trading

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

In the first half of 2021, the recovery of developed economies in Europe and the Americas accelerated, and inflation continued to rise. With the expectation of tightening liquidity margins, the A share market was volatile and structural differentiation intensified. The bond market maintained steady development, and the ChinaBond Composite Total Return Index recorded an annualized rise of 4.31%, which was slightly lower than the average rise of the bond market over the past ten years. The two-way fluctuations in RMB to USD exchange rate increased and the one-way appreciation slowed down, with appreciation of only 1.22%. At the same time, the mutation of COVID-19 has increased the uncertainties of pandemic control and economic growth in the future.

During the Reporting Period, the Company's investment business adhered to the goal of "being large-scale while maintaining stability", vigorously developed customer demand-driven and risk neutral strategies, continued to improve the asset allocation mechanism, and steadily expanded investment scale, thereby gaining excess returns. As of the end of June 2021, the Company's financial assets reached RMB291.722 billion, representing an increase of 27.34% as compared to the end of 2020.

For the stock investment business, the Company adhered to pursuing absolute returns, actively increased investment strategies, further improved the team's investment and research capabilities, upheld the philosophy of value investment, and obtained relatively stable returns through selection of individual stocks and strict control of retracements.

The Company actively engages in risk-neutral investment business by quantitative trading, hedging and other strategies, and makes use of its abundant strategies to generate better returns with low risk. During the Reporting Period, the Company mainly engaged in ETF&LOF market making, options market making, OTC derivatives trading and commodities trading. In terms of ETF&LOF market making, the Company continued to enrich its market-making products and expanded its business size, ranking among the highest of securities companies in terms of industry competitiveness. In terms of options market making, the Company continued to optimize its market-making strategies and trading system, so as to enhance the market competitiveness. Qualified for 48 derivatives products, the Company ranked 1st among securities companies in terms of the number of market-making qualifications by the exchange. In terms of OTC derivatives business, the Company actively improved its trading capabilities for clients, and expanded the scope of trading assets to domestic and foreign equities, commodities and their derivatives as well as other assets. As at the end of the Reporting Period, the amount of existing OTC derivatives had increased by 34.39% as compared to the end of 2020. Of which, the amount of return swaps had increased by 285.31% as compared to the end of 2020, which was significantly higher than the industry's growth of 42.21%.

In terms of fixed-income investment, the Company upheld the philosophy of prudent investment, strengthened economic and policy research, market research and risk screening, steadily increased the scale of investment, flexibly carried out swing trading, expanded investment varieties, and actively utilized various derivatives to vigorously develop risk neutral strategies. The trading volume of interest rate swaps increased by 194% year-on-year. During the Reporting Period, due to the enhanced capabilities of financial technology, robust development of quantitative trading system and continuous improvement of market-making capabilities, the Company ranked 2nd in the market in terms of the market-making of bonds of the Export-Import Bank of China, and ranked among the tops in terms of the monthly ranking of market-making of treasury bond futures. In the first half of 2021, the Company's yield of fixed-income investment outperformed the market.

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In terms of foreign exchange business, the Company actively developed trading strategies and enriched its profit model. During the Reporting Period, the Company ranked among the highest of securities firms in terms of inter-bank foreign exchange market trading volume. In the future, the Company will speed up the expansion of foreign exchange agency business to increase business profitability, and also provide exchange rate risk management solutions for the Company's business to hedge against risks of cross-border investment and financing.

In terms of alternative investment business, CMS Investment, a wholly-owned subsidiary of the Company, continued to strengthen the building of the equity investment team and broadened investment coverage. While focusing on the investment of high-quality companies that promote technological innovation and industrial transformation, it also continued to leverage the comprehensive advantages of the brokerage platform to cultivate investees, so as to gain long-term returns. During the Reporting Period, CMS Investment's cumulative new investment amounted to RMB790 million.

### 5. Outlook of the second half of 2021

In the second half of 2021, the operating environment facing the Company will remain complex. Despite the fact that the global economy is showing a trend of "gradual recovery", the prospect for recovery is still uncertain. China's economy is expected to continue the improvement trend since the first half of the year, but the foundation for economic recovery will remain weak. China's capital market will take "high-quality" as the focus of reform and development throughout the period of the "14th Five-Year Plan", insist on seeking progress while maintaining stability, persist in "system building, non-intervention and zero tolerance", and unswervingly promote the transformation of growth model.

In the second half of 2021, the Company will adhere to the promotion of business development and transformation at the same time, and comprehensively enhance its core business competitiveness.

For wealth management and institutional business, the Company will establish and improve the operation system of product life cycle and implement the development model of agency sale of financial products focusing on selected assets; seize fund investment advisory business opportunities, intensify the development of wealth management business, strengthen the construction of the digital wealth management platform and enhance the connection of online and offline marketing services to comprehensively improve wealth management service capabilities; and accelerate the innovation of institutional business to continuously consolidate its leading advantages.

For investment banking business, the Company will ensure the smooth transition and development of the transformation and reform of investment banking business, accelerate the promotion of existing IPO projects while ensuring quality, and make efforts to increase the IPO reserve and application of IPO projects; speed up the construction of the bond team and enhance the income-generating capabilities of the bond business; and improve the resource management capabilities and strategic customer service capabilities of the headquarters, and strengthen the construction of regional investment banks and improve the quality control of investment banks.

For investment management business, the Company will deepen the transformation of asset management business towards active management, strengthen the construction of the investment research team, improve investment capabilities and build the three product lines of fixed-income, equity and asset allocation to achieve significant growth in active AUM and revenue; and complete the transformation of massive collective asset management towards mutual funds.

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For investment and trading, the Company will continue to improve asset allocation, and constantly enhance the capabilities of and gains from fund usage; and adhere to the strategy of "being large-scale while maintaining stability", and continue to improve the scale and efficiency of risk neutral strategy investment.

The Company will further strengthen cross-border integrated management and improve international business development; focus on the four targets of "online and offline marketing integration, office operation automation, operational process and smart decision-making" to promote digital transformation and accelerate the integration of technology and business development; further enhance business coordination and deepen the comprehensive operating capabilities of branches; and enhance compliance and risk control capabilities to maintain the safe and stable development of the Company.

### (II) Financial analysis

#### 1. Analysis of financial statements

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

In the first half of 2021, the total revenue and other income of the Company amounted to RMB19.267 billion, representing a year-on-year increase of 27.55%. The net profit attributable to shareholders of the parent company amounted to RMB5.745 billion, representing a year-on-year increase of 32.57%.

Unit: RMB'000

Item	Current Period		Previous Period		Change	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fee and commission income	6,631,285	34.42%	5,441,628	36.02%	1,189,657	21.86%
Interest income	5,535,320	28.73%	4,547,633	30.11%	987,687	21.72%
Net gain on investment	5,275,338	27.38%	3,098,145	20.51%	2,177,193	70.27%
Other income and gains	1,825,409	9.47%	2,018,443	13.36%	-193,034	-9.56%
<b>Total revenue and other income</b>	<b>19,267,352</b>	<b>100.00%</b>	<b>15,105,849</b>	<b>100.00%</b>	<b>4,161,503</b>	<b>27.55%</b>

Fee and commission income amounted to RMB6.631 billion, representing a year-on-year increase of 21.86%. Among which, the fee and commission income from securities and futures brokerage business amounted to RMB4.663 billion, representing a year-on-year increase of 22.79%, which was mainly due to the significant increase in trading volume of stock and funds in the A share market, trading volume of the H share market and trading volume of the futures market. The income from underwriting and sponsorship business amounted to RMB910 million, representing a year-on-year increase of 24.77%, which was mainly due to the increase in income from IPOs. The income from financial advisory business amounted to RMB68 million, representing a year-on-year decrease of 14.68%, which was mainly affected by the decline in scale of M&A business. The income from asset management business amounted to RMB515 million, representing a slight year-on-year decrease of 2.89%.



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Interest income amounted to RMB5.535 billion, representing a year-on-year increase of 21.72%. Among which, the interest income from the Exchanges and financial institutions recorded a year-on-year increase of 8.22%. Interest income from margin financing and securities lending recorded a year-on-year increase of 53.64%, which was mainly due to the significant growth in scale of margin financing and securities lending business. Interest income from stock pledge repo recorded a slight year-on-year decrease of 4.36%, which was mainly due to the year-on-year decline in scale of stock pledge repo business. Interest income from financial assets at fair value through other comprehensive income recorded a year-on-year decrease of 13.70%.

Net gain on investment amounted to RMB5.275 billion, representing a year-on-year increase of 70.27%. Among which, for equity investment, the Company continued to enrich its investment strategies, and its investment scale and returns continued to expand. Income from co-investment in the STAR Market and private equity investment increased year-on-year. For fixed-income investment, as the investment scale (especially for neutral strategy) continued to expand, the gain on investment increased steadily.

Other income and gains amounted to RMB1.825 billion, representing a year-on-year decrease of 9.56%, which was mainly due to the year-on-year decline in scale of commodity business.

Unit: RMB'000

Item	Current Period		Previous Period		Change	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Depreciation and amortization	315,467	2.39%	287,706	2.80%	27,761	9.65%
Staff costs	4,461,036	33.78%	3,220,142	31.39%	1,240,894	38.54%
Fee and commission expenses	1,188,896	9.00%	919,701	8.96%	269,195	29.27%
Interest expenses	4,466,544	33.82%	3,146,048	30.66%	1,320,496	41.97%
Tax and surcharges	73,351	0.56%	59,613	0.58%	13,738	23.05%
Other operating expenses	2,551,715	19.32%	2,545,345	24.81%	6,370	0.25%
Credit impairment losses	149,979	1.14%	80,121	0.78%	69,858	87.19%
Other impairment losses	—	—	895	0.01%	-895	-100%
<b>Total expenses</b>	<b>13,206,988</b>		<b>10,259,571</b>		<b>2,947,417</b>	<b>28.73%</b>

In the first half of 2021, the total expenses of the Company amounted to RMB13.207 billion, representing a year-on-year increase of 28.73%, of which:

Fee and commission expenses amounted to RMB1.189 billion, representing a year-on-year increase of 29.27%, which was mainly due to the year-on-year increase of 30.70% in expenses of securities and futures brokerage business as a result of the increase in business volume.

Interest expenses amounted to RMB4.467 billion, representing a year-on-year increase of 41.97%, which was mainly due to the year-on-year increase in amount of debt financing.

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Staff costs amounted to RMB4.461 billion, representing a year-on-year increase of 38.54%, which was mainly due to the increase in performance salary of the staff in line with the increase in revenue.

Credit impairment losses amounted to RMB150 million, representing a year-on-year increase of 87.19%, which was mainly due to the increase in impairment losses of financial assets held under resale agreements during the year.

Other operating expenses amounted to RMB2.552 billion, representing a slight year-on-year increase of 0.25%, which was mainly due to the increase in operating and workplace expenses such as business and promotion expenses and electronic equipment operating expenses in line with the business expansion of the Company, partially offset by the decrease in cost of spot commodity trading business in line with the decline in business scale.

Unit: RMB'000

Business segment	Current Period		Previous Period		Change
	Amount	Percentage	Amount	Percentage	
Wealth management and institutional business	9,576,228	49.70%	7,417,476	49.10%	Increased by 0.60 percentage point
Investment banking	972,847	5.05%	804,242	5.32%	Decreased by 0.27 percentage point
Investment management	800,837	4.16%	737,538	4.88%	Decreased by 0.72 percentage point
Investment and trading	6,006,099	31.17%	3,978,766	26.34%	Increased by 4.83 percentage points
Others	1,927,371	10.00%	2,192,382	14.51%	Decreased by 4.51 percentage points

In terms of business segment, revenue and other income from the wealth management and institutional business amounted to RMB9.576 billion, representing a year-on-year increase of 29.10%. Revenue and other income from the investment banking business amounted to RMB973 million, representing a year-on-year increase of 20.96%. Revenue and other income from the investment management business amounted to RMB801 million, representing a year-on-year increase of 8.58%. Revenue and other income from the investment and trading business amounted to RMB6.006 billion, representing a year-on-year increase of 50.95%. Revenue and other income from other business amounted to RMB1.927 billion, representing a year-on-year decrease of 12.09%.

In terms of revenue composition, the proportion of the wealth management and institutional business segment and the investment and trading segment increased by 0.60 percentage point and 4.83 percentage points, respectively, and the proportion of the investment banking segment, the investment management segment and other business segments decreased by 0.27 percentage point, 0.72 percentage point and 4.51 percentage points, respectively.

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### (2) Analysis of assets and liabilities

As at the end of June 2021, the equity attributable to shareholders of the parent company amounted to RMB107.014 billion, representing an increase of RMB1.277 billion as compared to the end of 2020. Among which, the net profit of the year attributable to the parent company amounted to RMB5.745 billion; dividends amounted to RMB3.800 billion; and interest payable for perpetual bonds amounted to RMB398 million.

As at the end of June 2021, the total assets of the Company amounted to RMB586.373 billion, representing an increase of RMB86.646 billion, or 17.34%, as compared to the end of 2020. Among which, the total current assets amounted to RMB559.642 billion and total non-current assets amounted to RMB26.731 billion. Excluding the accounts payable to brokerage clients, the total assets amounted to RMB489.307 billion, representing an increase of RMB75.022 billion, or 18.11%, as compared to the end of 2020, mainly attributable to the increase in financial assets at fair value through profit or loss and advances to financing customers.

As at the end of June 2021, the total liabilities of the Company amounted to RMB479.271 billion, representing an increase of RMB85.369 billion, or 21.67%, as compared to the end of 2020. Among which, the current liabilities amounted to RMB391.566 billion and non-current liabilities amounted to RMB87.705 billion. Excluding the accounts payable to brokerage clients, the total liabilities amounted to RMB382.205 billion, representing an increase of RMB73.744 billion, or 23.91%, as compared to the end of 2020. Of which, the balance of bonds payable increased by RMB22.030 billion; the balance of short-term borrowings increased by RMB17.866 billion; the balance of financial liabilities at fair value through profit or loss increased by RMB7.475 billion; and the balance of financial assets sold under repurchase agreements increased by RMB20.693 billion.

As at the end of June 2021, net current assets amounted to RMB168.077 billion. The Company's cash and bank balances and clearing settlement funds, financial assets, advances to financing customers, financial assets held under resale agreements and long-term equity investment accounted for 20%, 50%, 18%, 7% and 1% of the total assets, respectively. The Company's financial assets sold under repurchase agreements, short-term borrowings and placements from other financial institutions in aggregate accounted for 35% of the total liabilities, while accounts payable to brokerage clients, bonds payable and short-term debt instruments accounted for 20%, 24% and 8% of the total liabilities, respectively.

As at the end of June 2021, excluding the accounts payable to brokerage clients, the gearing ratio of the Company was 78.11%, representing a rise of 3.65 percentage points as compared to the end of 2020.



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### (3) Cash flows

Unit: RMB'000

Item	Current Period	Previous Period	Change	Percentage change
Net cash flow used in operating activities	-41,072,757	-6,743,330	-34,329,427	—
Net cash flow used in investing activities	3,982,233	3,915,670	66,563	1.70%
Net cash flow generated from financing activities	37,131,633	3,918,495	33,213,138	847.60%
Net increase (decrease) in cash and cash equivalents	41,109	1,090,835	-1,049,726	-96.23%

In the first half of 2021, the net increase in cash and cash equivalents of the Company amounted to RMB41 million. Among which, the net cash flow used in operating activities amounted to RMB-41.073 billion; the net cash flow used in investing activities amounted to RMB3.982 billion; and the net cash flow generated from financing activities amounted to RMB37.132 billion.

Net cash used in operating activities amounted to RMB-41.073 billion, representing a decrease of RMB34.329 billion as compared to the corresponding period in 2020, primarily due to the increase in financial assets at fair value through profit or loss of RMB53.588 billion, the increase in advances to financing customers of RMB17.019 billion, the decrease in financial assets held under resale agreements of RMB17.346 billion and the increase in financial assets sold under repurchase agreements of RMB15.868 billion.

Net cash flow generated from investing activities amounted to RMB3.982 billion, representing an increase of RMB67 million as compared to the corresponding period in 2020, primarily due to the year-on-year decrease of RMB1.716 billion in net proceeds from purchase or disposal of debt instruments at fair value through other comprehensive income during the year, the proceeds from disposal of investments in associates of RMB931 million and the year-on-year increase of RMB858 million in dividends and interest received from investments.

Net cash flow generated from financing activities amounted to RMB37.132 billion, representing an increase of RMB33.213 billion as compared to the corresponding period in 2020, primarily due to the year-on-year increase of RMB19.528 billion in net proceeds from short-term borrowings, the year-on-year increase of RMB9.137 billion in proceeds from issuance of bonds and short-term debt instruments and the year-on-year decrease of RMB5.115 billion in repayment of bonds and short-term debt instruments.

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### 2. Overseas assets

#### (1) Amount of assets

Among which: overseas assets amounted to RMB45,872,601,959.43, accounting for 7.82% of total assets.

#### (2) Description of overseas assets

The above overseas assets are the total assets of CMS International, our subsidiary, and its subsidiaries (except Shenzhen China Merchants Zhiyuan Consulting Service Co., Ltd. (深圳招商致遠諮詢服務有限公司)).

### (III) Analysis of investment

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

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

#### 2. Significant equity investments

Currency: RMB

Target	Initial investment (RMB10,000)	Shareholding as at the beginning of the period (%)	Shareholding as at the end of the period (%)	Closing balance (RMB10,000)	Gain or loss during the Reporting Period (RMB10,000)	Change in owners' equity during the Reporting Period (RMB10,000)	Accounting item	Source
Bosera Funds	369,319.04	49.00%	49.00%	577,679.10	39,433.16	-72.10	Long-term equity investment	Acquisition
China Merchants Fund	85,084.45	45.00%	45.00%	296,893.61	35,273.76	283.78	Long-term equity investment	Establishment and acquisition
<b>Total</b>	<b>454,403.49</b>	<b>—</b>	<b>—</b>	<b>874,572.71</b>	<b>74,706.92</b>	<b>211.68</b>		

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

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### 3. Financial assets measured at fair value

Unit: 10,000 Yuan Currency: RMB

Item	As at the end of June 2021		January – June 2021	
	Initial investment cost/ nominal amount	Fair value	Investment gains/ interest income	Change in fair value
Financial assets held-for-trading	23,142,621.33	23,788,094.95	454,447.60	118,931.39
Other debt investments	4,872,176.49	4,953,840.38	70,500.47	2,519.21
Investment in other equity instruments	93,702.40	97,965.99	42,601.95	-29,611.05
Derivative financial assets	50,336,485.86	173,524.88	-41,238.20	-16,982.94
Derivative financial liabilities		318,707.00		
Financial liabilities held-for-trading	2,143,955.82	2,141,753.65	-30,591.63	-13,730.77
<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>495,720.19</b>	<b>61,125.84</b>

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

##### 1. Analysis of subsidiaries

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

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

Unit: 10,000 Yuan Currency: RMB

Item	For/as of the end of the first half of 2021	For/as of the end of the first half of 2020
Registered capital	100,000	100,000
Total revenue and other income	61,735	59,099
Net profit	37,294	37,875
Total assets	494,976	524,951
Net assets	431,289	456,178

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

CMS International is a wholly-owned subsidiary of China Merchants Securities with a paid-up capital of HK\$4.104 billion. Through its subsidiaries, CMS International is principally engaged in securities and futures contracts brokerage, custody services, listing sponsorship, financial advisory, corporate finance, investment management, asset management and market research. In the first half of 2021, CMS International's investment gains and operating results have significantly increased largely due to the commencement of cross-border business.

Unit: 10,000 Currency: HK\$

Item	For/as of the end of the first half of 2021	For/as of the end of the first half of 2020
Paid-up capital	410,363	410,363
Total revenue and other income	158,828	32,667
Net profit	86,370	-8,322
Total assets	5,513,493	2,472,123
Net assets	716,022	571,620

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

China Merchants Futures is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB3.598 billion. Its principal businesses include commodity futures brokerage, financial futures brokerage, futures investment consultation and asset management. As of the end of June 2021, China Merchants Futures has four futures branches in Beijing, Guangzhou, Shanghai and Hangzhou, one branch office in Henan and one risk management subsidiary.

Unit: 10,000 Yuan Currency: RMB

Item	For/as of the end of the first half of 2021	For/as of the end of the first half of 2020
Registered capital	359,800	63,000
Total revenue and other income	220,057	228,307
Net profit	19,330	7,995
Total assets	2,264,437	1,221,457
Net assets	426,613	167,172

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

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

Unit: 10,000 Yuan Currency: RMB

Item	For/as of the end of the first half of 2021	For/as of the end of the first half of 2020
Registered capital	210,000	210,000
Total revenue and other income	13,581	11,113
Net profit attributable to the parent company	3,730	3,329
Total assets	598,166	681,525
Net assets attributable to the parent company	261,145	257,804

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

CMS Investment is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB7.1 billion. It is principally engaged in alternative investment businesses such as financial products and equity investment other than those listed in the List of Securities Investments for Proprietary Trading of Securities Companies (《證券公司證券自營投資品種清單》). In the first half of 2021, due to the substantial year-on-year increase in investment gains from equity investment projects and strategic co-investment projects in the STAR Market, CMS Investment's operating results improved significantly.

In the first half of 2021, CMS Investment transferred all of its 30% equity interest in Qingdao Asset Management Co., Ltd. for a consideration of RMB1.161 billion, which was included in investment gains for the period in an amount of RMB134 million.

Unit: 10,000 Yuan Currency: RMB

Item	For/as of the end of the first half of 2021	For/as of the end of the first half of 2020
Registered capital	710,000	710,000
Total revenue and other income	99,366	28,897
Net profit	74,106	23,209
Total assets	911,726	400,986
Net assets	855,110	392,292

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### 2. Analysis of associated companies

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

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

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

Unit: 10,000 Yuan Currency: RMB

Item	For/as of the end of the first half of 2021	For/as of the end of the first half of 2020
Registered capital	25,000	25,000
Operating income	275,396	185,034
Operating profit	104,293	65,989
Net profit	80,524	49,997
Total assets	975,634	793,417
Net assets	616,412	502,409

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

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

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

Unit: 10,000 Yuan Currency: RMB

Item	For/as of the end of the first half of 2021	For/as of the end of the first half of 2020
Registered capital	131,000	131,000
Operating income	227,815	139,194
Operating profit	103,160	57,563
Net profit	78,386	44,791
Total assets	902,808	755,188
Net assets	615,420	546,845



## Chapter 3: Management's Discussion and Analysis

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

As of June 30, 2021, the Group consolidated 22 structured entities, including mainly collective asset management schemes, investment funds, trust products and limited partnership. Under the circumstance that the Group is involved in a structured entity as manager and investor, the Group assesses whether its potential variable returns will be significantly affected by the returns attributable to its investment and the remuneration as a manager and whether the Group is a principal of the entity. As of June 30, 2021, the total assets of the consolidated structured entities amounted to RMB21.517 billion.

### (VI) Financing channels

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

For the Company's debt financing instruments and liquidity during the Reporting Period, please refer to Note 33 "Short-term borrowings", Note 34 "Short-term debt instruments", Note 46 "Long-term borrowings due within one year", Note 47 "Long-term borrowings", Note 48 "Bonds payable due within one year" and Note 49 "Bonds payable" in the Notes to the Condensed Consolidated Financial Information of this report.

## IV. Other Disclosures

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

### (I) Potential risks

#### 1. Risk management

##### (1) Risk management structure

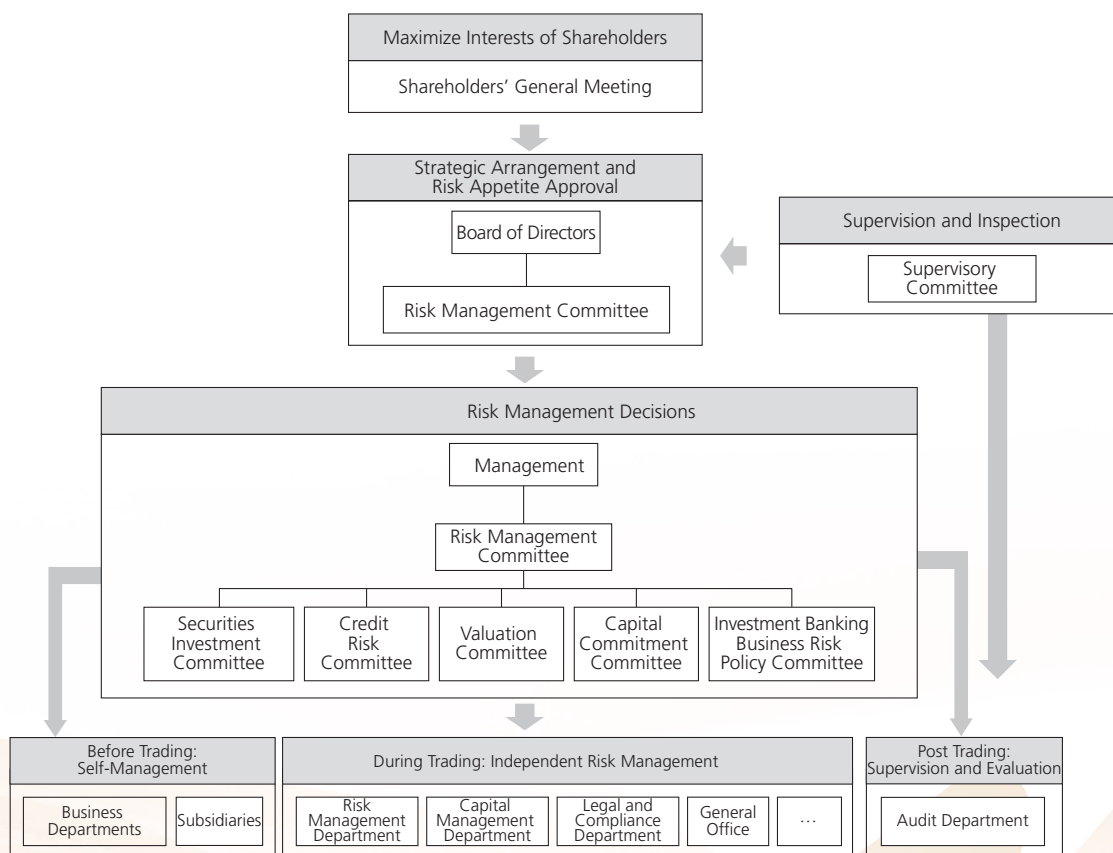
Since inception, the Company has been committed to establishing an innovative and insightful risk management system that is aligned with its operation strategies and covers its core business lines comprehensively. Sound corporate governance and effective risk management and internal control system have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

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

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

**Risk Management Organizational Structure**



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

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

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

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

The Company has established a "three lines of defense" system of risk management to identify, assess, address, monitor, inspect and report risks. The first line of defense is the departments and branches which conduct effective self-regulated risk management; the second line of defense is the relevant risk-control functions that carry out professional measures on risk management; and the third line of defense is the Audit Department which focuses on inspecting and assessing risks after they occur.

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### (2) Risk management system

Guided by the Enterprise Risk Management System of China Merchants Securities 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 established a quantitative risk management indicator system covering risk appetite, risk tolerance, economic capital and risk limit, so as to prioritize businesses with higher risk-adjusted returns for resources allocation. This approach has effectively improved the risk management and the corporate value of the Company.

- ① Coherent risk appetite and tolerance indicators: Risk appetite framework establishes the fundamental attitude of the Board and the senior management towards the balance between risk and return based on the analysis of various risk exposures of the Company. Risk tolerance is a quantitative limit indicator that reflects the effectiveness of risk management. According to the risk appetite, the Company has set risk tolerance indicators for each specific business line based on its characteristics to specify the maximum tolerance of the risk management. After years of effort, the Company has developed clear risk appetite descriptions covering risk types such as overall risk, market risk, credit risk, operational risk and liquidity risk, based on which a risk appetite indicator system and a risk tolerance indicator system were established. The Company sets its targets of risk appetite and risk tolerance at the beginning of each year and determines economic capital budget and business authorization accordingly. The Company monitors and reports risk appetite and risk tolerance on a monthly basis, and continuously reviews the risk management based on the results.
- ② Scientific economic capital management model: The Company took the lead to introduce an economic capital management model in the securities industry in 2006, and kept on optimizing the methodologies on economic capital measurement and improving the economic capital management process. Our economic capital management covered market risk, credit risk and operational risk. The Company has developed internal models to measure market risk and credit risk of the economic capital that are sufficiently sensitive to risk factors and practically sound. It measured operational risks according to the standards under the Basel Accords. The measurement of economic capital is generally used in risk monitoring, quantitative assessment and performance assessment.
- ③ Business authorization management system with the core of risk limits: Within the statutory business scope, the Company granted business authorization at different levels based on the risk rating of the business. The Company granted authorization prudently based on the risk management capability, implementation of business authorization and actual risk management results of each business department, so as to improve decision-making efficiency while keeping the risks under control. Unauthorized operations are strictly prohibited. Authorized persons at each level must exercise their power and undertake business activities only within the authorized scope.

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- ④ Comprehensive stress testing mechanism: The Company established the Administrative Measures for Stress Testing (《壓力測試管理辦法》), which specified the division of duties among departments in stress test and determined the methods and procedures of stress test. The Company conducts routine or ad hoc stress test on liquidity risk, credit risk and market risk, as well as net capital and other risk limit indicators, based on business and market development. With this approach, the Company can effectively evaluate changes in the operation and risk profiles under extreme circumstances.

### (4) Risk management culture

The Company adheres to a sound risk management culture and has integrated risk control and compliance into the corporate culture of China Merchants Securities, emphasizing that compliance and risk control are the lifeline of the Company and proposing that “professional compliance and risk control can not only hold the bottom line, but also facilitate business expansion”. The Company ensured all the employees to exercise risk management through promotion platforms at different levels to promote its risk management culture. The Company safeguarded the effectiveness of its comprehensive risk management system through a performance appraisal system and an accountability mechanism which cover all employees and are linked to the effectiveness of risk management.

### (5) Risk management IT system

The Company fully understood the importance of IT system in modern risk management and thus has enhanced the intelligence, systemization and collectivization of its risk management system with reference to the experience drawn from international leading investment banks. With the establishment of a platform for innovative integrated intelligent risk management of the Group, the Company realized the idea of vertically managing risks which were associated with cross-border businesses of the parent company and its subsidiaries, globalization and multiple currencies in T+1 days.

The Company's risk management platform monitors and examines the generation and collection of risk data for each business on a daily basis, and ensures the timeliness, completeness and accuracy of risk data through comprehensive and unified data standard management, data comparison models and sets of rules for data examination. The Company utilized techniques such as model constructing and historical data analysis to refine the calculation of market and credit risk indicators as well as to manage risks from multiple dimensions. The Company automated the monitoring and warning on risk data and limit indicators so as to address potential risks in time. The Company established a client negative information system based on big data and driven by dynamic monitoring and intelligent analysis, and conducted comprehensive internal and external multi-factor indicator analysis of companies based on the public risk opinions of the monitored target, so as to improve the capabilities on identifying and making early warning for credit risks. Through the Group's risk data collection, internal and external data sources such as business data and information data can be integrated into each subject of the risk data collection, thereby optimizing the subject data of market risk and credit risk indicators and realizing the integrated collection of risk data from the parent company and subsidiaries. Each subordinate risk management system which was constructed based on the collected data integrates into one platform through a risk management and control center, and thus allows single-point login and unifies access management, forming a unified risk control perspective on the Company's risk profile.



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

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

#### (1) Overview

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

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

#### (2) Market risk management approaches

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

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

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



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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 is headed by the Chief Risk Officer, uses professional risk management tools and methods for controlling, evaluating and managing different levels of market risk from investment strategies, business departments and business lines and the Company. Different risk reports and analysis and assessment reports are delivered on a daily, monthly and quarterly basis to the operation management and the responsible officers of the business departments and business lines of the Company. When a risk indicator is approaching or exceeds the threshold values, the Risk Management Department will send an early warning and risk warning to the operation management as well as the responsible officers of the relevant business departments and business lines of the Company in a timely manner. Based on the review opinions from the management of the Company and committee, the business departments will be urged to take corresponding measures. The Risk Management Department will continuously communicate with the respective business departments and business lines with regard to the latest market conditions, current risk exposures and possible losses in extreme situations.

### (4) Measurement of market risk

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

#### ① VaR

The Company employs VaR, a common instrument used by international financial institutions, as its major tool for risk measurement. VaR analysis is a statistical technique that estimates the potential losses that could occur in portfolio positions due to movements in market prices over a specified time period and at a given level of confidence. The Company uses a VaR with a confidence level of 95% and a holding period of one day as a major indicator 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, 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, including adding risk factors in the new market and optimizing the computation. In addition, the Company examines the accuracy of the VaR computation model through methods such as a back-testing.

## Chapter 3: Management's Discussion and Analysis

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

### ② Stress test

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

### ③ Sensitivity analysis

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

## (5) Market risk limit management system

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

The risk limit of the Company mainly comprises size, concentration ratio, quantitative risk value (including VaR and Greeks, etc.), stop-loss and other indicators. The Company has implemented 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 risk tolerance of business but mainly a mechanism which reports any increasing risks in risk management when certain conditions are fulfilled.

The Risk Management Department independently monitors each risk limit of the Company on a daily basis. The department will warn or remind the operation management, relevant business departments and business lines in a timely manner if the risk limit is to be reached or is exceeded. Such business departments and 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.

## Chapter 3: Management's Discussion and Analysis

### 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

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.

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### ② Internal credit rating

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

### ③ Quantitative management of collaterals

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

### ④ Credit risk measurement model

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

## **(3) 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 and high-risk credit business. All business departments of the Company are responsible for the particular operation, management and monitoring of credit-related business. The Risk Management Department of the Company is responsible for the research and establishment of credit risk management system, determination of credit risk appetite and tolerance, formulation of loan provision policy of the Company and independent monitoring and warning on credit risk.

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### (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 bond investment business, the Company has developed an internal credit rating system to assess the credit rating of issuers and counterparties. The Company kept track of credit ratings of issuers or counterparties by means of minimum rating requirements for various types of investments and issuers through a business authorization system, concentration limits, monitoring and risk examination, etc. The risk management of risky bonds was enhanced through subsequent monitoring such that the credit risk of bond investment business can be managed.

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

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



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

Unit: 10,000 Yuan Currency: RMB

	June 30, 2021	December 31, 2020
Onshore bonds		
PRC sovereign bonds	8,195,350	8,773,453
AAA	10,394,686	5,701,097
AA+	819,690	720,649
AA	202,381	183,353
AA-	957	747
Below AA-	7,378	4,086
A-1	140,343	94,130
Non-rated	157,872	290,737
<b>Sub-total</b>	<b>19,918,657</b>	<b>15,768,252</b>
Offshore bonds		
PRC sovereign bonds	268	340
A	80,527	16,692
B	341,455	338,927
C	—	—
D	—	—
Non-rated	7,213	3,521
<b>Sub-total</b>	<b>429,463</b>	<b>359,480</b>
<b>Total</b>	<b>20,348,120</b>	<b>16,127,732</b>

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

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

Credit rating of 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 D rating are the bonds comprising D rating of Standard & Poor's and D rating of Fitch.



## Chapter 3: Management's Discussion and Analysis

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

#### (1) Overview

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

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

#### (2) Operational risk management

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

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

## Chapter 3: Management's Discussion and Analysis

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

#### (1) Overview

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

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

#### (2) Responsibilities for managing liquidity risk

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

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

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

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

## Chapter 3: Management's Discussion and Analysis

### (II) Other disclosures

#### ***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 "Management Method of Risk Control Indicators" (《風險控制監管指標管理辦法》) and "Administrative Measures for Stress Testing" (《壓力測試管理辦法》) to formally set up the mechanism for the management of risk control indicators and stress tests over the indicators. The Company has designated staff to perform regular monitoring over the risk control indicators and immediately report abnormalities. The Company has set up a net capital replenishment mechanism and replenished net capital through, among others, equity financing and issue 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 RMB67.605 billion.

## Chapter 4: Corporate Governance

### I. Shareholders' General Meetings

Meeting	Date of meeting	Enquiry index of designated website for the publication of resolutions	Date of announcement on resolutions	Resolutions of the meeting
2020 annual general meeting	June 4, 2021	Hong Kong Stock Exchange website	June 4, 2021	Considered and approved the working report of the Board of the Company for 2020, the working report of the Supervisory Committee of the Company for 2020, the duty report of independent Directors of the Company for 2020, the annual report of the Company for 2020, the final accounts report of the Company for 2020, the profit distribution plan of the Company for 2020, the budget for proprietary investment of the Company for 2021, the engagement of the auditors of the Company for 2021, the contemplated ordinary related party transactions of the Company for 2021, the provision of guarantees by China Merchants Securities International Company Limited and its wholly-owned subsidiaries, the Shareholders' Return Plan (2021-2023) of the Company, the election of Mr. LIU Weiwu as a non-executive Director of the seventh session of the Board of the Company and the grant of General Mandate to the Board to issue additional H shares of the Company.

## Chapter 4: Corporate Governance

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

Name	Position	Date of change	Change
ZHANG Qing (張慶)	Vice President	March 26, 2021	Appointed
SU Jian (粟健)	Non-executive Director	April 16, 2021	Resigned
XIE Jijun (謝繼軍)	Vice President	May 21, 2021	Resigned
LIU Weiwu (劉威武)	Non-executive Director	June 4, 2021	Elected

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

On March 26, 2021, Mr. ZHANG Qing was appointed as the vice president of the Company at the fifth meeting of the seventh session of the Board. On April 16, 2021, Mr. SU Jian tendered his resignation as a non-executive Director of the seventh session of the Board and a member of the Risk Management Committee and Audit Committee of the Board of the Company due to change in his work commitments. On May 21, 2021, Mr. XIE Jijun tendered his resignation as the vice president of the Company due to personal reasons. On June 4, 2021, at the 2020 annual general meeting of the Company, Mr. LIU Weiwu was elected as a non-executive Director of the Company with a term of office from June 4, 2021 until the expiry of the current session of the Board. For details of changes in Directors and senior management of the Company, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on March 26, April 16, April 27, May 21 and June 4, 2021, respectively.

During the Reporting Period, LIU Weiwu, a Director, began to serve as: an executive director of China Merchants Port Holdings Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00144) and a director of China Merchants Chongqing Communications Technology Research & Design Institute Co., Ltd. (招商局重慶交通科研設計院有限公司) and Liaoning Port Group Limited (遼寧港口集團有限公司) since March 2021; a director of China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司) (a company listed on the SZSE, stock code: 001965), the chairman of the supervisory committee of Nanjing Tanker Corporation (招商局南京油運股份有限公司) (a company listed on the SSE, stock code: 601975) and an executive director of China Merchants Shared Services Co., Ltd. (招商局共享服務有限公司) 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) (a company listed on the SZSE, stock code: 001872) since May 2021; and a non-executive director of Sinotrans Limited (a company listed on the SSE, stock code: 601598; and a company listed on the Hong Kong Stock Exchange, stock code: 00598) and a director of China Merchants Life Insurance Company Limited (招商局仁和人壽保險股份有限公司) and China Merchants Investment Development Company Limited (招商局投資發展有限公司) since June 2021.

XIONG Xianliang, a Director, has served as the director of the research and development center of China Merchants Group and the dean of China Merchants Technology and Innovation Research and Development Institute (招商局科技創新發展研究院), and ceased to serve as the head of the strategic development department of China Merchants Group since August 2021.

PENG Lei, a Director, ceased to serve as a standing executive member of the China Merchants Financial Business Group/Platform Executive Committee since June 2021, and has served as the deputy general manager 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 July 2021.

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



## Chapter 4: Corporate Governance

### III. Employees of the Company and Major Subsidiaries

#### (I) Employees

Number of employees of the parent company	9,380
Number of employees of major subsidiaries	789
Total number of employees	10,169
Number of resigned and retired employees with expenses borne by the parent company and major subsidiaries	58

#### (II) Remuneration policy

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

#### (III) Training program

Focusing on its strategy and closely following the needs of business development and talent training, the Company has formulated and implemented the 2021 training program. In the first half of 2021, the Company implemented a total of 300 online and offline training programs covering a total of 240,000 employee hours and a total of 130,000 employees, achieving an average satisfaction score of 96.5 for the intensive training program. The focuses of trainings include digital transformation, investment and research lectures, professionalism and wealth management, which have effectively promoted the improvement of employee capability and performance. At the same time, the Company made efforts to promote function optimization and resource construction of the mobile learning platform, and produce nearly 200 online courses to support the flexible, proactive and immediate learning needs of employees.



## Chapter 4: Corporate Governance

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

#### (I) Incentives not disclosed in temporary announcements or with progress in subsequent implementation

##### *Employee stock ownership scheme*

Summary of event	Reference
<p>The "Plan for Repurchasing A Shares of the Company by Centralized Bidding Transactions" was considered and approved at the 17th meeting of the sixth session of the Board, the 2019 first extraordinary general meeting, the 2019 first A Shareholders class meeting and the 2019 first H Shareholders class meeting of the Company. The Company intended to use all of the A Shares repurchased for the employee stock ownership scheme.</p> <p>The "Proposal for Employee Stock Ownership Scheme (Draft) of China Merchants Securities Co., Ltd. and its Summary" was considered and approved at the 25th meeting of the sixth session of the Board and the 2020 first extraordinary general meeting of the Company. The "Proposal on the Advanced Completion of A Share Repurchase of the Company" and the "Proposal on Defining the Price and Scale of Purchasing the Repurchased Shares of the Company's Employee Stock Ownership Scheme" were considered and approved at the 28th meeting of the sixth session of the Board and the 2020 first extraordinary general meeting of the Company, and the "Employee Stock Ownership Scheme (Draft) of China Merchants Securities Co., Ltd." and its summary were accordingly revised.</p> <p>On January 21, 2020, the Company held the first meeting of holders of employee stock ownership scheme, and considered and approved the "Proposal on the Establishment of Employee Stock Ownership Scheme Management Committee of the Company" and the "Proposal on the Election of Members of the Employee Stock Ownership Scheme Management Committee of the Company".</p>	<p>The relevant announcements published by the Company on the Hong Kong Stock Exchange website on March 12, March 13, April 11, May 20, October 15, November 8 and December 26, 2019, and January 14, January 15, January 22 and March 5, 2020.</p>

## Chapter 4: Corporate Governance

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

## Chapter 4: Corporate Governance

### V. Corporate Governance

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

The Company has adopted the Model Code as the code of conduct regarding dealings in securities of the Company by the Directors and Supervisors. Having made specific inquiries, all Directors and Supervisors of the Company have confirmed that during the Reporting Period, they have strictly complied with the standards under the Model Code. According to the requirements of the CSRC, employees of the Company shall be regarded as securities practitioners and shall be prohibited from dealings in shares. The Company is not aware of any breach of the guidelines by the relevant employees. The Board will inspect the corporate governance of the Company and its operation from time to time, in order to comply with the applicable requirements under the Hong Kong Listing Rules and safeguard the interests of shareholders. Upon enquiry, all Directors, Supervisors and senior management of the Company have confirmed that they have strictly complied with the applicable requirements under the Model Code and the Management Rules on the Shares and Changes of Shareholdings of Directors, Supervisors and Senior Management in China Merchants Securities Co., Ltd. (《招商證券股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理制度》) during the Reporting Period. For details regarding the shareholdings of the Directors, Supervisors and senior management in the Company, please see “Interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations of the Directors, Supervisors and chief executives” in “Chapter 7: Changes in Shares and Shareholders” of this report.

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

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

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

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

## Chapter 5: Environment and Social Responsibility

### I. Information on Environmental Protection

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

*Reasons for not disclosing other environmental protection information*

The Company will disclose environmental protection information in its 2021 social responsibility report.

### II. Details of consolidation and advancement of poverty alleviation, rural revitalization and other activities

#### (I) Poverty alleviation through education

(1) Donated RMB150,000 to the People's Government of Nanjiang County for the "Student Bathroom Construction Project of Nanjiang County Dahe Middle School". Nanjiang County Dahe Middle School is located in Nanjiang County, Bazhong City, Sichuan Province. Founded in 1956, it is a remote rural school with 623 students and 78 teaching and administrative staff. Most of the parents of the students work outside of the county all year round, and thus most students are left-behind students who live on campus during school terms. Due to the shortage of funds, the school is unable to build student bathrooms and purchase corresponding facilities and equipment. Under the student bathroom construction project, a new 20-square-meter hot water boiler room will be built and a natural gas hot water boiler will be installed, and the 80-square-meter bathroom and storage room will be rebuilt. The construction of the new bathroom will effectively improve the living conditions of the students living on campus.

(2) Donated RMB50,000 to the Wangcheng Sub-district Office of Laixi City for the "Donation Project of Houdi Community Kindergarten, Wangcheng Sub-district, Laixi, Qingdao City". Houdi Kindergarten is located in Houdi Village, Laixi City. It has no established location, and temporarily borrows the office premise with an area of approximately 450 square meters from the Resident Services Center of Houdi New Village. At present, the kindergarten can no longer meet the demand for enrollment of children in the surrounding villages, and there are also hidden dangers in safety, hygiene and pandemic prevention. For this reason, Wangcheng Sub-district Office intends to renovate the original Houdi Village Committee Office that is idle, and relocate the entire Houdi Community Kindergarten to this site.

(3) In order to effectively conjoin the efforts of consolidation and advancement of poverty alleviation with rural revitalization, and to provide national education and patriotism education to young employees in practice, the Company organized and carried out the "Sow Hope, Love Liangshan" (播種希望·愛暖涼山) educational assistance activity. Six employees went to Delipu Primary School, Jinhe Township, Yanyuan County, Liangshan Yi Autonomous Prefecture, Sichuan Province for a month as volunteer teachers. During educational assistance, in addition to completing daily teaching tasks, the volunteer teachers also actively maintained the school building, repaired the water storage tank and built a temporary water tower, so that the students can wash hands, faces and lunch utensils. All employees of the Company also responded actively and donated a total of RMB152,300 of "Children's Day Gift Pack" to Delipu Primary School. Such gift pack mainly consists of school uniforms, stationery, picture books and sports equipment.

## Chapter 5: Environment and Social Responsibility

### (II) Poverty alleviation through finance

(1) The Company assisted Lantian Gas, a leading company in the gas field, to be successfully listed on the A share market. On January 29, 2021, Henan Lantian Gas Co., Ltd. (stock code: 605368, hereinafter referred to as “Lantian Gas”) was successfully listed on the SSE. Under such public issuance, Lantian Gas issued a total of 65.5 million shares with an issue price of RMB14.96 per share, and the gross proceeds amounted to RMB979.88 million. China Merchants Securities served as the sole sponsor and joint lead underwriter for such issuance and listing.

Lantian Gas is an industry-renowned comprehensive gas company registered in Queshan County (once included in the list of national-level poverty-stricken counties), Zhumadian City, Henan Province, and is mainly engaged in pipeline natural gas and urban gas businesses in Henan Province. It is a new energy professional enterprise with the widest coverage and largest scale of main pipeline network in Henan Province, and is an advanced unit of Henan Province’s energy system. It has made significant contributions to improving the atmospheric environment, promoting economic and social development and enhancing the quality of life of the people. Upon the successful listing of Lantian Gas, it will vigorously invest in the construction of natural gas utilization projects in villages and townships around Zhumadian City. Such construction project is in line with industrial policies and the government’s planning, as well as the strategic requirements for structural adjustment of energy consumption in China. It plays a role in ensuring the overall planning of urban and rural development and the facilitation of new-type urbanization.

(2) The Company assisted JinGuan Electric, a leading company in the field of EHV/UHV AC and DC lightning arresters, to be successfully listed on the STAR Market. On June 18, 2021, JinGuan Electric Co., Ltd. (stock code: 688517, hereinafter referred to as “JinGuan Electric”) was successfully listed on the SSE. Under such public issuance, JinGuan Electric issued a total of 34,027,296 shares with an issue price of RMB7.71 per share, and the gross proceeds amounted to RMB262,350.5 thousand. China Merchants Securities served as the sole sponsor and lead underwriter for such issuance and listing.

JinGuan Electric was established in 2005, and its registered address is Neixiang County Industrial Park, Nanyang City, Henan Province (Neixiang County is a poverty alleviation county of China Merchants Securities). It is a national hi-tech enterprise specializing in the R&D, manufacturing and sales of power transmission, distribution and control equipment, and has long been serving in the construction of a strong and smart power grid with UHV as the backbone grid and coordinated development of all levels of power grids. It is one of the four enterprises in the domestic lightning arrester industry that can provide UHV AC and UHV DC lightning arrester products. In 2017, it was rated as a leading innovation enterprise in Henan Province, and “JinGuan Electric” together with its trademark were recognized as a Chinese well-known trademark by the State Administration for Industry and Commerce. In 2019, its metal oxide lightning arrester product was recognized as an individual champion product of the manufacturing industry by the Ministry of Industry and Information Technology.

### (III) Poverty alleviation through consumption

In May 2021, the Labor Union of China Merchants Securities purchased agricultural assistance products with a total value of RMB1,144.2 thousand through the Shenzhen Haijixing Poverty Alleviation (Consumption) Center, and such products were distributed to employees as holiday gifts. Through such purchase, we consolidated and advanced poverty alleviation with practical actions, and facilitated the rural revitalization strategy.



## Chapter 6: Major Events

### I. Performance of Undertakings

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

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



## Chapter 6: Major Events

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

## Chapter 6: Major Events

### II. Material Litigations or Arbitrations

Certain investors of China Security Co., Ltd. (hereinafter referred to as “China Security”) commenced litigations against China Security and its directors, China Security & Fire Technology Co., Limited (its subsidiary, hereafter referred to as “China Security & Fire Technology”) and intermediaries such as the Company, respectively, in the Shanghai Financial Court for civil compensation regarding relevant investment losses caused by false statements in the securities market, claiming China Security to compensate for their losses and bear the litigation expenses and requesting China Security & Fire Technology, directors and relevant personnel of China Security and relevant intermediaries to be jointly liable for the losses. On May 18, 2021, the Higher People’s Court of Shanghai made second trial judgments on the cases involving two investors, ordering the Company to bear joint liability within the scope of 25% for the total losses of RMB228 thousand payable by China Security to the two investors. From July 5, 2021 to August 26, 2021, the Company successively received first trial judgments from the Shanghai Financial Court on the cases involving 293 investors, ordering the Company to bear joint liability within the scope of 25% for the losses of RMB57.0513 million payable by China Security to the investors. As of August 26, 2021, the Company received litigation materials and notices of a total of 2,319 investors from the Shanghai Financial Court, involving a total amount of RMB582 million (including cases that have already been judged and ruled to withdraw).

### III. 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.

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

The Company attaches great importance to investor relations management, actively carries out the management of investor relations, continuously enhances the transparency of the Company and comprehensively introduces the business development advantages of the Company, so as to enable investors to have a better understanding of the Company. The Company has 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 Administrative System Regarding Investor Relations (《投資者關係管理制度》), and has defined the relevant working mechanisms. Other than the information disclosure channels required by the laws, the Company mainly communicates with investors by shareholders’ general meetings, investor briefing sessions, telephone, e-mail, internet platform, reception of visitors and participating in investor meetings.

During the Reporting Period, the Company held the 2020 online performance briefing and the 2020 performance analyst telephone conference, and communicated with a total of more than 370 investors in-depth on issues such as industry trends, corporate strategies and business development through various online and offline channels. Based on the good fundamentals of the Company, and through continuous and effective communication with investors, the market value of the Company ranked fourth in the industry as at the end of June 2021.

## Chapter 6: Major Events

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

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

### VI. Major Events after the Reporting Period

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

### VII. Review of Interim Results

The Audit Committee of the Company has reviewed the interim results announcement for the six months ended June 30, 2021, the 2021 interim report and the unaudited interim financial information for the six months ended June 30, 2021 and did not raise any objection to the accounting policy and practices adopted by the Company. The external auditor of the Company has reviewed the unaudited interim financial information for the six months ended June 30, 2021 in accordance with International Standard on Review Engagements 2410.

## Chapter 7: Changes in Shares and Shareholders

### I. Changes in Share Capital

#### Table of changes in shares

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

### II. Shareholders

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

Total number of holders of ordinary shares as of the end of the Reporting Period	191,512
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## Chapter 7: Changes in Shares and Shareholders

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

Unit: share

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 shareholders
					Status	Number	
China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	—	2,047,900,517	23.55	—	Nil	—	State-owned legal person
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	—	1,703,934,870	19.59	—	Nil	—	State-owned legal person
HKSCC Nominees Limited	33,465	1,274,198,286	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
China Communications Construction Company Ltd. (中國交通建設股份有限公司)	—	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)	-89,617,672	170,789,261	1.96	—	Nil	—	Unknown
Hong Kong Securities Clearing Company Limited	-2,033,927	110,173,004	1.27	—	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 Zhongzheng Quanzhi Securities Company Trading Open Index Securities Investment Fund (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)	-7,449,887	71,469,035	0.82	—	Nil	—	Others

## Chapter 7: Changes in Shares and Shareholders

Shareholdings of the top ten holders of unrestricted shares			
Name of shareholder	Number of tradable unrestricted shares held	Class and number of shares	
		Class	Number
China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	2,047,900,517	RMB ordinary shares	2,047,900,517
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	1,703,934,870	RMB ordinary shares	1,703,934,870
HKSCC Nominees Limited	1,274,198,286	Overseas listed foreign shares	1,274,198,286
China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	544,632,418	RMB ordinary shares	544,632,418
Hebei Port Group Co., Ltd. (河北港口集團有限公司)	343,282,732	RMB ordinary shares	343,282,732
China Communications Construction Company Ltd. (中國交通建設股份有限公司)	272,219,361	RMB ordinary shares	272,219,361
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	170,789,261	RMB ordinary shares	170,789,261
Hong Kong Securities Clearing Company Limited	110,173,004	RMB ordinary shares	110,173,004
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 Zhongzheng Quanzhi Securities Company Trading Open Index Securities Investment Fund (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)	71,469,035	RMB ordinary shares	71,469,035



## Chapter 7: Changes in Shares and Shareholders

Shareholdings of the top ten holders of unrestricted shares			
Name of shareholder	Number of tradable unrestricted shares held	Class and number of shares	
		Class	Number
Description of the special account for repurchase among the top ten shareholders	Nil		
Description of the voting rights entrusted by or to or waived by 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 Finance Investment 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> </ol>		

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

## Chapter 7: Changes in Shares and Shareholders

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

As at June 30, 2021, 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>1</sup> / short positions <sup>2</sup> / shares available for lending
1	China Merchants Group	A Shares	Interest held by controlled corporations <sup>1</sup>	3,751,835,387	43.14	50.55	Long position
		H Shares	Interest held by controlled corporations <sup>2</sup>	89,042,607	1.02	6.99	Long position
2	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	A Shares	Beneficial owner and interest held by controlled corporations <sup>3</sup>	3,751,835,387	43.14	50.55	Long position
3	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	A Shares	Beneficial owner	1,703,934,870	19.59	22.96	Long position

## 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
4	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司)	A Shares	Interest held by controlled corporations <sup>4</sup>	663,437,515	7.63	8.94	Long position
		H Shares	Interest held by controlled corporations <sup>5</sup>	207,797,720	2.39	16.30	Long position
5	China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	A Shares	Beneficial owner	544,632,418	6.26	7.34	Long position
6	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司)	H Shares	Beneficial owner	433,290,000	4.98	34.00	Long position
7	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
8	COSCO SHIPPING Investment Holdings Co., Limited	H Shares	Beneficial owner	207,797,720	2.39	16.30	Long position
9	Best Winner Investment Limited	H Shares	Beneficial owner	89,042,607	1.02	6.99	Long position

1. China Merchants Group holds 100% of the equity interest in CM Finance Investment and Jisheng Investment, and is deemed to be interested in the same number of A Shares which CM Finance Investment (23.55%) and Jisheng Investment (19.59%) are interested in under the SFO.
2. China Merchants Group holds 100% of the equity interest in Best Winner Investment Limited, and is deemed to be interested in the same number of H Shares which Best Winner Investment Limited (1.02%) is interested in under the SFO.
3. CM Finance Investment directly holds 23.55% of the shares of the Company. CM Finance Investment holds 100% of the equity interest in Jisheng Investment, and is deemed to be interested in the same number of A Shares which Jisheng Investment (19.59%) is interested in under the SFO. Thus, CM Finance Investment holds, directly and indirectly, an aggregate of 43.14% of the equity interest in the Company.

## 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 therefore deemed to be interested in the same number of A Shares which China Ocean Shipping (6.26%), COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司), a wholly-owned subsidiary of China Shipping Group 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 (4.98%) 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 obligations and liabilities: (i) it has a right to buy the underlying shares; (ii) it is under an obligation to buy the underlying shares; (iii) it has a right to receive money if the price of the underlying shares increases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares increases; and
8. A shareholder has a "short position" if it borrows shares under a securities borrowing and lending agreement, or if it holds, sells or issues financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to require another person to buy the underlying shares; (ii) it is under an obligation to deliver the underlying shares; (iii) it has a right to receive money if the price of the underlying shares decreases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares decreases.

Save as disclosed above, as at June 30, 2021, 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.

### III. Directors, Supervisors and Senior Management

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

Certain Directors, Supervisors and senior management of the Company participated in the employee stock ownership scheme in 2020. As of the Latest Practicable Date, HUO Da, XIONG Jiantao, ZHOU Linda Lei, YIN Hongyan, HE Min, DENG Xiaoli, LI Zongjun, WU Huifeng, ZHAO Bin, HU Yu, WU Guangyan and XIE Jijun (resigned) held an aggregate of 4,658,302 shares through the employee stock ownership scheme, representing 8.95% of the total number of shares held under the scheme and 0.05% of the total share capital of the Company.

## Chapter 7: Changes in Shares and Shareholders

### (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 June 30, 2021, 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
XIONG Jiantao (熊劍濤)	Executive Director, President, Chief Information Officer	A Shares	Beneficial owner	531,210	0.006	0.007	Long position
ZHOU Linda Lei (周語蕊)	Chairman of the Supervisory Committee	A Shares	Beneficial owner	429,054	0.004	0.005	Long position
YIN Hongyan (尹虹艷)	Employee representative Supervisor	A Shares	Beneficial owner	204,311	0.002	0.002	Long position
HE Min (何敏)	Employee representative Supervisor	A Shares	Beneficial owner	102,156	0.001	0.001	Long position

## Chapter 8: Relevant Information of Bonds

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

#### (I) Corporate bonds

##### 1. General information of corporate bonds

Unit: 100 million Yuan Currency: RMB

Name	Abbreviation	Code	Issue completion date/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 2012 Corporate Bonds of China Merchants Securities Co., Ltd. (10-Year Maturity) (招商證券股份有限公司2012年公司債券(10年期))	12 China Merchants 03 (12招商03)	122234.SH	March 5, 2013	March 5, 2023	55.00	5.15	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to investors	Auction, quote, quote request and trade by agreement	No
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司公開發行2014年公司債券)	14 China Merchants Bonds (14招商債)	122374.SH	May 26, 2015	May 26, 2025	55.00	5.08	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to investors	Auction, quote, quote request and trade by agreement	No
The 2018 Type One Corporate Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第五期)(品種一))	18 China Merchants G8 (18招商G8)	143762.SH	September 7, 2018	September 7, 2021	18.00	4.23	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	Auction, quote, quote request and trade by agreement	No
The 2019 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2019年公司債券(第一期))	19 China Merchants G1 (19招商G1)	155208.SH	March 8, 2019	March 8, 2022	15.00	3.59	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	Auction, quote, quote request and trade by agreement	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 22, 2020	July 22, 2023	30.00	3.55	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	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 13, 2020	August 13, 2023	30.00	3.50	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No



## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Issue completion date/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 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(第二期)(品種一))	20 China Merchants Securities G4 (20招證G4)	175174.SH	September 21, 2020	September 21, 2022	29.00	3.55	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	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招證G5)	175175.SH	September 21, 2020	September 21, 2023	29.00	3.78	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No
The 2020 Type One Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第四期)(品種一))	20 China Merchants Securities G6 (20招證G6)	175292.SH	October 26, 2020	October 26, 2022	30.00	3.43	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No
The 2020 Type Two Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第四期)(品種二))	20 China Merchants Securities G7 (20招證G7)	175293.SH	October 26, 2020	October 26, 2023	10.00	3.63	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No
The 2021 Type One Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第一期)(品種一))	21 China Merchants Securities G1 (21招證G1)	175637.SH	January 18, 2021	January 18, 2023	15.00	3.24	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	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 18, 2021	January 18, 2024	45.00	3.53	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	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 28, 2021	January 28, 2024	14.00	3.58	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Issue completion date/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 Short-term Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行短期公司債券(第一期))	21 China Merchants Securities S1 (21招選S1)	163865.SH	February 3, 2021	January 19, 2022	42.00	3.25	One-off payment of principal and interest upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	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招選G4)	188386.SH	July 12, 2021	July 12, 2023	20.00	3.00	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	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招選G5)	188387.SH	July 12, 2021	July 12, 2024	40.00	3.22	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	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招選G6)	188481.SH	July 29, 2021	October 12, 2023	20.00	2.95	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	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招選G7)	188482.SH	July 29, 2021	June 13, 2024	43.00	3.12	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	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招選G9)	188567.SH	August 12, 2021	August 12, 2024	50.00	3.08	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No
The 2021 Type Three Corporate Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第五期)(品種三))	21 China Merchants Securities 10 (21招選10)	188568.SH	August 12, 2021	August 12, 2026	20.00	3.41	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Issue completion date/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 2018 Corporate Bonds (seventh tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2018年非公開發行公司債券(第七期))	18 China Merchants F10 (18招F10)	150930.SH	December 5, 2018	December 5, 2021	25.00	4.15	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	Quote, quote request and trade by agreement	No
The 2019 Type Two Corporate Bonds (second tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種二))	19 China Merchants F4 (19招商F4)	151413.SH	April 10, 2019	April 10, 2022	36.00	4.00	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	Quote, quote request and trade by agreement	No
The 2019 Type Two Corporate Bonds (third tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種二))	19 China Merchants F6 (19招商F6)	151496.SH	April 25, 2019	April 25, 2022	40.00	4.28	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	Quote, quote request and trade by agreement	No
The 2020 Type Two Corporate Bonds (second tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第二期)(品種二))	20 China Merchants F4 (20招商F4)	166415.SH	March 25, 2020	March 25, 2022	15.00	2.85	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	Quote, quote request and trade by agreement	No
The 2020 Type Two Corporate Bonds (fourth tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第四期)(品種二))	20 China Merchants F7 (20招商F7)	166997.SH	June 11, 2020	June 11, 2022	40.00	3.15	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	Quote, quote request and trade by agreement	No
The 2021 Type One Corporate Bonds (first tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2021年非公開發行公司債券(第一期)(品種一))	21 China Merchants Securities F1 (21招證F1)	177972.SH	February 26, 2021	August 26, 2022	25.00	3.55	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	Quote, quote request and trade by agreement	No
The 2021 Type Two Corporate Bonds (first tranche) privately issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2021年非公開發行公司債券(第一期)(品種二))	21 China Merchants Securities F2 (21招證F2)	177973.SH	February 26, 2021	August 26, 2023	75.00	3.85	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	Quote, quote request and trade by agreement	No
The 2020 Type One Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2020年面向專業投資者公開發行次級債券(第一期)(品種一))	20 China Merchants Securities C1 (20招證C1)	175515.SH	December 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	Auction, quote, quote request and trade by agreement	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Issue completion date/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招選C2)	175516.SH	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	Auction, quote, quote request and trade by agreement	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招選C1)	175705.SH	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	Auction, quote, quote request and trade by agreement	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招選C2)	175813.SH	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	Auction, quote, quote request and trade by agreement	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招選C3)	188003.SH	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	Auction, quote, quote request and trade by agreement	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招選C4)	188122.SH	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	Auction, quote, quote request and trade by agreement	No
The 2021 Type One Subordinated Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第五期)(品種一))	21 China Merchants Securities C5 (21招選C5)	188306.SH	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	Auction, quote, quote request and trade by agreement	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招選C6)	188307.SH	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	Auction, quote, quote request and trade by agreement	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Issue completion date/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 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)) <sup>Notes</sup>	17 China Merchants Y1 (17招商Y1)	145340.SH	February 17, 2017	February 17, 2022	40.00	5.18	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified institutional investors	Quote, quote request and trade by agreement	No
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)) <sup>Notes</sup>	17 China Merchants Y2 (17招商Y2)	145371.SH	March 3, 2017	March 3, 2022	50.00	5.15	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified institutional investors	Quote, quote request and trade by agreement	No
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)) <sup>Notes</sup>	17 China Merchants Y3 (17招商Y3)	145545.SH	May 22, 2017	May 22, 2022	37.00	5.65	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified institutional investors	Quote, quote request and trade by agreement	No
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)) <sup>Notes</sup>	17 China Merchants Y4 (17招商Y4)	145579.SH	June 19, 2017	June 19, 2022	23.00	5.58	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified institutional investors	Quote, quote request and trade by agreement	No

### Notes:

- For perpetual subordinated bonds, the issuer shall have the option of renewal and the option of deferring payment of interest. The options have not been exercised during the Reporting Period.
- The coupon rate for the first five interest-bearing years (the first repricing cycle) of the perpetual subordinated bonds is determined through bookkeeping and filing, and shall remain unchanged during the first five interest-bearing years. Since the sixth interest-bearing year, the coupon rate shall be re-determined every five years. The coupon rate for the repricing cycle is the benchmark interest rate plus the initial spread plus 300 basis points. The initial spread is the difference between the coupon rate and the benchmark interest rate in the first repricing cycle.

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

Issuer's option of renewal are available for "17 Perpetual Y1", "17 Perpetual Y2", "17 Perpetual Y3" and "17 Perpetual Y4" of the Company. During the Reporting Period, the above bonds have not reached the maturity date, and such option has not been triggered.

## Chapter 8: Relevant Information of Bonds

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

As of the date of approval of this report, the existing bonds were issued without any guarantee. According to the repayment plans, bonds with original maturity over one and a half year (including thereof) shall pay interest annually during the duration of the bonds and the last installment of interest payment shall be paid together with the principal. According to the repayment plans, bonds with original maturity within one and a half year shall pay principal together with all interests upon maturity.

According to the prospectuses, the repayment guarantee measures of the existing bonds include engaging trustees, formulating the “Rules for Bondholder Meetings”, establishing a special repayment working group, improving profitability, optimizing assets and liabilities structure, strictly fulfilling information disclosure obligations and having strong shareholder support.

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

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

Unit: 100 Million Yuan Currency: RMB

Key indicators	End of the Reporting Period	End of last year	Change (%)	Reason for the change
Current ratio	1.57	1.54	1.75	—
Quick ratio	1.57	1.54	1.75	—
Gearing ratio (%)	78.11	74.46	4.91	—

	The Reporting Period (January – June)	The Previous Period	Change (%)	Reason for the change
Net profit after deduction of non-recurring profit or loss	56.63	43.38	30.54	Attributable to the increase in net profit as a result of the increase in operating income
EBITDA/debt ratio	3.32	3.57	-7.07	—
Interest coverage ratio	2.57	2.75	-6.53	—
Cash interest coverage ratio	-7.90	-0.60	N/A	Attributable to the decrease in net cash flow generated from operating activities
EBITDA/interest coverage ratio	2.65	2.85	-7.08	—
Loan repayment ratio (%)	100.00	100.00	—	—
Interest payment ratio (%)	100.00	100.00	—	—



## Chapter 9: Financial Report

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

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

#### **Introduction**

We have reviewed the condensed consolidated financial statements of China Merchants Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 89 to 189, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Scope of Review**

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

#### **Conclusion**

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

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
August 27, 2021

# Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended June 30,	
		2021	2020
		(Unaudited)	(Unaudited)
Fee and commission income	4	6,631,285	5,441,628
Interest income	5	5,535,320	4,547,633
Investment gains or losses, net	6	5,275,338	3,098,145
Other income and gains or losses, net	7	1,825,409	2,018,443
<b>Total revenue, gains and other income</b>		<b>19,267,352</b>	<b>15,105,849</b>
Depreciation and amortization	8	(315,467)	(287,706)
Staff costs	9	(4,461,036)	(3,220,142)
Fee and commission expenses	10	(1,188,896)	(919,701)
Interest expenses	11	(4,466,544)	(3,146,048)
Tax and surcharges		(73,351)	(59,613)
Other operating expenses	12	(2,551,715)	(2,545,345)
Impairment losses under expected credit loss model, net of reversal	13	(149,979)	(80,121)
Other impairment losses, net		—	(895)
<b>Total expenses</b>		<b>(13,206,988)</b>	<b>(10,259,571)</b>
Share of results of associates		752,548	466,086
<b>Profit before income tax</b>		<b>6,812,912</b>	<b>5,312,364</b>
Income tax expenses	14	(1,060,877)	(972,344)
<b>Profit for the period</b>		<b>5,752,035</b>	<b>4,340,020</b>
Attributable to:			
Shareholders of the Company and holders of other equity instruments		5,745,385	4,333,834
Non-controlling interests		6,650	6,186
		<b>5,752,035</b>	<b>4,340,020</b>
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)	15		
<b>— Basic and diluted</b>		<b>0.61</b>	<b>0.50</b>

The notes on pages 97 to 189 form part of this interim financial report.

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

For the six months ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>5,752,035</b>	<b>4,340,020</b>
<b>Other comprehensive (expense) income:</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Equity instruments designated as at fair value through other comprehensive income:		
Net fair value changes during the period	(296,111)	(208,607)
Income tax impact	74,028	52,152
Sub-total	(222,083)	(156,455)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Debt instruments at fair value through other comprehensive income:		
Net fair value changes during the period	31,936	150,324
Reclassification adjustment to profit or loss on disposal	(6,744)	(401,568)
Impairment losses under expected credit loss model, net of reversal	(1,585)	15,365
Income tax impact	(8,156)	63,343
Sub-total	15,451	(172,536)
Share of other comprehensive income of associates, net of related income tax	2,117	5,525
Exchange differences arising from translation of foreign operations	(65,906)	97,917
<b>Other comprehensive expense for the period (net of tax)</b>	<b>(270,421)</b>	<b>(225,549)</b>
<b>Total comprehensive income for the period (net of tax)</b>	<b>5,481,614</b>	<b>4,114,471</b>
Attributable to:		
Shareholders of the Company and holders of other equity instruments	5,474,964	4,108,285
Non-controlling interests	6,650	6,186
	<b>5,481,614</b>	<b>4,114,471</b>

# Condensed Consolidated Statement of Financial Position

As at June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

		As at June 30, 2021	As at December 31, 2020
	Notes	(Unaudited)	(Audited)
<b>Non-current assets</b>			
Property and equipment	16	1,496,904	1,547,029
Right-of-use assets	17	1,583,367	1,608,964
Goodwill		9,671	9,671
Other intangible assets		21,084	19,988
Interests in associates	18	8,794,118	9,508,149
Equity instruments at fair value through other comprehensive income	19	979,660	7,420,580
Debt instruments at amortized cost	20	736,262	921,389
Financial assets held under resale agreements	21	1,392,546	1,362,032
Financial assets at fair value through profit or loss	27	8,880,963	7,565,032
Deferred tax assets	22	1,686,867	1,818,424
Other non-current assets	23	1,149,548	1,132,319
<b>Total non-current assets</b>		<b>26,730,990</b>	<b>32,913,577</b>
<b>Current assets</b>			
Advances to customers	24	104,553,305	81,754,350
Current tax assets		5,126	106,799
Accounts and other receivables	25	8,633,404	6,429,522
Debt instruments at fair value through other comprehensive income	26	49,538,404	44,614,600
Debt instruments at amortized cost	20	851,875	818,001
Financial assets held under resale agreements	21	38,570,100	50,898,293
Financial assets at fair value through profit or loss	27	228,999,987	166,030,032
Derivative financial assets	28	1,735,249	1,726,339
Deposits with exchanges and non-bank financial institutions	29	9,997,669	9,067,233
Clearing settlement funds	30	17,729,009	22,529,340
Cash and bank balances	31	99,028,216	82,838,593
<b>Total current assets</b>		<b>559,642,344</b>	<b>466,813,102</b>
<b>Total assets</b>		<b>586,373,334</b>	<b>499,726,679</b>

# Condensed Consolidated Statement of Financial Position (Continued)

As at June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at June 30, 2021	As at December 31, 2020
	Notes	(Unaudited)	(Audited)
<b>Current liabilities</b>			
Short-term borrowings	33	21,156,098	3,290,295
Short-term debt instruments	34	36,791,763	36,216,758
Placements from banks and other financial institutions	35	4,512,639	11,002,762
Accounts payable to brokerage clients	36	97,066,035	85,441,243
Accrued staff costs	37	6,588,697	6,759,837
Other payables and accrued charges	38	29,563,222	18,451,855
Current tax liabilities		382,297	249,546
Financial liabilities at fair value through profit or loss	39	19,191,646	11,249,844
Derivative financial liabilities	28	3,187,070	3,071,802
Financial assets sold under repurchase agreements	40	139,951,158	119,258,195
Lease liabilities	41	303,676	294,159
Provisions		36,403	377
Long-term borrowings due within one year	46	450,565	253,004
Bonds payable due within one year	48	32,384,373	36,939,761
<b>Total current liabilities</b>		<b>391,565,642</b>	<b>332,479,438</b>
<b>Net current assets</b>		<b>168,076,702</b>	<b>134,333,664</b>
<b>Total assets less current liabilities</b>		<b>194,807,692</b>	<b>167,247,241</b>
<b>Equity</b>			
Share capital	42	8,696,526	8,696,526
Other equity instruments	43	15,000,000	15,000,000
Capital reserve		40,361,022	40,361,022
Investment revaluation reserve of financial assets at fair value through other comprehensive income	44	106,212	288,626
Foreign currency translation reserve		(109,000)	(43,094)
General reserves	45	18,541,478	18,514,639
Retained profits		24,417,400	22,919,086
<b>Equity attributable to shareholders of the Company</b>		<b>107,013,638</b>	<b>105,736,805</b>
Non-controlling interests		88,958	87,908
<b>Total equity</b>		<b>107,102,596</b>	<b>105,824,713</b>

# Condensed Consolidated Statement of Financial Position (Continued)

As at June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

		As at June 30, 2021	As at December 31, 2020
	Notes	(Unaudited)	(Audited)
<b>Non-current liabilities</b>			
Accrued staff costs	37	395,360	395,360
Deferred tax liabilities	22	982,889	790,161
Financial liabilities at fair value through profit or loss	39	2,225,890	2,692,207
Deferred income		117,742	119,340
Lease liabilities	41	942,497	966,240
Long-term borrowings	47	414,013	418,353
Bonds payable	49	82,626,705	56,040,867
<b>Total non-current liabilities</b>		<b>87,705,096</b>	<b>61,422,528</b>
<b>Total equity and non-current liabilities</b>		<b>194,807,692</b>	<b>167,247,241</b>

Approved and authorized for issue by the board of directors on August 27, 2021 and are signed on its behalf by:

**HUO Da**  
Executive Director, Chairman

**XIONG Jiantao**  
Executive Director, President



# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

## FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Equity attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Treasury stocks	Investment revaluation reserve of financial assets at fair value through other comprehensive income	Translation reserve	General reserves	Retained profits	Sub-total		
	(note 42)	(note 43)		(note 42)	(note 44)		(note 45)	(note 50)			
At January 1, 2021 (Audited)	8,696,526	15,000,000	40,361,022	—	288,626	(43,094)	18,514,639	22,919,086	105,736,805	87,908	105,824,713
Profit for the period	—	—	—	—	—	—	—	5,745,385	5,745,385	6,650	5,752,035
Other comprehensive expense for the period	—	—	—	—	(204,515)	(65,906)	—	—	(270,421)	—	(270,421)
Total comprehensive (expense) income for the period	—	—	—	—	(204,515)	(65,906)	—	5,745,385	5,474,964	6,650	5,481,614
Appropriation to general reserves	—	—	—	—	—	—	26,839	(26,839)	—	—	—
Distribution to holders of other equity instruments (note 50)	—	—	—	—	—	—	—	(397,749)	(397,749)	—	(397,749)
Dividends recognized as distribution (note 50)	—	—	—	—	—	—	—	(3,800,382)	(3,800,382)	(5,600)	(3,805,982)
Transfer to retained profits for cumulative fair value change of FVTOCI in associates upon disposal (note 44)	—	—	—	—	22,101	—	—	(22,101)	—	—	—
At June 30, 2021 (Unaudited)	8,696,526	15,000,000	40,361,022	—	106,212	(109,000)	18,541,478	24,417,400	107,013,638	88,958	107,102,596

## FOR THE SIX MONTHS ENDED JUNE 30, 2020

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

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Profit before income tax	6,812,912	5,312,364
<b>Adjustments for:</b>		
Interest expenses	4,466,544	3,146,048
Share of results of associates	(752,548)	(466,086)
Depreciation and amortization	315,467	287,706
Impairment losses under expected credit loss model, net of reversal	149,979	81,016
Gains on disposal of property and equipment, other intangible assets and other non-current assets, net	(137)	(86)
Foreign exchange (gains) losses, net	(29,111)	3,283
Gain on disposal of investments in associates	(134,220)	—
Net realized gains from disposal of financial assets at fair value through other comprehensive income	(6,744)	(401,568)
Dividend income and interest income on financial assets at fair value through other comprehensive income and debt instrument at amortized cost	(1,161,077)	(858,855)
Unrealized fair value changes in financial instruments at fair value through profit or loss	(723,322)	(369,190)
<b>Operating cash flows before movements in working capital</b>	<b>8,937,743</b>	<b>6,734,632</b>
Increase in advances to customers	(22,752,281)	(5,733,123)
Increase in other current assets	(2,205,191)	(1,311,731)
Decrease (Increase) in financial assets held under resale agreements	12,143,724	(5,201,911)
Increase in financial assets/liabilities at fair value through profit or loss	(55,997,772)	(2,409,829)
Increase in deposits with exchanges and non-bank financial institutions	(930,436)	(513,920)
Increase in pledged and restricted bank deposits	(278,643)	(1,555,311)
Decrease (Increase) in clearing settlement funds	1,824,310	(2,427,336)
Increase in cash held on behalf of customers	(13,035,155)	(12,419,729)
Increase in accounts payable to brokerage clients	11,624,792	15,595,003
(Decrease) Increase in accrued staff costs	(171,140)	1,273,300
Increase in other current liabilities	7,724,735	1,753,236
Increase in financial assets sold under repurchase agreements	20,669,545	4,801,504
Decrease in placements from other financial institutions	(6,500,000)	(2,860,000)
Cash used in operations	(38,945,769)	(4,275,215)
Income taxes paid	(436,797)	(1,135,756)
Interest paid	(1,690,191)	(1,332,359)
<b>Net cash used in operating activities</b>	<b>(41,072,757)</b>	<b>(6,743,330)</b>

## Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
<b>Investing activities</b>		
Dividends and interest received from investments	1,791,850	934,261
Purchases of property and equipment, other intangible assets and other non-current assets	(111,751)	(47,308)
Proceeds from disposals of property and equipment, other intangible assets and other non-current assets	187	420
Proceeds on disposal of interest in an associate	945,405	14,400
Net purchase or proceeds from disposals of debt instruments at amortized cost	151,047	91,993
Net purchase or proceeds from disposals of financial instruments at fair value through other comprehensive income	1,205,495	2,921,904
<b>Net cash from investing activities</b>	<b>3,982,233</b>	<b>3,915,670</b>
<b>Financing activities</b>		
Dividends paid to shareholders and other equity instrument holders	(807,690)	(802,090)
Interest payment of bonds and short-term debt instruments	(2,689,055)	(2,611,670)
Interest payment of borrowings	(57,166)	(56,002)
Interest payment of lease liabilities	(19,425)	(16,470)
Repayment of bonds and short-term debt instruments	(62,501,668)	(67,616,850)
Repayment of lease liabilities	(148,261)	(130,533)
Proceeds from bonds and short-term debt instruments	85,150,998	76,013,790
Net repayment or proceeds from short-term borrowings	18,002,403	(1,525,634)
Repayment of long-term borrowings	201,497	—
Proceeds from settlement of treasury stocks	—	663,954
<b>Net cash from financing activities</b>	<b>37,131,633</b>	<b>3,918,495</b>
<b>Net increase in cash and cash equivalents</b>	<b>41,109</b>	<b>1,090,835</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>19,443,988</b>	<b>13,173,740</b>
Effect of foreign exchange rate changes	(38,213)	70,126
<b>Cash and cash equivalents at the end of the period</b>	<b>19,446,884</b>	<b>14,334,701</b>
<b>Net cash flows from operating activities include Interest received</b>	<b>4,392,901</b>	<b>3,712,561</b>

# Notes to the Condensed Consolidated Financial Information

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 1. CORPORATE INFORMATION

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

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

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

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

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

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 June 30, 2021, the Company’s registered capital was RMB8,696,526,806 and the Company has a total of 8,696,526,806 issued shares of RMB1 each.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1. CORPORATE INFORMATION (Continued)

The address of the registered office and principal place of business of the Company is No.111, 1st Fuhua Road, Futian District, Shenzhen, Guangdong, the PRC. The Company and its subsidiaries (collectively the "Group") are principally engaged in securities brokerage, securities financial advisory, financial advisory relating to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary trading, asset management, margin financing and securities lending, securities investment fund distribution, agency sales of financial products, securities investment management, stock options market-making business, commodity futures brokerage, financial futures brokerage, futures investment consulting and other business approved by China Securities Regulatory Commission's ("CSRC").

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

## 2. BASIS OF PREPARATION

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

## 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020.

### Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7,  
IFRS 4 and IFRS 16

Interest Rate Benchmark – Phase 2

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of amendments to IFRSs (Continued)

The adoption of the above-mentioned amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

In addition, the Group has early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.

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

## 4. FEE AND COMMISSION INCOME

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	4,663,195	3,797,704
Underwriting and sponsorship business	910,273	729,534
Asset management and fund management business	514,524	529,847
Financial advisory business	67,586	79,214
Others <sup>(i)</sup>	475,707	305,329
	<b>6,631,285</b>	<b>5,441,628</b>

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



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 5. INTEREST INCOME

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Interest income from advances to customers and securities lending	3,005,749	1,956,308
Interest income from deposits with exchanges and financial institutions	900,432	832,070
Interest income from securities-backed lending and stock repurchase agreements	676,111	706,938
Interest income from other financial assets held under resale agreements	217,970	193,462
Interest income on debt instruments at amortized cost	36,798	49,772
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")	698,260	809,083
	<b>5,535,320</b>	<b>4,547,633</b>

### 6. INVESTMENT GAINS OR LOSSES, NET

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Dividend and interest income from financial assets at fair value through profit or loss	2,749,884	2,038,207
Dividend from financial assets at fair value through other comprehensive income	426,019	—
Net gains from disposals of debt instruments measured at fair value through other comprehensive income	6,744	401,568
Gain on disposal of investments in an associate	134,220	—
Net gains from financial assets at fair value through profit or loss	2,983,906	1,369,702
Net losses from financial liabilities at fair value through profit or loss	(443,224)	(373,679)
Net losses from derivative financial instruments	(582,211)	(337,653)
	<b>5,275,338</b>	<b>3,098,145</b>

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

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 7. OTHER INCOME AND GAINS OR LOSSES

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Income from commodity trading	1,686,875	1,960,033
Refund of commission from tax withholding and remittance	31,755	17,435
Rental income	10,357	7,283
Government grants <sup>(i)</sup>	22,791	7,187
Foreign exchange gains (losses), net	29,111	(3,283)
Others	44,520	29,788
	<b>1,825,409</b>	<b>2,018,443</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.

### 8. DEPRECIATION AND AMORTIZATION

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	94,395	88,719
Amortization of other non-current assets	58,251	53,484
Depreciation of right-of-use assets	160,909	145,503
Amortization of other intangible assets	1,912	—
	<b>315,467</b>	<b>287,706</b>

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9. STAFF COSTS

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	3,955,158	2,871,115
Contributions to retirement benefits	238,371	146,832
Other social welfare	180,483	137,770
Others	87,024	64,425
	<b>4,461,036</b>	<b>3,220,142</b>

### 10. FEE AND COMMISSION EXPENSES

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	1,156,728	885,057
Underwriting and sponsorship business	21,309	26,923
Asset management and fund management business	944	4,346
Financial advisory business	9,701	3,374
Others	214	1
	<b>1,188,896</b>	<b>919,701</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 11. INTEREST EXPENSES

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Bonds payable	2,207,183	1,361,099
Income certificates	297,987	160,009
Short-term corporate bonds	77,417	—
Financial assets sold under repurchase agreements	1,158,475	898,441
Margin and securities refinancing	289,349	158,615
Placements from banks and other financial institutions	17,122	46,179
Accounts payable to brokerage clients	134,897	114,663
Borrowings	75,345	73,695
Short-term financing bills payable	109,135	277,713
Lease liabilities	18,686	19,387
Others	80,948	36,247
	<b>4,466,544</b>	<b>3,146,048</b>

## 12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Cost of commodity trading	1,686,088	1,983,434
Business and promotion expenses	179,616	91,035
Electronic equipment operation expenses	149,692	92,352
Postal and communications expenses	74,004	73,107
Member fees of stock exchange	98,331	70,553
Rental and property management expenses <sup>(i)</sup>	33,881	45,763
Business travel expenses	49,783	23,971
Securities and futures investor protection funds	47,693	41,744
General and administrative expenses	22,768	25,416
Clearing fee	49,033	28,611
Others	160,826	69,359
	<b>2,551,715</b>	<b>2,545,345</b>

- (i) In the current interim period, the expense relating to short-term leases is RMB6,404 thousand (for six months ended June 30, 2020: RMB17,485 thousand).

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Impairment loss on financial assets held under resale agreements (note 21)	142,589	63,106
(Reversal of) Impairment loss on advances to customers (note 24)	(2,308)	199
Impairment loss on accounts and other receivables (note 25)	9,836	1,072
(Reversal of) Impairment loss on debt instruments at fair value through other comprehensive income (note 26)	(1,585)	15,365
Impairment loss on debt instruments at amortized cost (note 20)	1,447	379
	<b>149,979</b>	<b>80,121</b>

### 14. INCOME TAX EXPENSES

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
<b>Current tax:</b>		
— PRC Enterprise Income Tax	558,353	1,165,841
— Hong Kong Profits Tax	124,365	5,631
	<b>682,718</b>	<b>1,171,472</b>
<b>(Over) under provision in respect of prior periods:</b>		
— PRC Enterprise Income Tax	(11,498)	(9,101)
— Hong Kong Profits Tax	—	240
	<b>(11,498)</b>	<b>(8,861)</b>
<b>Deferred taxation:</b>		
— Origination and reversal of temporary differences (note 22)	389,657	(190,267)
	<b>1,060,877</b>	<b>972,344</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share:		
Profit attributable to shareholders of the Company and holders of other equity instruments	5,745,385	4,333,834
Less: Interest attributable to holders of perpetual subordinated bonds	(397,749)	(397,749)
	<b>5,347,636</b>	<b>3,936,085</b>
Number of shares:		
Number of issued shares on January 1 (in thousand)	8,696,526	6,699,409
Effect of treasury stocks (note 42)	—	(20,010)
Effect of A share rights issue on July 20, 2020 (note 42)	—	1,167,889
Effect of H share rights issue on August 20, 2020 (note 42)	—	51,808
Weighted average number of ordinary shares	<b>8,696,526</b>	<b>7,899,096</b>
Earnings per share:		
Earnings per share (in RMB yuan)	0.61	0.50

Note: For the six months ended June 30, 2021 and 2020, there were no dilutive shares.



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 16. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
<b>Unaudited</b>						
<b>Cost</b>						
As at January 1, 2021	1,329,857	60,464	945,547	58,539	39,146	2,433,553
Additions	—	—	33,676	600	21,271	55,547
Disposals	—	—	(241)	(118)	—	(359)
Transfer to other non-current assets (note 23)	—	—	—	—	(10,696)	(10,696)
Exchange differences	—	(13)	(1,018)	(411)	(264)	(1,706)
As at June 30, 2021	1,329,857	60,451	977,964	58,610	49,457	2,476,339
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2021	278,700	48,303	524,635	34,886	—	886,524
Charge for the period	16,682	1,725	72,467	3,521	—	94,395
Disposals	—	—	(218)	(112)	—	(330)
Exchange differences	—	(13)	(1,005)	(136)	—	(1,154)
As at June 30, 2021	295,382	50,015	595,879	38,159	—	979,435
<b>Carrying values</b>						
<b>As at June 30, 2021</b>	<b>1,034,475</b>	<b>10,436</b>	<b>382,085</b>	<b>20,451</b>	<b>49,457</b>	<b>1,496,904</b>
<b>Audited</b>						
<b>Cost</b>						
As at January 1, 2020	1,329,857	61,902	820,955	61,037	66,585	2,340,336
Additions	—	2,775	210,886	2,337	62,256	278,254
Disposals	—	(4,137)	(80,777)	(2,576)	—	(87,490)
Transfer to other non-current assets (note 23)	—	—	—	—	(88,203)	(88,203)
Exchange differences	—	(76)	(5,517)	(2,259)	(1,492)	(9,344)
As at December 31, 2020	1,329,857	60,464	945,547	58,539	39,146	2,433,553
<b>Accumulated depreciation and impairment</b>						
<b>As at January 1, 2020</b>	<b>244,940</b>	<b>47,164</b>	<b>476,551</b>	<b>30,935</b>	<b>—</b>	<b>799,590</b>
Charge for the year	33,760	5,140	129,282	7,168	—	175,350
Disposals	—	(3,931)	(76,569)	(2,430)	—	(82,930)
Exchange differences	—	(70)	(4,629)	(787)	—	(5,486)
As at December 31, 2020	278,700	48,303	524,635	34,886	—	886,524
<b>Carrying values</b>						
<b>As at December 31, 2020</b>	<b>1,051,157</b>	<b>12,161</b>	<b>420,912</b>	<b>23,653</b>	<b>39,146</b>	<b>1,547,029</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. RIGHT-OF-USE ASSETS

	Property leasing	Land-use rights	Total
<b>Unaudited</b>			
<b>Cost</b>			
As at January 1, 2021	2,087,869	432,600	2,520,469
Additions	136,438	—	136,438
Disposals	(905)	—	(905)
Exchange differences	(2,353)	—	(2,353)
<b>As at June 30, 2021</b>	<b>2,221,049</b>	<b>432,600</b>	<b>2,653,649</b>
<b>Accumulated depreciation and impairment</b>			
As at January 1, 2021	888,640	22,865	911,505
Charge for the period	155,422	5,487	160,909
Deductions	(905)	—	(905)
Exchange differences	(1,227)	—	(1,227)
<b>As at June 30, 2021</b>	<b>1,041,930</b>	<b>28,352</b>	<b>1,070,282</b>
<b>Carrying values</b>			
<b>As at June 30, 2021</b>	<b>1,179,119</b>	<b>404,248</b>	<b>1,583,367</b>
<b>Audited</b>			
<b>Cost</b>			
As at January 1, 2020	1,867,741	432,600	2,300,341
Additions	315,199	—	315,199
Disposals	(84,221)	—	(84,221)
Exchange differences	(10,850)	—	(10,850)
<b>As at December 31, 2020</b>	<b>2,087,869</b>	<b>432,600</b>	<b>2,520,469</b>
<b>Accumulated depreciation and impairment</b>			
As at January 1, 2020	677,902	11,890	689,792
Charge for the year	293,512	10,975	304,487
Other additions	2,599	—	2,599
Deductions	(81,299)	—	(81,299)
Exchange differences	(4,074)	—	(4,074)
<b>As at December 31, 2020</b>	<b>888,640</b>	<b>22,865</b>	<b>911,505</b>
<b>Carrying values</b>			
<b>As at December 31, 2020</b>	<b>1,199,229</b>	<b>409,735</b>	<b>1,608,964</b>

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18. INTERESTS IN ASSOCIATES

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Cost of unlisted investments in associates	4,586,135	5,531,540
Share of post-acquisition profits and other comprehensive income, net of dividends received	4,877,133	4,645,759
<b>Sub-total</b>	<b>9,463,268</b>	<b>10,177,299</b>
Impairment loss	(669,150)	(669,150)
	<b>8,794,118</b>	<b>9,508,149</b>

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

Name of associate	Place and date of incorporation/ establishment	Equity interest held by the Group		Principal Activities
		As at June 30, 2021	As at December 31, 2020	
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
Qingdao Asset Management Co., Ltd. <sup>(ii)</sup>	PRC September 21, 2015	N/A	30%	Investment management
Twenty-first Century Technology Investment Co., Ltd. * <sup>(iii)</sup>	PRC June 19, 2000	23%	23%	Investment

\* English name translation is for identification purpose only.

(i) Guangdong Equity Exchange Center Co., Ltd. was recognized as an associate as one of the ten directors of the company was appointed by the Group.

(ii) The Group has fully disposed Qingdao Asset Management Co., Ltd. during this period.

(iii) This associate has been undergoing liquidation, and impairment losses have been fully recognized and written off.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Special account <sup>(i)</sup>	—	7,218,586
Equity investments <sup>(ii)</sup>	979,660	201,994
	979,660	7,420,580

- (i) The balance is an investment in a special account managed by China Securities Finance Corporation Limited ("CSFCL"). Since the investment meets the designation of equity instruments measured at fair value through other comprehensive income as required by IFRS 9, the Company elected to designate this investment as measured at FVTOCI.
- (ii) The equity investments are only used by the Company for securities lending and the Company elected to designate these investments as measured at FVTOCI.

## 20. DEBT INSTRUMENTS AT AMORTIZED COST

### (1) Analyzed by nature

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Non-current</b>		
Bonds	736,805	922,061
Less: Expected credit losses	(543)	(672)
	<b>736,262</b>	<b>921,389</b>
<b>Current</b>		
Bonds	853,901	818,463
	<b>853,901</b>	<b>818,463</b>
Less: Expected credit losses	(2,026)	(462)
	<b>851,875</b>	<b>818,001</b>

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
At the beginning of the period/year	1,134	3,496
Expected credit losses recognized	1,447	—
Reversal of expected credit losses	—	(2,288)
Exchange differences	(12)	(74)
<b>At the end of the period/year</b>	<b>2,569</b>	<b>1,134</b>

	As at June 30, 2021 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	1,590,706	—	—	1,590,706
Expected credit losses	2,569	—	—	2,569

	As at December 31, 2020 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	1,740,524	—	—	1,740,524
Expected credit losses	1,134	—	—	1,134

During the six months ended June 30, 2021 and the year ended December 31, 2020, there was no transfer between the stages of expected credit losses.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Non-current</b>		
<b>Analyzed by collateral type:</b>		
Stocks <sup>(i)</sup>	1,470,730	1,364,550
<b>Analyzed by market:</b>		
Stock exchanges	1,470,730	1,364,550
Less: Expected credit losses	(78,184)	(2,518)
	<b>1,392,546</b>	<b>1,362,032</b>
<b>Current</b>		
<b>Analyzed by collateral type:</b>		
Stocks <sup>(i)</sup>	16,666,740	18,773,258
Bonds	22,430,826	32,585,578
<b>Sub-total</b>	<b>39,097,566</b>	<b>51,358,836</b>
<b>Analyzed by market:</b>		
Stock exchanges	20,558,818	35,905,586
Interbank bond market	18,538,748	15,453,250
<b>Sub-total</b>	<b>39,097,566</b>	<b>51,358,836</b>
Less: Expected credit losses	(527,466)	(460,543)
	<b>38,570,100</b>	<b>50,898,293</b>

- (i) The financial assets (pledged by stocks) held under resale agreements and securities back-lending are those resale agreements which the qualified investors entered into with the Group with a commitment to purchasing the specified securities at a future date with an agreed price. As at June 30, 2021, the fair value of securities of the Group which have been received as collateral amounted to RMB65,712,723 thousand (December 31, 2020: RMB69,320,600 thousand).



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
At the beginning of the period/year	463,061	332,339
Expected credit losses recognized	142,589	130,722
<b>At the end of the period/year</b>	<b>605,650</b>	<b>463,061</b>

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

	As at June 30, 2021 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	16,951,800	263,705	921,965	18,137,470
Expected credit losses	21,097	27,145	557,408	605,650
Collateral	64,942,790	348,095	421,838	65,712,723

	As at December 31, 2020 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	19,366,030	30,035	741,743	20,137,808
Expected credit losses	13,980	601	448,480	463,061
Collateral	68,477,672	155,100	687,828	69,320,600

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

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 22. DEFERRED TAX ASSETS (LIABILITIES)

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Deferred tax assets	1,686,867	1,818,424
Deferred tax liabilities	(982,889)	(790,161)
	<b>703,978</b>	<b>1,028,263</b>

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

	Financial instruments at fair value through profit and loss/ derivatives	Accrued staff cost	Deferred income	Impairment allowances	Financial instruments at fair value through other comprehensive income	Property and equipment	Others	Total
<b>Audited</b>								
At January 1, 2020	(271,459)	622,331	30,634	109,547	(176,586)	(2,477)	29,600	341,590
(Charge) credit to profit or loss	(325,484)	839,028	(799)	38,367	—	2,526	51,411	605,049
Credit to other comprehensive income	—	—	—	—	81,697	—	—	81,697
Exchange differences	—	—	—	—	—	(49)	(24)	(73)
At December 31, 2020	(596,943)	1,461,359	29,835	147,914	(94,889)	—	80,987	1,028,263
<b>Unaudited</b>								
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	(237,455)	(151,798)	(400)	38,560	—	—	(38,564)	(389,657)
Credit to other comprehensive income	—	—	—	—	63,835	—	—	63,835
Exchange differences	—	—	—	—	—	—	1,537	1,537
At June 30, 2021	(834,398)	1,309,561	29,435	186,474	(31,054)	—	43,960	703,978

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23. OTHER NON-CURRENT ASSETS

#### (1) Analyzed by nature

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Leasehold improvements and long-term deferred expenses	353,585	348,166
Prepayments for investment	795,963	784,153
	<b>1,149,548</b>	<b>1,132,319</b>

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
At the beginning of period/year	348,166	281,341
Additions	52,974	88,987
Transfer from construction in progress (note 16)	10,696	88,203
Amortization	(58,251)	(110,365)
<b>At the end of period/year</b>	<b>353,585</b>	<b>348,166</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 24. ADVANCES TO CUSTOMERS

### (1) Analyzed by nature

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Advances to customers	104,658,013	81,861,589
Less: Expected credit losses	(104,708)	(107,239)
	<b>104,553,305</b>	<b>81,754,350</b>

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

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

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Collateral measured at fair value</b>		
Cash	9,311,180	8,750,495
Bonds	1,667,619	1,662,489
Equity securities	260,679,975	225,956,368
Funds	3,678,605	7,125,528
	<b>275,337,379</b>	<b>243,494,880</b>

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24. ADVANCES TO CUSTOMERS (Continued)

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
At the beginning of the period/year	107,239	93,418
Expected credit losses recognized	—	15,117
Reversal of expected credit losses	(2,308)	—
Exchange differences	(223)	(1,296)
<b>At the end of the period/year</b>	<b>104,708</b>	<b>107,239</b>

	As at June 30, 2021 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	104,401,789	188,288	67,936	104,658,013
Expected credit losses	49,187	411	55,110	104,708

	As at December 31, 2020 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	81,761,933	35,247	64,409	81,861,589
Expected credit losses	52,186	66	54,987	107,239

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

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

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 25. ACCOUNTS AND OTHER RECEIVABLES

### (1) Analyzed by nature

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Accounts and other receivables from/related to:</b>		
Brokers, dealers and clearing houses	4,439,146	2,548,885
Fee and commission income	863,057	851,361
Other receivables	84,172	105,295
Deposits of OTC derivative business <sup>(i)</sup>	2,494,057	2,274,104
Dividends receivable	265,511	213,354
Prepayments	172,953	148,034
Others	339,370	303,506
<b>Sub-total</b>	<b>8,658,266</b>	<b>6,444,539</b>
Less: Expected credit losses of accounts and other receivables	(24,862)	(15,017)
	<b>8,633,404</b>	<b>6,429,522</b>

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

### (2) Analyzed by aging

As at the end of the period/year, the aging analysis of accounts receivable, which is primarily comprised of fees and commission receivable and receivables related funds redemption, is as follow:

	As at June 30, 2021 (Unaudited)		As at December 31, 2020 (Audited)	
	Amount	Expected credit losses	Amount	Expected credit losses
Within 1 year	1,015,431	(359)	967,090	(579)
Between 1 and 2 years	38,129	(3,986)	26,620	(2,798)
Between 2 and 3 years	28,879	(8,113)	15,920	(4,296)
Over 3 years	16,073	(9,272)	5,894	(4,213)
	<b>1,098,512</b>	<b>(21,730)</b>	<b>1,015,524</b>	<b>(11,886)</b>



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

#### (1) Analyzed by nature

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Current</b>		
Government bonds	17,292,372	13,899,354
Bonds issued by policy banks	4,385,853	10,959,451
Bonds issued by commercial banks and other financial institutions	72,781	70,403
Others <sup>(i)</sup>	27,787,398	19,685,392
	<b>49,538,404</b>	<b>44,614,600</b>

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

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
At the beginning of the period/year	18,575	9,523
Expected credit losses recognized	—	9,512
Reversal of expected credit losses	(1,585)	—
Exchange differences	(119)	(460)
At the end of the period/year	16,871	18,575

	As at June 30, 2021 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	49,505,624	32,780	—	49,538,404
Expected credit losses	16,782	89	—	16,871

	As at December 31, 2020 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	44,569,218	45,382	—	44,614,600
Expected credit losses	18,501	74	—	18,575

During the six months ended June 30, 2021 and the year ended December 31, 2020, there was no transfer between the stages of expected credit losses.

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Current</b>		
Debt securities	152,354,671	114,923,320
Funds	19,940,393	15,558,117
Equity investments <sup>(i)</sup>	21,979,663	15,991,020
Others <sup>(ii)</sup>	34,725,260	19,557,575
<b>Sub-total</b>	<b>228,999,987</b>	<b>166,030,032</b>
<b>Non-current</b>		
Funds	13,005	—
Equity investments <sup>(i)</sup>	4,340,297	4,497,943
Others <sup>(ii)</sup>	4,527,661	3,067,089
<b>Sub-total</b>	<b>8,880,963</b>	<b>7,565,032</b>
	<b>237,880,950</b>	<b>173,595,064</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 56.

As at June 30, 2021, the Group entered into securities lending arrangement with customers that resulted in transfer of equity securities at FVTPL with total fair values of RMB 1,521,597 thousand (December 31, 2020: RMB1,949,723 thousand) to customers. These securities continued to be recognized as financial assets of the Group.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	As at June 30, 2021			As at December 31, 2020		
	Non-hedging instruments			Non-hedging instruments		
	Notional Principal amounts	Fair Value		Notional Principal amounts	Fair Value	
		Assets	Liabilities		Assets	Liabilities
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>Interest derivative instrument</b>						
Interest rate swaps <sup>(i)</sup>	295,656,840	479,399	467,750	198,894,341	567,793	562,867
Bond futures <sup>(i)</sup>	16,887,863	1,615	969	18,901,393	—	—
<b>Equity derivative instrument</b>						
Equity return swaps	19,511,685	455,462	852,650	7,423,537	284,354	144,448
Stock index futures <sup>(i)</sup>	6,959,373	1,060	—	6,474,865	629	1,519
Options <sup>(ii)</sup>	67,142,407	743,967	1,824,305	73,830,936	852,590	2,141,499
<b>Currency derivatives</b>						
Foreign exchange contracts	70,991,172	6,379	17,476	41,649,414	295	166,592
<b>Credit derivatives</b>						
Credit default swaps	893,000	14,082	136	733,498	3,885	4,735
<b>Other derivative instrument</b>						
Commodity futures <sup>(i)</sup>	19,972,942	2,248	14,072	14,194,605	200	15,541
Commodity swaps	4,134,885	26,370	3,282	731,767	7,976	2,847
Commodity	754,691	4,667	4,294	1,465,705	8,617	12,005
Bond forward contracts	460,000	—	2,136	900,000	—	19,749
	<b>503,364,858</b>	<b>1,735,249</b>	<b>3,187,070</b>	<b>365,200,061</b>	<b>1,726,339</b>	<b>3,071,802</b>

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

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Deposits with stock exchanges and clearing houses:</b>		
China Securities Depository and Clearing Corporation Limited	1,190,240	1,550,408
Shanghai Clearing House	274,250	335,254
Hong Kong Securities Clearing Company Limited	133,340	145,480
The SEHK Options Clearing House Limited	18,945	8,195
China Beijing Equity Exchange	1,493	1,434
Hong Kong Stock Exchange	562	568
<b>Deposits with futures and commodity exchanges and financial institutions:</b>		
China Financial Futures Exchange	4,798,392	3,914,321
Dalian Commodity Exchange	1,058,689	690,921
Shanghai Futures Exchange	1,050,830	808,364
Zhengzhou Commodity Exchange	528,384	282,366
Pingan Futures Co., Ltd.	309,971	384,182
Jianxin Futures Co., Ltd.	185,118	172,290
Huatai Futures Co., Ltd.	118,949	185,803
Shanghai International Energy Exchange	80,134	36,394
Nanhua Futures Co., Ltd.	69,708	158,406
Haitong Futures Co., Ltd.	50,037	—
Yongan Futures Co., Ltd.	38,371	123,581
COFCO Futures Co., Ltd.	33,216	—
Hong Kong Futures Exchange	25,522	15,369
Shanghai Gold Exchange	21,968	113,704
China International Futures Co., Ltd.	6,219	—
Chicago Mercantile Exchange	3,230	3,262
CITIC Futures Co., Ltd.	—	123,774
London Metal Exchange	—	13,050
Others	101	107
	<b>9,997,669</b>	<b>9,067,233</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 30. CLEARING SETTLEMENT FUNDS

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Clearing settlement funds held with clearing houses for:</b>		
House accounts (note 32)	5,574,762	8,550,783
Clients	12,154,247	13,978,557
	<b>17,729,009</b>	<b>22,529,340</b>

## 31. CASH AND BANK BALANCES

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Bank balances (note 32)</b>	<b>15,825,327</b>	<b>12,567,767</b>
House accounts	13,872,122	10,893,205
Pledged and restricted bank deposits		
— Restricted bank deposit for purchase of bond, stock and as risk reserve and credit (note 32)	1,953,205	1,674,562
<b>Cash held on behalf of customers</b>	<b>83,202,889</b>	<b>70,270,826</b>
	<b>99,028,216</b>	<b>82,838,593</b>

## 32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Bank balances (note 31)	15,825,327	12,567,767
Clearing settlement funds - house accounts (note 30)	5,574,762	8,550,783
Less: Pledged and restricted bank deposits (note 31)	(1,953,205)	(1,674,562)
	<b>19,446,884</b>	<b>19,443,988</b>



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33. SHORT-TERM BORROWINGS

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Unsecured bank borrowings <sup>(i)</sup>	21,151,674	3,289,462
Interest accrued	4,424	833
	<b>21,156,098</b>	<b>3,290,295</b>

- (i) As at June 30, 2021, the Group's unsecured bank borrowings' bore floating interest rates ranging from 0.99% to 1.80% (December 31, 2020: 1.10% to 1.50%) per annum.

### 34. SHORT-TERM DEBT INSTRUMENTS

	Interest rate as at June 30, 2021	As at January 1, 2021	Issuance	Redemption	As at June 30, 2021
	(Unaudited)				(Unaudited)
Short-term bond payables	3.25%	2,100,000	4,200,000	2,100,000	4,200,000
Short-term financing bills payable	2.42%-2.64%	—	29,000,000	7,000,000	22,000,000
Principals of income certificates	2.60%-4.30%	33,841,112	8,297,760	31,760,660	10,378,212
Interest accrued		275,646	466,723	528,818	213,551
		<b>36,216,758</b>	<b>41,964,483</b>	<b>41,389,478</b>	<b>36,791,763</b>

	Interest rate as at December 31, 2020	As at January 1, 2020	Issuance/ Other Transfer	Redemption	As at December 31, 2020
	(Audited)				(Audited)
Short-term bond payables	2.85%	—	2,100,000	—	2,100,000
Short-term financing bills payable		20,000,000	62,000,000	82,000,000	—
Principals of income certificates	3.00%-3.90%	12,915,760	47,602,802	26,677,450	33,841,112
Interest accrued		182,856	982,037	889,247	275,646
		<b>33,098,616</b>	<b>112,684,839</b>	<b>109,566,697</b>	<b>36,216,758</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 35. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Placements from banks <sup>(i)</sup>	—	10,000,000
Placements from other financial institutions <sup>(ii)</sup>	4,500,000	1,000,000
Interest accrued	12,639	2,762
	<b>4,512,639</b>	<b>11,002,762</b>

- (i) As at June 30, 2021, there was no placement from banks (The interest rate at December 31, 2020: 2.20% to 3.35%).
- (ii) As at June 30, 2021, the coupon interest rate on due to other financial institutions was 2.80% (December 31, 2020: 2.80%) per annum.

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Clients' deposits for margin financing and securities lending	9,311,180	8,750,495
Clients' deposits for other brokerage business	87,754,855	76,690,748
	<b>97,066,035</b>	<b>85,441,243</b>

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

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

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

### 37. ACCRUED STAFF COSTS

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Non-current</b>		
Salaries, bonus and allowances	395,360	395,360
<b>Current</b>		
Salaries, bonus and allowances	6,427,144	6,631,362
Short-term social welfare	52,062	52,054
Defined contribution plans <sup>(i)</sup>	20,471	1,132
Others	89,020	75,289
	<b>6,588,697</b>	<b>6,759,837</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 the funds set up by the Government on a monthly basis. Besides, the group sets up annuity schemes and MPF Scheme for qualified employees in the PRC and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 38. OTHER PAYABLES AND ACCRUED CHARGES

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Settlement payables to brokers and clearing houses	3,950,786	7,241,096
Dividends payables to holders of ordinary shares and other equity instruments	3,988,237	592,196
Deposits of OTC derivative business <sup>(i)</sup>	18,208,788	7,255,884
Other tax payable	1,120,348	907,744
Commission and handling fee payable	115,567	120,918
Futures risk reserve	103,685	93,682
Notes payable	1,160,900	1,658,700
Others <sup>(ii)</sup>	914,911	581,635
	<b>29,563,222</b>	<b>18,451,855</b>

- (i) As at June 30, 2021 and December 31, 2020, the balance represents deposits received from investors on equity return swaps and OTC options which is refundable according to the contract terms upon the expiry date. These instruments contain non-closely related embedded derivatives as their returns are linked to the fluctuation of certain stock index or specific stock price. For those embedded derivatives with significant fair values, they are accounted for in these consolidated financial statements under note 28 after being bifurcated from their respective host contracts.
- (ii) Others mainly represent payables of annual membership fees, investor protection fund and other payables arising from normal course of business.

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Non-current</b>		
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities <sup>(i)</sup>	2,225,890	2,692,207
<b>Current</b>		
<b>Financial liabilities held for trading</b>		
— Equity securities	642,162	345,689
— Debt securities	17,307,570	9,581,296
— Gold	182,910	312,000
— Others	991,381	976,179
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities <sup>(i)</sup>	67,623	34,680
	<b>19,191,646</b>	<b>11,249,844</b>

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

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 40. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Current</b>		
<b>Analyzed by collateral type:</b>		
Bonds	120,256,660	101,396,458
Gold	19,694,498	17,861,737
	<b>139,951,158</b>	<b>119,258,195</b>
<b>Analyzed by market:</b>		
Stock exchanges	52,260,190	55,797,441
Interbank bond market	83,810,636	60,308,055
Over-the-counter	3,880,332	3,152,699
	<b>139,951,158</b>	<b>119,258,195</b>

## 41. LEASE LIABILITIES

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Within 1 year	303,676	294,159
Within a period of more than 1 year but not more than 2 years	251,242	237,189
Within a period of more than 2 years but not more than 5 years	397,645	415,381
Within a period of more than 5 years	293,610	313,670
	<b>1,246,173</b>	<b>1,260,399</b>
Less: Amount due for settlement within 12 months shown under current liabilities	(303,676)	(294,159)
Amount due for settlement after 12 months shown under non-current liabilities	942,497	966,240



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB 1. The Company's number of shares issued and their nominal value are as follows:

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Registered, issued and fully paid ordinary shares of RMB1 each:		
<b>At the beginning of the period/year</b>		
Domestic shares	7,422,006	5,719,009
Foreign invested shares	1,274,520	980,400
	<b>8,696,526</b>	<b>6,699,409</b>
<b>Effect of rights issue</b>		
Domestic shares	—	1,702,997
Foreign invested shares	—	294,120
	<b>—</b>	<b>1,997,117</b>
<b>At the end of the period/year</b>		
Domestic shares	7,422,006	7,422,006
Foreign invested shares	1,274,520	1,274,520
	<b>8,696,526</b>	<b>8,696,526</b>

Pursuant to the CSRC's Approval in respect of the Rights Issue of China Merchants Securities Co., Ltd. (Zheng Jian Xu Ke [2020] No. 723)\* (《關於核准招商證券股份有限公司配股的批覆》(證監許可[2020] 723號)), the new A Share rights share were allotted to all A Shareholders on the basis of three A Share rights shares for every ten existing A Shares ("A Share Rights Issue"). On July 20, 2020, the Company completed the A Share Rights Issue, and 1,702,997,123 new A Share rights shares had been allotted and issued at a price of RMB7.46 per share, raising funds of RMB12.704 billion. The new A Shares were listed on the Shanghai Stock Exchange on July 31, 2020.

Pursuant to the CSRC's Approval in respect of the Rights Issue of Overseas Listed Foreign Shares of China Merchants Securities Co., Ltd. (Zheng Jian Xu Ke [2019] No. 1946)\* (《關於核准招商證券股份有限公司境外上市外資股配股的批復》(證監許可[2019]1946號)), the new H Share rights shares were allotted to the Qualified H Shareholders on the basis of three H Share rights shares for every ten existing H Shares ("H Share Rights Issue"). As of the Last Payment Day dated August 11, 2020, 294,120,354 new H Share rights shares had been allotted and issued at a price of HKD8.185 per share, raising funds of HKD2.407 billion. The new H Shares were listed on the Hong Kong Stock Exchange on August 20, 2020.

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

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 42. SHARE CAPITAL (Continued)

During the year of 2020, the Company settled its treasury stocks and the number of shares and the consideration received are as follows:

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

On March 12, 2019, the 17th Meeting of the Sixth Session of the Board of the Company was held to consider and approve an A Share Repurchase Plan. On April 11, 2019, the Company issued an announcement that it intended to use all the A Shares repurchased for the Employee Stock Ownership Scheme according to relevant regulations. On December 26, 2019, the Company issued an announcement of Implementation Results and Share Changes of China Merchants Securities Co., Ltd. At the 28th meeting of the sixth session of the Board held on December 26, 2019, the Company approved, the Proposal on Early Completion of Repurchase A Shares of the Company. The aggregate number of A Shares repurchased by the Company through the centralized bidding was 40,020,780, accounting for 0.5974% of the Company's total existing share capital and the aggregate amount paid by the Company was RMB 663,895,568.36 (excluding transaction fees)

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

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43. OTHER EQUITY INSTRUMENTS

	As at June 30 2021	As at December 31 2020
	(Unaudited)	(Audited)
Perpetual subordinated bonds	15,000,000	15,000,000

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

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

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

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

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>At the beginning of the period/year</b>	288,626	542,629
<b>Debt instruments at fair value through other comprehensive income</b>		
Net changes in fair value during the period/year	31,936	(160,799)
Reclassification to profit or loss	(6,744)	(316,546)
Income tax impact	(7,690)	120,732
<b>Expected credit losses of debt instruments at fair value through other comprehensive income</b>		
Net changes in fair value during the period/year	(1,585)	9,511
Income tax impact	(466)	242
Equity instruments at fair value through other comprehensive income		
Net changes in fair value during the period/year	(296,111)	163,467
Income tax impact	74,028	(40,867)
<b>Share of fair value gain on financial assets at fair value through other comprehensive income of associates</b>		
Transfer to retained profits for cumulative fair value change of FVTOCI in associates upon disposal	22,101	—
Share of other comprehensive income that will not be reclassified subsequently to profit or loss	—	(22,095)
Share of other comprehensive income that will be reclassified subsequently to profit or loss	2,117	(7,648)
<b>At the end of the period/year</b>	<b>106,212</b>	<b>288,626</b>

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45. GENERAL RESERVES

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

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

In accordance with the "Financial Rules for Financial Enterprises", the Company is required to appropriate 10% of net profit derived in accordance with the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") before distribution to shareholders as general risk reserve from retained profits. Moreover, in accordance with the requirements of the guidance of CSRC about regulating financial institutions in the asset management business for collective asset management business of securities, the subsidiary, China Merchants Securities Asset Management Co., Ltd. had appropriated of 10% of management fees from large-size collective assets management business as general risk reserve since December 2018.

The Company appropriates 10% of net profit derived in accordance with PRC GAAP before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

The movements of the general reserves are exhibited at condensed consolidated statement of changes in equity for the six months ended June 30, 2021.

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Unsecured bank borrowings	449,920	252,375
Interest accrued	645	629
	<b>450,565</b>	<b>253,004</b>

As at June 30, 2021, the Group's unsecured long-term bank borrowings due within one year bore interest rate was 1.29% (December 31, 2020: 1.426% to 1.467%) per annum.

### 47. LONG-TERM BORROWINGS

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Unsecured bank borrowings	414,013	418,353

As at June 30, 2021, the Group's unsecured long-term bank borrowings bore floating interest rates ranging from 1.38% to 1.59% (December 31, 2020: 1.713%) per annum. The above loan will be repaid upon maturity within three years.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 48. BONDS PAYABLE DUE WITHIN ONE YEAR

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Non-convertible bonds <sup>(1)</sup>	30,197,924	35,238,855
Income certificates	372,570	—
Interest accrued	1,813,879	1,700,906
	<b>32,384,373</b>	<b>36,939,761</b>

<sup>(1)</sup> The details of non-convertible bonds are as follows

### As at June 30, 2021 (Unaudited):

Name	Issue amount	Value date	Maturity date	Coupon rate
18CMG5	2,500,000	18/07/2018	18/07/2021	4.38%
18CMG6	3,000,000	08/08/2018	08/08/2021	3.94%
18CMG8	1,800,000	07/09/2018	07/09/2021	4.23%
18CMF10	2,500,000	05/12/2018	05/12/2021	4.15%
19CMG1	1,500,000	08/03/2019	08/03/2022	3.59%
19CMF4	3,600,000	10/04/2019	10/04/2022	4.00%
19CMF6	4,000,000	25/04/2019	25/04/2022	4.28%
GF Assets Management – China Merchants Securities Capital Lending Phase III Asset-backed Special Plan	2,000,000	25/04/2019	25/04/2022	4.20%
20CMF4	1,500,000	25/03/2020	25/03/2022	2.85%
20CMF6	2,000,000	11/06/2020	08/07/2021	2.63%
20CMF7	4,000,000	11/06/2020	11/06/2022	3.15%
20CMG2	1,800,000	13/08/2020	26/08/2021	2.93%



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

<sup>(1)</sup> The details of non-convertible bonds are as follows (Continued)

**As at December 31, 2020 (audited):**

Name	Issue amount	Value date	Maturity date	Coupon rate
18CMG1	1,940,000	05/02/2018	05/02/2021	5.35%
18CMG3	1,000,000	12/06/2018	12/06/2021	4.78%
18CMG5	2,500,000	18/07/2018	18/07/2021	4.38%
18CMG6	3,000,000	08/08/2018	08/08/2021	3.94%
18CMG8	1,800,000	07/09/2018	07/09/2021	4.23%
18CMF10	2,500,000	05/12/2018	05/12/2021	4.15%
GF Assets Management – China Merchants Securities Capital Lending Phase II Asset-backed Special Plan	3,000,000	18/03/2019	18/03/2021	3.70%
19CMF3	1,700,000	10/04/2019	10/04/2021	3.85%
19CMF5	2,000,000	25/04/2019	25/04/2021	4.08%
19CMF8	4,000,000	29/05/2019	29/05/2021	3.78%
20CMF1	3,000,000	11/03/2020	26/03/2021	2.65%
20CMF3	2,000,000	25/03/2020	14/04/2021	2.65%
20CMF5	3,000,000	25/05/2020	09/06/2021	2.00%
20CMF6	2,000,000	11/06/2020	08/07/2021	2.63%
20CMG2	1,800,000	13/08/2020	26/08/2021	2.93%

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 49. BONDS PAYABLE

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Non-convertible bonds <sup>(1)</sup>	51,082,247	50,308,981
Subordinated bonds <sup>(2)</sup>	29,949,360	5,489,886
Income certificates	1,595,098	242,000
	<b>82,626,705</b>	<b>56,040,867</b>

<sup>(1)</sup> The details of non-convertible corporate bonds are as follows

### As at June 30, 2021 (Unaudited):

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
12CM03	RMB	5,500,000	05/03/2013	05/03/2023	5.15%
14CM bond	RMB	5,500,000	26/05/2015	26/05/2025	5.08%
19CM01BC	RMB	5,000,000	11/10/2019	11/10/2022	3.45%
CMSEC N2301	USD	300,000	21/01/2020	21/01/2023	2.63%
20CMG1	RMB	3,000,000	22/07/2020	22/07/2023	3.55%
20CMG3	RMB	3,000,000	13/08/2020	13/08/2023	3.50%
20CMG4	RMB	2,900,000	21/09/2020	21/09/2022	3.55%
20CMG5	RMB	2,900,000	21/09/2020	21/09/2023	3.78%
20CMG6	RMB	3,000,000	26/10/2020	26/10/2022	3.43%
20CMG7	RMB	1,000,000	26/10/2020	26/10/2023	3.63%
21CMG1	RMB	1,500,000	18/01/2021	18/01/2023	3.24%
21CMG2	RMB	4,500,000	18/01/2021	18/01/2024	3.53%
21CMG3	RMB	1,400,000	28/01/2021	28/01/2024	3.58%
21CMF1	RMB	2,500,000	26/02/2021	26/08/2022	3.55%
21CMF2	RMB	7,500,000	26/02/2021	26/08/2023	3.85%

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49. BONDS PAYABLE (Continued)

<sup>(1)</sup> The details of non-convertible corporate bonds are as follows (Continued)

**As at December 31, 2020 (Audited):**

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
12CM03	RMB	5,500,000	05/03/2013	05/03/2023	5.15%
14CM bond	RMB	5,500,000	26/05/2015	26/05/2025	5.08%
19CMG1	RMB	1,500,000	08/03/2019	08/03/2022	3.59%
19CMF4	RMB	3,600,000	10/04/2019	10/04/2022	4.00%
19CMF6	RMB	4,000,000	25/04/2019	25/04/2022	4.28%
GF Assets Management – China Merchants Securities Capital Lending Phase III Asset-backed Special Plan	RMB	2,000,000	25/04/2019	25/04/2022	4.20%
19CM01BC	RMB	5,000,000	11/10/2019	11/10/2022	3.45%
CMSEC N2301	USD	300,000	21/01/2020	21/01/2023	2.625%
20CMF4	RMB	1,500,000	25/03/2020	25/03/2022	2.85%
20CMF7	RMB	4,000,000	11/06/2020	11/06/2022	3.15%
20CMG1	RMB	3,000,000	22/07/2020	22/07/2023	3.55%
20CMG3	RMB	3,000,000	13/08/2020	13/08/2023	3.50%
20CMG4	RMB	2,900,000	21/09/2020	21/09/2022	3.55%
20CMG5	RMB	2,900,000	21/09/2020	21/09/2023	3.78%
20CMG6	RMB	3,000,000	26/10/2020	26/10/2022	3.43%
20CMG7	RMB	1,000,000	26/10/2020	26/10/2023	3.63%

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

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 49. BONDS PAYABLE (Continued)

(2) The details of subordinated corporate bonds are as follows

**As at June 30, 2021 (Unaudited):**

Name	Issue amount	Value date	Maturity date	Coupon rate
20CMC1	4,430,000	03/12/2020	03/06/2023	4.38%
20CMC2	1,070,000	03/12/2020	03/12/2023	4.43%
21CMC1	4,800,000	27/01/2021	27/01/2024	3.95%
21CMC2	6,000,000	09/03/2021	09/03/2024	3.95%
21CMC3	6,000,000	15/04/2021	15/04/2024	3.80%
21CMC4	3,000,000	18/05/2021	18/11/2023	3.55%
21CMC5	2,700,000	24/06/2021	24/06/2023	3.48%
21CMC6	2,000,000	24/06/2021	23/12/2023	3.60%

**As at December 31, 2020 (Audited):**

Name	Issue amount	Value date	Maturity date	Coupon rate
20CMC1	4,430,000	03/12/2020	03/06/2023	4.38%
20CMC2	1,070,000	03/12/2020	03/12/2023	4.43%

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50. DIVIDENDS

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Dividend recognized as distribution	3,800,382	2,913,336
Distribution to holders of other equity instruments	397,749	802,090

Pursuant to the resolution of the shareholders meeting held on June 4, 2021, the Company declared cash dividends of RMB3.47 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 and none of these dividends were paid during the current period.

Pursuant to the resolution of the second extraordinary shareholders meeting held on October 30, 2020, the Company declared cash dividends of RMB3.35 for every 10 shares (tax included) based on 8,696,526,806 shares. In aggregate, it amounted to RMB2,913,336 thousand for the six months ended June 30, 2020.

During the current period, dividend of the Group on perpetual subordinated bonds amounted to RMB397,749 thousand and the accumulated amounts paid by the Company for perpetual subordinated bonds amounted to RMB802,090 thousand.

### 51. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group include asset management schemes, limited partnership, trust products and investment funds where the Group involves as a manager or as an investor. The Group assesses whether 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 June 30, 2021, the Group consolidated 22 structured entities (December 31, 2020: 15 structured entities). The total assets of the consolidated structured entities were RMB21,516,780 thousand (December 31, 2020: RMB7,964,224 thousand).

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 52. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

As at June 30, 2021, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB526,337,705 thousand (December 31, 2020: RMB 567,078,160 thousand).

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

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

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

The carrying amount of the related accounts in the condensed consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at June 30, 2021 and December 31, 2020, which are listed below:



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at June 30, 2021 (Unaudited)	
	Financial assets at fair value through profit or loss	Total
Funds	19,953,394	19,953,394
Trust schemes	3,023,150	3,023,150
Wealth management products	2,192,617	2,192,617
Others	46,976,655	46,976,655
	<b>72,145,816</b>	<b>72,145,816</b>

	As at December 31, 2020 (Audited)		
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Funds	—	15,558,117	15,558,117
Trust schemes	—	2,173,209	2,173,209
Wealth management products	—	1,161,356	1,161,356
Others	7,218,586	29,004,808	36,223,394
	<b>7,218,586</b>	<b>47,897,490</b>	<b>55,116,076</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 53. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (1) Relationship of related parties

#### (a) Major shareholders

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

Shareholding percentage in the Company

	As at June 30, 2021	As at December 31, 2020
China Merchants Finance Investment Holdings Co., Ltd.	23.55%	23.55%
Shenzhen Jisheng Investment Development Co., Ltd.	19.59%	19.59%
China Ocean Shipping (Group) Company	6.26%	6.26%

#### (b) Associates of the Group

The details information of the Group's associates is set out in note 18.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

## 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

#### (c) Other related parties

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

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

Significant related legal entities	The relationship with the Group
China Merchants Bank Co., Ltd.	Significant influence by the ultimate controlling company
Shenzhen Expway Co., Ltd.*	Significant influence by the ultimate controlling company
China Merchants (Shanghai) Investment Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Sinotrans Limited	Fellow subsidiary of the ultimate controlling company
Shenzhen Merchants Daojiahui Technology Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Real Estate (Beijing) Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Real Estate (Suzhou) Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Fellow subsidiary of the ultimate controlling company
Shenzhen Merchants Property Management Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Zhuhai Yiyun Real Estate Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Real Estate (Hangzhou) Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
China Merchants Energy Transportation Co., Ltd.	Fellow subsidiary of the ultimate controlling company
Beijing Zhaoyi Enterprise Management Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Shanghai Rural Commercial Bank Co., Ltd.	The director of the Company acts as a director of the entity

\* English name translation is for identification purpose only.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (2) Related parties transaction and balances

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

Transactions between the Group and the associates:

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
<b>Fee and commission income</b>		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	126,915	83,319

Balance between the Group and the associates:

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Accounts and other receivables</b>		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	237,720	204,519

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

## 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

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

Transactions between the Group and other related parties:

Name of related party	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
<b>Fee and commission income</b>		
— China Merchants Bank Co., Ltd.	31,782	36,313
— Sinotrans Limited	—	3,000
— China Merchants Energy Transportation Co., Ltd.	—	5,530
— Shenzhen Expway Co.,Ltd.*	2,677	2,543
<b>Interest income</b>		
— China Merchants Bank Co., Ltd.	224,473	244,986
<b>Fee and commission expenses</b>		
— China Merchants Bank Co., Ltd.	129,459	130,542
<b>Interest expenses of placement and borrowings from banks</b>		
— China Merchants Bank Co., Ltd.	5,268	9,725
<b>Other operating expenses</b>		
— China Merchants Bank Co., Ltd.	34,753	33,870
— Shenzhen Merchants Property Management Co., Ltd.*	15,406	5,129
— China Merchants (Shanghai) Investment Co., Ltd.*	3,132	4,630
— Shenzhen Merchants Daojiahui Technology Co., Ltd.*	7,003	1,652
<b>Interest expenses of lease liabilities</b>		
— China Merchants Bank Co., Ltd.	9,237	9,733
<b>Interest expenses of repurchase agreements business</b>		
— Shanghai Rural Commercial Bank Co., Ltd.	6,956	2,378
— China Merchants Bank Co., Ltd.	9,863	2,822

\* English name translation is for identification purpose only.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

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

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

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Accounts and other receivables</b>		
— Qingdao Asset Management Co., Ltd.		66,354
— Zhuhai Yiyun Real Estate Co., Ltd.*	296,323	284,512
— China Merchants Real Estate (Hangzhou) Co., Ltd.*	499,640	499,640
<b>Bank balances</b>		
— China Merchants Bank Co., Ltd.	30,523,495	25,374,694
<b>Borrowings</b>		
— China Merchants Bank Co., Ltd.	832,422	421,124
<b>Placements from banks</b>		
— China Merchants Bank Co., Ltd.	—	3,000,408
<b>Other payables</b>		
— Beijing Zhaoyi Enterprise Management Co., Ltd. *	139,626	95,526
<b>Lease liabilities</b>		
— China Merchants Bank Co., Ltd.	570,798	591,553

\* English name translation is for identification purpose only.



# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

## 53. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (3) Key management personnel

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

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Short-term benefits		
— Salaries, bonus and allowances	4,826	16,245
Post-employment benefits		
— Contribution to retirement schemes	943	747
	<b>5,769</b>	<b>16,992</b>

### (4) Other related party transactions

In December 2015, China Merchants Shekou Industrial Zone Holdings Co., Ltd. issued A Shares for the purpose to acquire China Merchants Property Development Co., Ltd. and issued A Shares to certain specific targets for the fund raising purpose. As at June 30, 2021 and December 31, 2020, the Company held 52,708 thousand and 52,708 thousand of the non-public offering of China Merchants Shekou Industrial Zone Holdings Co., Ltd. through the structured entity controlled by China Merchants Zhiyuan Capital Investment Co., Ltd., a subsidiary of the Group. The fair values of the above shares were amounting to RMB 577,150 thousand and RMB 700,486 thousand, respectively.

As of June 30, 2021, China Merchants Securities Investment Co., Ltd., a subsidiary of the Group, has signed cooperation framework agreement with China Merchants Real Estate (Beijing) Co., Ltd., China Merchants Real Estate (Suzhou) Co., Ltd., Zhuhai Yiyun Real Estate Co., Ltd and China Merchants Real Estate (Hangzhou) Co., Ltd. about the Beijing Yizhuang Residential Project, Wuxi Huishan Real Estate Project, the Changsha Yuelu Real Estate Project and the Hangzhou Xiaoshan Real Estate Project. China Merchants Securities Investment Co., Ltd will invest no more than RMB500 million, RMB300 million, RMB300 million and RMB500 million in above entities respectively. As at June 30, 2021, China Merchants Securities Investment Co., Ltd. has recognized financial assets at fair value through profit or loss of RMB472 million and RMB304 million and has made prepayment of RMB296 million and RMB500 million for the Changsha Yuelu Real Estate Project and the Hangzhou Xiaoshan Real Estate Project, respectively (As at December 31, 2020, China Merchants Securities Investment Co., Ltd. has recognized financial assets at fair value through profit or loss of RMB465 million and RMB299 million and has made prepayment of RMB285 million and RMB500 million for the Changsha Yuelu Real Estate Project and the Hangzhou Xiaoshan Real Estate Project, respectively.).

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. SEGMENT INFORMATION

### (1) Business segment

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

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

Management monitors the operating results of the Group's business units separately for the purpose of resource allocation and other operating decisions. Segment performance is measured consistently with operating profit or loss in the consolidated financial statements except that income taxes are not allocated to operating segments.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. SEGMENT INFORMATION (Continued)

### (1) Business segment (Continued)

The operating and reportable segment information provided to the chief operating decision makers (hereinafter refer as “CODM”) for the six months ended June 30, 2021 and 2020 is as follows:

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>Unaudited</b>							
<b>For the six months ended June 30, 2021</b>							
Segment revenue and results							
Segment revenue	9,565,173	972,347	793,093	6,005,993	121,367	(16,030)	17,441,943
Segment other income and gains or losses	11,055	500	7,744	106	1,806,004	—	1,825,409
Segment revenue and other income	9,576,228	972,847	800,837	6,006,099	1,927,371	(16,030)	19,267,352
Segment expenses	(6,525,638)	(474,491)	(229,638)	(3,686,999)	(2,306,252)	16,030	(13,206,988)
Segment result	3,050,590	498,356	571,199	2,319,100	(378,881)	—	6,060,364
Share of results of associates <sup>(i)</sup>	—	—	1,533	2,897	748,118	—	752,548
Profit before income tax	3,050,590	498,356	572,732	2,321,997	369,237	—	6,812,912
<b>Unaudited</b>							
<b>As at June 30, 2021</b>							
Segment assets and liabilities							
Segment assets	228,760,401	1,446,308	11,096,462	327,117,242	24,161,424	(6,208,503)	586,373,334
Segment liabilities	(166,689,907)	(1,698,469)	(4,553,981)	(290,113,596)	(22,423,288)	6,208,503	(479,270,738)
<b>For the six months ended June 30, 2021</b>							
Other segment information							
Amounts included in the segment profit or loss or segment assets:							
Interest income	4,426,271	—	68,165	935,547	121,367	(16,030)	5,535,320
Interest expenses	(2,051,348)	(51,529)	(25,560)	(2,347,170)	(6,967)	16,030	(4,466,544)
Capital expenditure	(53,416)	(3,496)	(4,846)	(3,260)	(46,733)	—	(111,751)
Depreciation and amortization	(180,153)	(25,592)	(4,688)	(13,634)	(91,400)	—	(315,467)
Impairment losses, net of reversal	(150,116)	—	—	137	—	—	(149,979)

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 54. SEGMENT INFORMATION (Continued)

### (1) Business segment (Continued)

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>Unaudited</b>							
<b>For the six months ended June 30, 2020</b>							
Segment revenue and results							
Segment revenue	7,410,902	804,210	735,723	3,978,765	182,361	(24,555)	13,087,406
Segment other income and gains or losses	6,574	32	1,815	1	2,010,021	—	2,018,443
Segment revenue and other income	7,417,476	804,242	737,538	3,978,766	2,192,382	(24,555)	15,105,849
Segment expenses	(4,798,155)	(379,432)	(172,611)	(2,526,329)	(2,407,599)	24,555	(10,259,571)
Segment result	2,619,321	424,810	564,927	1,452,437	(215,217)	—	4,846,278
Share of results of associates <sup>(i)</sup>	—	—	259	19,763	446,064	—	466,086
Profit before income tax	2,619,321	424,810	565,186	1,472,200	230,847	—	5,312,364
<b>Audited</b>							
<b>As at December 31, 2020</b>							
Segment assets and liabilities							
Segment assets	200,419,102	2,040,296	11,861,871	269,177,708	24,148,203	(7,920,501)	499,726,679
Segment liabilities	(145,020,219)	(2,446,707)	(5,440,336)	(231,330,767)	(17,584,438)	7,920,501	(393,901,966)
<b>Unaudited</b>							
<b>For the six months ended June 30, 2020</b>							
Other segment information							
Amounts included in the segment profit or loss or segment assets:							
Interest income	3,307,869	—	95,294	986,664	182,361	(24,555)	4,547,633
Interest expenses	(1,461,051)	(22,739)	(37,808)	(1,642,391)	(6,614)	24,555	(3,146,048)
Capital expenditure	(33,613)	(2,315)	(20)	(2,268)	(9,150)	—	(47,366)
Depreciation and amortization	(162,841)	(23,947)	(4,550)	(13,081)	(83,287)	—	(287,706)
Impairment losses, net of reversal	(63,425)	—	—	(17,591)	—	—	(81,016)

- (i) The interests in associates of Investment management segment and others segment were RMB10,221 thousand (December 31, 2020: RMB10,929 thousand), and RMB8,783,897 thousand (December 31, 2020: RMB8,473,701 thousand) respectively as at June 30, 2021. There was no interests in associates in investment and trading segment as at June 30, 2021 (December 31, 2020: RMB1,023,519 thousand).

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. SEGMENT INFORMATION (Continued)

#### (2) Geographical segments

The Group has two major geographical operation in the PRC, namely Mainland China and Hongkong, which are also the Group's revenue from and the Group's assets located in. The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property and equipment, right-of-use assets, goodwill, other intangible assets, interests in associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on i) the physical location of the asset or ii) the place of incorporation of the business units under which the goodwill is recorded.

	Mainland China	Outside Mainland China	Total
<b>For the six months ended June 30, 2021 (Unaudited)</b>			
<b>Segment revenue and results</b>			
Revenue	16,121,285	1,320,658	17,441,943
Other income and gains or losses, net	1,816,902	8,507	1,825,409
	<b>17,938,187</b>	<b>1,329,165</b>	<b>19,267,352</b>
<b>For the six months ended June 30, 2020 (Unaudited)</b>			
<b>Segment revenue and results</b>			
Revenue	12,807,773	279,633	13,087,406
Other income and gains or losses, net	2,002,568	15,875	2,018,443
	<b>14,810,341</b>	<b>295,508</b>	<b>15,105,849</b>

#### *Specified non-current assets*

	Mainland China	Outside Mainland China	Total
<b>As at June 30, 2021 (Unaudited)</b>			
Specified non-current assets	12,897,419	157,273	13,054,692
<b>As at December 31, 2020 (Audited)</b>			
Specified non-current assets	13,645,731	180,389	13,826,120

#### (3) Information about major customers

There were no customers for each of the six months period ended June 30, 2021 and 2020 contributed over 10% of the total revenue of the Group.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT

### (1) Risk management structure

Since its establishment, the Group has been developing an all-around, innovative and forward-looking risk management system, which is aligned with its operation strategy and focuses on its frontier departments at the business 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 of relevant risk management departments and direct management of other departments, branches and its wholly-owned subsidiaries.

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

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

- (i) the Board of Directors and the Directors Risk Management Committee are responsible for considering and approving the Company's risk appetite, risk tolerance and various risk limit indicators. They are also responsible for convening quarterly meetings, reviewing quarterly risk reports and reviewing the Company's overall risk management;
- (ii) the Supervisory Committee of the Group is responsible for supervising and examining the operations of the comprehensive risk management system of the Company;
- (iii) the senior management is responsible for the risk management of business operations, determining risk control measures and formulating risk limit indicators on a regular basis by reference to the risk evaluation reports. The Risk Management Committee set up by the senior management is the ultimate risk decision-making body at operation level. The Chief Risk Officer of the Company is responsible for establishing comprehensive risk management system, monitoring, evaluating and reporting the overall risk level of the Group and providing risk management suggestion on business decisions. The Risk Management Committee consists of the Securities Investment Decision Committee, the Credit Risk Committee, the Valuation Committee, the Capital Commitment Committee and the Investment Banking Business Risk Policy Committee. Within the scope of their authorization, experts shall review and collectively make decisions on the risks of securities investment, credit risk, securities valuation, capital commitment and investment banking business. The Company integrates the risk management of the subsidiary into the overall risk management system and carries out vertical management. The person in charge of the risk management of the subsidiary shall be nominated, appointed, removed and assessed by the chief risk officer of the Group.



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

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

- (iv) 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 and a spot counterparty to meet its payment obligation in trading of over the counter ("OTC") derivatives such as equity swaps, interest rate swap, OTC futures and forward contracts; (d) risk arising from the default of customers in brokerage business in respect of trading of securities, futures and other financial products, when there was shortfall of funds after liquidation of client's accounts on settlement dates.

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

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

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

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

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

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

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

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

- If the credit risk of the financial instrument has not increased significantly since its initial recognition, it is classified as “Stage 1” and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The increase in or reversal of the impairment loss allowance is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument over its lifetime. The increase in or reversal of the impairment loss allowance is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

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

- 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.

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

- Advances to customers: exposures with collateral coverage ratio less than 100% for more than 30 days are considered to be credit impaired and recognized as Stage 3; exposures with collateral coverage ratio less than 100% for less than 30 days are considered to experience significant increase in risk and recognized as Stage 2; for exposures that do not have the above situations are considered to be credit risk not increased significantly and recognized as Stage 1.
- Financial assets (pledged by stocks) held under resale agreements: based on the obligors’ credit quality, contract maturity date, the related collateral securities information, which including the sector situation, liquidity discount factor, concentration, volatility and related information, the Group sets different collateral coverage ratios (generally not less than 160%) as margin calls and force liquidation thresholds (collateral coverage ratios generally not less than 140%) against different exposures related to these transactions. Exposures with collateral coverage ratios fall below the pre-determined force liquidation thresholds for more than 30 days or those past due for more than 30 days are considered to be credit impaired and recognized as Stage 3; exposures with collateral coverage ratios fall below the pre-determined force liquidation thresholds for less than 30 days or those past due for less than 30 days are considered to experience significant increase in credit risks and recognized as Stage 2; for exposures that do not have the above situations are considered to be credit risk not increased significantly and recognized as Stage 1.
- For debt investment exposures, financial instruments with lower credit risk at the end of the reporting period, or financial instruments with no significant increase in credit risk after initial recognition will be included in Stage 1; financial instruments whose credit risk has increased significantly since its initial recognition, while no credit loss has occurred, that is, there is no objective evidence of a credit loss event, will be included in Stage 2; purchased or originated credit impaired financial instruments, or non-purchased or originated financial instruments that have suffered credit impairment will be included in Stage 3.

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

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

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

On the basis of credit rating of counterparties, credit assessment on borrowers and the quantitative management of collaterals, the Group fully considers the customer portfolio of each credit related transaction, the amount of a single debt, the term of borrowing, the maintenance margin ratio and the degree of collateral concentration, etc., and makes sure the above factors are reflected in parameters such as PD, LGD and maturity of borrowers. Then the perform stress tests and sensitivity analysis to conduct supplementary measurement on credit risks.

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

For credit business, based on the obligors' credit quality, contract maturity date, the related collateral securities information, which including the sector situation, liquidity discount factor, restriction, concentration, volatility, price, operation of issuers etc., the Group uses loss rate method to estimate loss rate through the maintenance margin ratio, adopting the method of individual identification to identify each transaction in order to measure the impairment loss allowance of high risk credit business.

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

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

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

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

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

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

##### *SICR*

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

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

Other events being identified as an indicator of a significant increase in credit risks, include:

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

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

According to the Guidance on Impairment of Financial Instruments of Securities Companies issued by CSRC, criteria of low credit risks are as follows:

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



# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

#### *Forward looking information*

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

For debt securities investments, forward looking adjustment factors are firstly evaluated mainly based on analyzing the relationship between the default rate and the long-term average default rate under different economic environments (or macroeconomic factors) in China and other countries through historical data analysis, and determined through forecasting economic environment. When making forward looking factor adjustments, the Group considers three different scenarios to appropriately reflect the non-linearities of the development of key economic indicators and determine scenario weightings by data analysis and professional judgment.

For the current period, the weighted average forecasted (weighted average of optimistic, neutral and pessimistic scenarios) growth rate of the Gross Domestic Product made by the Group was 9%, and the weighted forward looking adjustment factors for bonds of AAA, AA+, AA, and AA- and below are 1.0, 1.2, 1.3, and 1.7, respectively.



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

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

##### (a) Maximum credit risk exposure

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Financial assets at fair value through profit or loss <sup>(i)</sup>	156,899,418	119,046,252
Derivative financial assets	1,735,249	1,726,339
Advances to customers	104,553,305	81,754,350
Financial assets held under resale agreements	39,962,646	52,260,325
Accounts and other receivables	9,312,247	7,149,847
Deposits with exchanges and non-bank financial institutions	9,997,669	9,067,233
Clearing settlement funds	17,729,009	22,529,340
Cash and bank balances	99,028,216	82,838,593
Debt instruments at amortized cost	1,588,137	1,739,390
Debt instruments at fair value through other comprehensive income	49,538,404	44,614,600
Equity instruments at fair value through other comprehensive income <sup>(ii)</sup>	840,164	199,950
	<b>491,184,464</b>	<b>422,926,219</b>

- (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.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

#### (b) Risk concentration

The Group's maximum credit risk exposure without taking account of any collaterals and other credit enhancements are categorized by geographical area as follows:

#### As at June 30, 2021 (Unaudited)

	Mainland China	Outside Mainland China	Total (Unaudited)
Financial assets at fair value through profit or loss	154,672,237	2,227,181	156,899,418
Derivative financial assets	1,689,435	45,814	1,735,249
Advances to customers	89,828,732	14,724,573	104,553,305
Financial assets held under resale agreements	39,962,646	—	39,962,646
Accounts and other receivables	4,884,828	4,427,419	9,312,247
Deposits with exchanges and non-bank financial institutions	9,814,367	183,302	9,997,669
Clearing settlement funds	17,465,858	263,151	17,729,009
Cash and bank balances	87,320,741	11,707,475	99,028,216
Debt instruments investment at amortized cost	1,454,239	133,898	1,588,137
Debt instruments at fair value through other comprehensive income	47,604,848	1,933,556	49,538,404
Equity instruments at fair value through other comprehensive income	840,164	—	840,164
<b>Maximum credit risk exposure</b>	<b>455,538,095</b>	<b>35,646,369</b>	<b>491,184,464</b>

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

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

#### As at December 31, 2020 (Audited)

	Mainland China	Outside Mainland China	Total (Audited)
Financial assets at fair value through profit or loss	117,655,630	1,390,622	119,046,252
Derivative financial assets	1,693,163	33,176	1,726,339
Advances to customers	77,871,977	3,882,373	81,754,350
Financial assets held under resale agreements	52,260,325	—	52,260,325
Accounts and other receivables	4,525,466	2,624,381	7,149,847
Deposits with exchanges and non-bank financial institutions	8,879,602	187,631	9,067,233
Clearing settlement funds	22,375,249	154,091	22,529,340
Cash and bank balances	73,808,294	9,030,299	82,838,593
Debt instruments investment at amortized cost	1,605,438	133,952	1,739,390
Debt instruments at fair value through other comprehensive income	42,544,385	2,070,215	44,614,600
Equity instruments at fair value through other comprehensive income	199,950	—	199,950
<b>Maximum credit risk exposure</b>	<b>403,419,479</b>	<b>19,506,740</b>	<b>422,926,219</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (2) Credit risk (Continued)

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

The carrying amounts of debt securities at the end of the year are categorized by rating distribution as follows:

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Rating</b>		
Domestic bonds		
— PRC sovereign bonds <sup>(i)</sup>	81,953,499	87,734,530
— AAA	103,946,864	57,010,971
— AA+	8,196,901	7,206,493
— AA	2,023,809	1,833,533
— AA-	9,571	7,467
— AA- below	73,782	40,857
— A-1	1,403,433	941,299
— Non-rated	1,578,717	2,907,371
<b>Sub-total</b>	<b>199,186,576</b>	<b>157,682,521</b>
Overseas bonds <sup>(ii)</sup>		
— PRC sovereign bonds <sup>(i)</sup>	2,680	3,398
— A	805,267	166,916
— B	3,414,554	3,389,269
— Non-rated	72,134	35,207
<b>Sub-total</b>	<b>4,294,635</b>	<b>3,594,790</b>
	<b>203,481,211</b>	<b>161,277,311</b>

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

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

- (i) PRC sovereign bonds represent the rating of treasury bonds issued by the PRC government. AAA to AA- and below AA- rating represents rating on bonds (If there is no rating on bonds, then the rating on issuers will be used), among which AAA rating represents the highest rating. A-1 rating represents rating on short-term financing bonds. Non-rated means that bonds or corporates are not rated by any independent rating agency.
- (ii) Credit rating of overseas bonds were derived from the lowest of Moody, Stand&Poor's and Fitch, if any. Bonds which are not rated by the above agencies are classified as non-rated. Included in A rating are bonds rated Aaa~A3 by Moody, AAA~A- by S&P and AAA~A- by Fitch; B rating are the bonds rated Baa1~B3 by Moody, BBB+~B- by S&P and BBB+~B- by Fitch; C rating are the bonds rated Caa1~C by Moody, CCC+~C by S&P and CCC~C by Fitch; D rating are bonds rated D by S&P and D by Fitch.

#### (3) Liquidity risk

##### (a) Source 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 operation of each business and each branch.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (3) Liquidity risk (Continued)

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

At June 30, 2021(Unaudited)

	Carrying amount	On demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Non-derivative financial liabilities</b>								
Borrowings	22,020,676	—	20,767,610	272,975	582,662	425,950	—	22,049,197
Short-term debt instruments	36,791,763	—	6,563,004	23,425,428	7,025,342	—	—	37,013,774
Placements from banks and other financial institutions	4,512,639	—	1,510,617	3,021,233	—	—	—	4,531,850
Bonds payable	115,011,078	—	4,794,037	7,164,650	22,859,472	88,056,160	—	122,874,319
Financial assets sold under repurchase agreements	139,951,158	—	121,321,655	2,739,686	16,034,307	—	—	140,095,648
Financial liabilities at fair value through profit or loss	21,417,536	1,517,243	17,637,618	36,785	—	2,225,890	—	21,417,536
Accounts payable to brokerage clients	97,066,035	97,066,035	—	—	—	—	—	97,066,035
Other payables and accrued charges	22,429,343	22,381,625	47,718	—	—	—	—	22,429,343
Notes payable	1,160,900	—	—	—	1,160,900	—	—	1,160,900
Lease liabilities	1,246,173	—	28,653	55,310	225,400	703,715	375,917	1,388,995
<b>Total</b>	<b>461,607,301</b>	<b>120,964,903</b>	<b>172,670,912</b>	<b>36,716,067</b>	<b>47,888,083</b>	<b>91,411,715</b>	<b>375,917</b>	<b>470,027,597</b>
<b>Derivative financial liabilities — net settlement</b>	<b>3,187,070</b>	<b>492,312</b>	<b>306,441</b>	<b>923,497</b>	<b>1,095,418</b>	<b>369,402</b>	<b>—</b>	<b>3,187,070</b>



# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (3) Liquidity risk (Continued)

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

At December 31, 2020(Audited)

	Carrying amount	On demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Non-derivative financial liabilities</b>								
Borrowings	3,961,652	—	3,291,906	1,829	260,238	435,800	—	3,989,773
Short-term debt instruments	36,216,758	—	8,899,962	17,446,690	10,173,277	—	—	36,519,929
Placements from banks and other financial institutions	11,002,762	—	10,004,954	1,007,078	—	—	—	11,012,032
Bonds payable	92,980,628	—	25,692	8,561,451	30,090,616	59,920,084	—	98,597,843
Financial assets sold under repurchase agreements	119,258,195	—	103,989,535	3,387,241	12,196,554	—	—	119,573,330
Financial liabilities at fair value through profit or loss	13,942,051	1,000,198	9,779,066	470,580	—	2,692,207	—	13,942,051
Accounts payable to brokerage clients	85,441,243	85,441,243	—	—	—	—	—	85,441,243
Other payables and accrued charges	14,763,594	14,714,491	49,101	—	—	—	—	14,763,592
Notes payable	1,658,700	—	—	499,500	1,159,200	—	—	1,658,700
Lease liabilities	1,260,399	—	24,341	52,534	222,301	707,882	404,212	1,411,270
<b>Total</b>	<b>380,485,982</b>	<b>101,155,932</b>	<b>136,064,557</b>	<b>31,426,903</b>	<b>54,102,186</b>	<b>63,755,973</b>	<b>404,212</b>	<b>386,909,763</b>
<b>Derivative financial liabilities — net settlement</b>	<b>3,071,802</b>	<b>595,208</b>	<b>343,340</b>	<b>1,414,875</b>	<b>684,056</b>	<b>34,323</b>	<b>—</b>	<b>3,071,802</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. 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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

##### (b) Price risk

#### Value at Risk ("VaR")

The Group adopts Value at Risk ("VaR") as the risk evaluation tool for measuring the market risk of the entire securities investment portfolio which comprises various financial instruments. VaR analysis is a statistical technique that estimates the potential maximum losses that could occur on risk positions due to movements in 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:

	As at June 30, 2021	As at December 31, 2020
Final	(Unaudited)	(Audited)
Market risk of equity price	279,169	289,250
Market risk of interest rate	49,190	54,910
Market risk of commodity price	22,003	11,385
Market risk of foreign exchange	391	480
Diversification effect	(47,037)	(39,556)
<b>Total</b>	<b>303,716</b>	<b>316,469</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (4) Market risk (Continued)

#### (c) Interest rate risk

The tables below summarize the Group's interest-bearing financial assets and liabilities as at 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 June 30, 2021(Unaudited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial assets</b>							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	979,660	979,660
Debt instruments at fair value through other comprehensive income	2,177,678	4,870,529	14,947,963	27,542,234	—	—	49,538,404
Financial assets at fair value through profit or loss	4,084,377	8,300,860	62,049,484	57,691,053	18,648,647	87,106,529	237,880,950
Derivative financial assets	2,507	8,073	9,363	—	—	1,715,306	1,735,249
Advances to customers	21,866,099	16,428,133	66,259,073	—	—	—	104,553,305
Financial assets held under resale agreements	23,403,320	3,521,866	11,644,914	1,392,546	—	—	39,962,646
Debt instruments at amortized cost	39,241	372,008	747,856	429,032	—	—	1,588,137
Accounts and other receivables	—	—	—	—	—	1,076,782	1,076,782
Deposits with exchanges and non-bank financial institutions	9,997,669	—	—	—	—	—	9,997,669
Clearing settlement funds	17,729,009	—	—	—	—	—	17,729,009
Cash and bank balances	97,885,853	—	1,142,356	—	—	7	99,028,216
<b>Sub-total</b>	<b>177,185,753</b>	<b>33,501,469</b>	<b>156,801,009</b>	<b>87,054,865</b>	<b>18,648,647</b>	<b>90,878,284</b>	<b>564,070,027</b>

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	At June 30, 2021(Unaudited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial liabilities</b>							
Borrowings	20,761,340	270,584	574,739	414,013	—	—	22,020,676
Short-term debt instruments	6,547,186	23,324,709	6,919,868	—	—	—	36,791,763
Placements from banks and other financial institutions	1,507,117	3,005,522	—	—	—	—	4,512,639
Bonds payable	4,730,151	7,070,933	20,583,289	82,626,705	—	—	115,011,078
Financial assets sold under repurchase agreements	121,581,318	2,707,018	15,662,822	—	—	—	139,951,158
Derivative financial liabilities	3,722	—	—	—	—	3,183,348	3,187,070
Financial liabilities at fair value through profit or loss	17,307,570	—	—	—	—	4,109,966	21,417,536
Accounts payable to brokerage clients	97,066,035	—	—	—	—	—	97,066,035
Other payables and accrued charges	—	—	—	—	—	22,429,070	22,429,070
Lease liabilities	28,515	54,809	220,352	648,888	293,609	—	1,246,173
<b>Sub-total</b>	<b>269,532,954</b>	<b>36,433,575</b>	<b>43,961,070</b>	<b>83,689,606</b>	<b>293,609</b>	<b>29,722,384</b>	<b>463,633,198</b>
<b>Net position</b>	<b>(92,347,201)</b>	<b>(2,932,106)</b>	<b>112,839,939</b>	<b>3,365,259</b>	<b>18,355,038</b>	<b>61,155,900</b>	<b>100,436,829</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (4) Market risk (Continued)

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

	At December 31, 2020(Audited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial assets</b>							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	7,420,580	7,420,580
Debt instruments at fair value through other comprehensive income	610,649	1,315,746	16,132,510	26,013,565	542,130	—	44,614,600
Financial assets at fair value through profit or loss	1,665,373	4,222,985	34,092,177	55,354,750	19,586,502	58,673,277	173,595,064
Derivative financial assets	—	635	6,989	33	—	1,718,682	1,726,339
Advances to customers	8,915,997	14,502,138	58,336,215	—	—	—	81,754,350
Financial assets held under resale agreements	33,828,126	2,800,213	14,269,954	1,362,032	—	—	52,260,325
Debt instruments at amortized cost	217,460	207,444	724,718	589,768	—	—	1,739,390
Accounts and other receivables	—	—	—	—	—	1,003,639	1,003,639
Deposits with exchanges and non-bank financial institutions	9,067,233	—	—	—	—	—	9,067,233
Clearing settlement funds	22,529,340	—	—	—	—	—	22,529,340
Cash and bank balances	81,205,893	474,500	1,132,720	25,456	—	24	82,838,593
<b>Sub-total</b>	<b>158,040,071</b>	<b>23,523,661</b>	<b>124,695,283</b>	<b>83,345,604</b>	<b>20,128,632</b>	<b>68,816,202</b>	<b>478,549,453</b>



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	At December 31, 2020(Audited)						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial liabilities</b>							
Borrowings	3,290,924	—	252,375	418,353	—	—	3,961,652
Short-term debt instruments	8,881,487	17,331,954	10,003,317	—	—	—	36,216,758
Placements from banks and other financial institutions	10,002,529	1,000,233	—	—	—	—	11,002,762
Bonds payable	22,837	8,439,111	28,477,813	56,040,867	—	—	92,980,628
Financial assets sold under repurchase agreements	103,948,251	3,353,591	11,956,353	—	—	—	119,258,195
Derivative financial liabilities	19,749	131	—	—	—	3,051,922	3,071,802
Financial liabilities at fair value through profit or loss	9,581,296	312,000	—	—	—	4,048,755	13,942,051
Accounts payable to brokerage clients	85,441,243	—	—	—	—	—	85,441,243
Other payables and accrued charges	—	—	—	—	—	14,763,311	14,763,311
Lease liabilities	24,261	52,152	217,746	652,570	313,670	—	1,260,399
<b>Sub-total</b>	<b>221,212,577</b>	<b>30,489,172</b>	<b>50,907,604</b>	<b>57,111,790</b>	<b>313,670</b>	<b>21,863,988</b>	<b>381,898,801</b>
<b>Net position</b>	<b>(63,172,506)</b>	<b>(6,965,511)</b>	<b>73,787,679</b>	<b>26,233,814</b>	<b>19,814,962</b>	<b>46,952,214</b>	<b>96,650,652</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (4) Market risk (Continued)

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

#### Sensitivity analysis

The Group conducts sensitivity analysis on interest rates to measure the impact of a reasonably possible change in interest rates on the Group's profit and equity, assuming all other variables were held constant. Assuming a parallel change in market interest rate and without taking into account of any possible risk management activities that may be taken by the management to reduce interest rate risks, the Group's interest rate sensitivity analysis is as follows:

#### Sensitivity to profit

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Change in basis points</b>		
Increase by 100bps	(2,127,818)	(2,321,190)
Decrease by 100bps	2,155,399	2,413,421

#### Sensitivity to equity

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Change in basis points</b>		
Increase by 100bps	(2,877,835)	(3,031,301)
Decrease by 100bps	2,923,263	3,145,397

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 55. FINANCIAL RISK MANAGEMENT (Continued)

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

##### (d) Foreign currency rate risk

Foreign exchange rate risk represents the adverse changes in the financial position and cash flows of the Group due to changes in foreign exchange rates. The Group conducts sensitivity analysis on foreign exchange rates to measure its foreign exchange rate risks. The table below indicates the sensitivity analysis on exchange rate changes in currencies that the Group has significant exposure, which calculates the impacts of a reasonably possible change in the exchange rate of a foreign currency against Renminbi equity, assuming all other variables were held constant. A negative amount reflects a potential decrease in equity, and a positive amount reflects a potential increase in equity.

#### Sensitivity analysis of exchange rate

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
<b>Change in exchange rate</b>		
Depreciation of USD by 3%	(79,813)	(21,037)
Depreciation of HKD by 3%	(13,735)	(79,022)

The table above indicates the impacts on the equity of a depreciation of 3% in USD and HKD against Renminbi. There will be an opposite impact with the same amount as shown in the above table if the above exchange rates appreciate by the same percentage.

#### (5) Operational risk

The Group's operational risks arise from imperfection or problematic internal processes, people and systems or external events. The operational risk factors of the Group are summarized into seven categories, including: internal fraud, external fraud, employee policies and workplace safety, clients, products and business activities, physical property damage, business interruption and IT system failures, execution, settlement and process management.

The Group emphasize balance of business scale, profitability and risk tolerance level, adhering to carrying out various operations with prudence, and will not sacrifice operational risk management and controls. During the current period, the Group continued to strengthen operational risk management, and has improved a sound operational risk management system gradually, which was commensurate with the business nature, scale and complexity of the Group. Three management tools, namely, (1) operational risk control and self-assessment, (2) operational risk key risk indicators and (3) operational risk event and loss data collection has been used to effectively enhance the depth and breadth of operational risk management through various special sorting and investigations for industry hotspot events and frequent risk-prone areas.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (6) Capital management

The Group's objectives of capital management are:

- To ensure the Group maintains sufficient capital strengthen and market competitiveness, oriented by the corporate strategy;
- Adequately manage its capital resource allocation to maximize the profit and capital return;
- To actively explore the Group's source of funding, optimize the Group's assets and liabilities structure to enhance the use of balance sheet financing; and
- To comply with the relevant capital requirements under the PRC, Hong Kong and overseas regulations.

The Company is required to meet the following standards for risk indicators on a continual basis:

- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- The ratio of core net capital divided by on-balance-sheet and off-balance-sheet assets shall be no less than 8% ("Ratio 2");
- The ratio of high-quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 3");
- The ratio of available amount of stable funds divided by required stable funds shall be no less than 100% ("Ratio 4");
- The ratio of net capital divided by net asset shall be no less than 20% ("Ratio 5");
- The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
- The ratio of net asset divided by liabilities shall be no less than 10% ("Ratio 7");
- The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and
- The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

During the reporting period, both of the Company's net capital and other risk control indicators, comply with "Securities Company Management Guidelines" issued by CSRC and "Securities Company Risk Control Indicators Management Guideline".

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

## 55. FINANCIAL RISK MANAGEMENT (Continued)

### (6) Capital management (Continued)

As at June 30, 2021 and December 31, 2020, the Company maintained the above ratios as follows:

	As at June 30, 2021	As at December 31, 2020
	(Unaudited)	(Audited)
Net Capital	67,605,182	58,654,487
Net assets	98,346,243	98,287,439
Sum of all venture capital provisions	29,081,016	25,957,356
Total On-Balance-Sheet and Off-Balance-Sheet Assets	328,653,563	283,672,225
Ratio 1	232.47%	225.96%
Ratio 2	15.22%	17.38%
Ratio 3	241.06%	278.45%
Ratio 4	145.35%	144.18%
Ratio 5	68.74%	59.68%
Ratio 6	19.56%	20.28%
Ratio 7	28.45%	33.98%
Ratio 8	21.73%	31.69%
Ratio 9	356.73%	319.68%

The above ratios are calculated based on the underlying financial statements prepared in accordance with the relevant accounting standards and financial regulations applicable to enterprise in the PRC.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC, Hong Kong and overseas regulations, imposed by the CSRC, the Hong Kong Securities and Futures Commission and the UK Financial Conduct Authority, respectively.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 56. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis (including financial liabilities included in the condensed consolidated statement of financial position of the Group at amortized cost) approximate their fair values as at June 30, 2021 and December 31, 2020.

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

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

Since the level 2 and level 3 of financial assets and liabilities are not quoted in an active market, valuation techniques are used to estimate the fair value. When estimating fair value using valuation techniques, observable inputs and data from the practical market (e.g. yield curve of interest rate products, foreign currency exchange rate, implied volatility, etc.) are adopted. If the observable inputs in the market are not available, the observable input data that are calibrated as closely as possible to the market observable data are used for estimating the fair value. Meanwhile, the credit risk, volatility, correlation, etc. of the Group and the counterparties are estimated by the management. Changes in these factors will affect the estimated fair value of the financial instruments, therefore there were uncertainty of accounting estimation on carrying balances of the level 2 and level 3 of financial assets and liabilities.



# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

Financial assets/financial liabilities	Fair value as at June 30, 2021	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(1) Financial assets at fair value through profit or loss</b>						
<b>Debt securities</b>						
– Traded on stock exchanges	3,537,199	2,793,599	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchanges or interbank market	147,237,222	109,220,817	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	1,580,250	2,908,904	Level 3	Discounted cash flow method. Estimated cash flows discounted at unobservable yield curve reflecting credit risk of counterparties.	Estimated future cash flows. Discount rates reflect the risks of counterparties.	The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
<b>Equity investments</b>						
– Traded on stock exchanges	19,061,269	14,749,016	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchanges (inactive)	36,580	366	Level 2	Adjusted quoted closing prices for stocks suspended for trading by fair value changes of similar securities.	N/A	N/A
– Traded on stock exchanges (restricted)	3,391,774	1,577,412	Level 3	Adjusted market prices by option pricing model.	Liquidity discount.	The higher the discount, the lower the fair value.
– Traded National Securities Exchange and Quotation System	271,198	243,674	Level 2	Bid prices made by market dealers.	N/A	N/A
– Traded National Securities Exchange and Quotation System	33,393	26,181	Level 2	Bid prices or negotiated prices.	N/A	N/A

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

Financial assets/financial liabilities	Fair value as at June 30, 2021	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
– Unlisted Equity	2,413,195	1,935,423	Level 2	Latest observable transaction prices.	N/A	N/A
– Unlisted Equity	106,010	118,214	Level 3	The net asset value based on the fair value of the underlying investments.	The fair value of underlying assets.	The higher the underlying assets valuation, the higher the fair value.
– Unlisted Equity	56,252	119,203	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	855,744	1,624,929	Level 3	Discounted cash flow method. Estimated cash flows discounted at unobservable yield curve reflecting credit risk of counterparties.	Estimated future cash flows. Discount rates reflect the risks of counterparties.	The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
– Unlisted Equity	94,545	94,545	Level 3	Latest transaction price adjusted option pricing model.	Latest transactions prices adjusted by differences in rights of equity interest holders using derivatives models. Historical volatilities.	The high the historical volatilities, the higher the fair value
<b>Funds</b>						
– Traded on stock exchanges	2,234,546	2,522,865	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on over-the-counter market	17,718,852	13,035,252	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

Financial assets/financial liabilities	Fair value as at June 30, 2021	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>Other investment</b>						
– Wealth management and trust products and others	153,562	398,172	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Wealth management and trust products and others	30,724,228	16,752,765	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	807,000	147,184	Level 2	Discounted cash flow method. Estimated cash flows discounted at an observable yield curve reflecting credit risk of counterparties.	N/A	N/A
– Wealth management and trust products and others	2,675,185	1,560,374	Level 3	Discounted cash flow method. Estimated cash flows discounted at an unobservable yield curve reflecting credit risk of counterparties.	Estimated future cash flows. Discount rates reflect the risks of counterparties.	The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
– Partnership enterprise	4,892,946	3,766,169	Level 3	Comparable companies valuation, adjusted by liquidity discount.	Valuation multiples e.g. P/E or P/B./Liquidity discount.	The higher the valuation multiples, the higher the fair value. The higher the discount, the lower the fair value.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

Financial assets/financial liabilities	Fair value as at June 30, 2021	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(2) Debt instruments at fair value through other comprehensive income</b>						
<b>Debt securities</b>						
– Traded on stock exchanges	1,894,561	2,008,899	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchange or interbank market	47,643,843	42,605,701	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	971,443	201,739	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Traded on stock exchanges (inactive)	8,217	255	Level 2	Adjusted quoted closing prices for stocks suspended for trading by fair value changes of similar securities.	N/A	N/A
– Special accounts	—	7,218,586	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

Financial assets/financial liabilities	Fair value as at June 30, 2021	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(4) Derivative financial instruments</b>						
– Interest rate swap – assets	479,399	567,793	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	467,750	562,867	Level 2	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.	N/A	N/A
– Equity return swap – assets	455,462	284,354	Level 2	Calculated based on the difference between the equity return of underlying equity securities and the fixed income agreed in the swap agreements.	N/A	N/A
– Equity return swap – liabilities	852,650	144,448	Level 2	Calculated based on the difference between the equity return of underlying equity securities and the fixed income agreed in the swap agreements.	N/A	N/A
– Stock index futures – assets	1,060	629	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Stock index futures – liabilities	—	1,519	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Treasury bond futures – assets	1,615	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Treasury bond futures – liabilities	969	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Commodity swap – assets	26,370	7,976	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

Financial assets/financial liabilities	Fair value as at June 30, 2021	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
– Commodity swap – liabilities	3,282	2,847	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
– Commodity futures – assets	2,248	200	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Commodity futures – liabilities	14,072	15,541	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Option – assets	297,698	414,352	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Option – liabilities	839,260	887,033	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Over-the-counter option – assets	446,269	438,238	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	985,045	1,254,466	Level 3	Option pricing model.	Historical volatility of the share prices of the securities.	The higher the historical volatility, the higher the fair value.
– Foreign exchange contracts – liabilities	17,471	166,540	Level 2	Broker quoted price.	N/A	N/A
– Foreign exchange contracts – assets	—	295	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates and contracted interest rates, discounted at rates that reflects the credit risk.	N/A	N/A
– Foreign exchange contracts – liabilities	—	52	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates and contracted interest rates, discounted at rates that reflects the credit risk.	N/A	N/A



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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

Financial assets/financial liabilities	Fair value as at June 30, 2021	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
- Foreign exchange contracts - assets	6,379	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
- Foreign exchange contracts - liabilities	5	—	Level 1	Discounted cash flows with future cash flows that are estimated based on the difference of agreed return and expected market return.	N/A	N/A
- Commodity - assets	4,667	8,617	Level 2	Discounted cash flows with future cash flows that are estimated based on the difference of agreed return and expected market return.	N/A	N/A
- Commodity - liabilities	4,294	12,005	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	14,082	3,885	Level 3	Discounted cash flows with future cash flows that are estimated based on the difference of agreed return and expected market return.	The agreed return rate.	The higher the agreed return rate, the higher the fair value.
- Credit default swap - liabilities	136	4,735	Level 3	Discounted cash flows with future cash flows that are estimated based on the difference of agreed return and expected market return.	The agreed return rate.	The higher the agreed return rate, the higher the fair value.
- Bond forward contracts - liabilities	2,136	19,749	Level 3	Discounted cash flows with future cash flows that are calculated based on the difference between quoted closing price and the reference price agreed by counterparties.	The settlement price agreed in the agreements.	The higher the settlement price, the higher the fair value.

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

Financial assets/financial liabilities	Fair value as at June 30, 2021	Fair value as at December 31, 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
<b>(5) Financial liabilities at fair value through profit or loss</b>						
– Designated at fair value through profit or loss – structured entities	2,266,873	2,711,017	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A
– Designated at fair value through profit or loss – structured entities	26,640	15,870	Level 2	Calculated based on the difference between the equity return of underlying equity securities and the fixed income agreed in the swap agreements.	N/A	N/A
– Financial liabilities held for trading – equity securities	642,162	345,689	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Financial liabilities held for trading – gold	182,910	312,000	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Financial liabilities held for trading – others	185,635	356,349	Level 1	Quoted closing prices in an active market.	N/A	N/A
– Financial liabilities held for trading – debt securities	17,307,570	9,581,296	Level 2	Discounted cash flow method. Estimated cash flows discounted at observable yield curve reflecting credit risk of counterparties.	N/A	N/A
– Financial liabilities held for trading – others	402,912	303,874	Level 2	Calculated based on the difference between the equity return of underlying equity securities and the fixed income agreed in the swap agreements.	N/A	N/A
– Financial liabilities held for trading – others	402,834	315,956	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

Analysis of financial instruments, measured at fair value at the end of the current period and at December 31, 2020, by level in the fair value hierarchy into which the fair value measurement are categorized as follows:

	As at June 30, 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	24,986,576	199,241,668	13,652,706	237,880,950
— Debt securities	3,537,199	147,237,222	1,580,250	152,354,671
— Equity investments	19,061,269	2,754,366	4,504,325	26,319,960
— Funds	2,234,546	17,718,852	—	19,953,398
— Others	153,562	31,531,228	7,568,131	39,252,921
Derivative financial assets	309,000	965,898	460,351	1,735,249
Debt instruments at fair value through other comprehensive income	1,894,561	47,643,843	—	49,538,404
Equity instruments at fair value through other comprehensive income	971,443	8,217	—	979,660
	<b>28,161,580</b>	<b>247,859,626</b>	<b>14,113,057</b>	<b>290,134,263</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	1,010,707	20,406,829	—	21,417,536
Derivative financial liabilities	854,306	1,345,447	987,317	3,187,070
	<b>1,865,013</b>	<b>21,752,276</b>	<b>987,317</b>	<b>24,604,606</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at December 31, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	20,463,652	141,361,662	11,769,750	173,595,064
— Debt securities	2,793,599	109,220,817	2,908,904	114,923,320
— Equity investments	14,749,016	2,205,644	3,534,303	20,488,963
— Funds	2,522,865	13,035,252	—	15,558,117
— Others	398,172	16,899,949	5,326,543	22,624,664
Derivative financial assets	415,181	869,035	442,123	1,726,339
Debt instruments at fair value through other comprehensive income	2,008,899	42,605,701	—	44,614,600
Equity instruments at fair value through other comprehensive income	201,739	7,218,841	—	7,420,580
	<b>23,089,471</b>	<b>192,055,239</b>	<b>12,211,873</b>	<b>227,356,583</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	1,014,038	12,928,013	—	13,942,051
Derivative financial liabilities	904,093	888,759	1,278,950	3,071,802
	<b>1,918,131</b>	<b>13,816,772</b>	<b>1,278,950</b>	<b>17,013,853</b>

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

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

For the period ended June 30, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

	Financial assets	Financial liabilities
	(Unaudited)	(Unaudited)
As at January 1, 2021	12,211,873	1,278,950
Gains or losses for the period	251,339	37,481
Additions	4,713,476	595,972
Sales and settlements	(3,244,530)	(925,086)
Transfers into level 3	350,470	—
Transfers out of level 3	(169,571)	—
As at June 30, 2021	14,113,057	987,317
<b>Total unrealized gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting period</b>	<b>1,024,624</b>	<b>57,971</b>

	Financial assets	Financial liabilities
	(Audited)	(Audited)
As at January 1, 2020	3,678,679	447,518
Gains or losses for the year	931,438	63,635
Additions	7,596,055	999,332
Sales and settlements	(518,729)	(231,535)
Transfers into level 3	524,430	—
As at December 31, 2020	12,211,873	1,278,950
<b>Total unrealized gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting year</b>	<b>912,140</b>	<b>142,759</b>

# Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 57. CONTINGENCIES

During the year of 2020, certain investors in China Security Co., Ltd instigated civil litigations to seek indemnities against their losses arising from misrepresentations, and lodged claims against China Security Co., Ltd and their directors, its subsidiary China Security & Fire Technology Co., Ltd and intermediaries including the Company, for indemnifying their losses and the associated litigation costs, and demand China Security & Fire Technology Co., Ltd, personnel including directors of China Security Co., Ltd and intermediaries to undertake joint and several liabilities in respect of these indemnities. Up to June 30, 2021, the Company received lawsuit materials and relevant notices initiated by 1,230 investors from Shanghai Financial Court and the aggregate amount involved was RMB436 million. The impact of the above civil litigations has been considered in the condensed consolidated financial statements.

As at June 30, 2021, except for the above litigations, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, the Group expects that they would materially adversely affect its financial position or results of operations.

## 58. EVENTS AFTER THE REPORTING PERIOD

### Bond issue

On July 12, 2021, the Company issued the third tranche of public corporate bonds with the type I named as “21CMG4” and the type II named as “21CMG5”. The total principal amount of 21CMG4 is RMB 2.0 billion with duration of 2 years and the interest rate is 3.00% per annum. The total principal amount of 21CMG5 is RMB 4.0 billion with duration of 3 years and the interest rate is 3.22% per annum.

On July 29, 2021, the Company issued the fourth tranche of public corporate bonds with the type I named as “21CMG6” and the type II named as “21CMG7”. The total principal amount of 21CMG6 is RMB 2.0 billion with duration of 805 days and the interest rate is 2.95% per annum. The total principal amount of 21CMG7 is RMB 4.3 billion with duration of 1050 days and the interest rate is 3.12% per annum.

On August 12, 2021, the Company issued the fifth tranche of public corporate bonds with the type II named as “21CMG9” and the type III named as “21CMG10”. The total principal amount of 21CMG9 is RMB 5.0 billion with duration of 3 years and the interest rate is 3.08% per annum. The total principal amount of 21CMG10 is RMB 2.0 billion with duration of 5 years and the interest rate is 3.41% per annum.

Except for the above disclosures, no material events have occurred with the Company from June 30, 2021 to the date of this report.



## Chapter 10: Information Disclosure of a Securities Company

### I. Relevant Information on the Major Administrative Approvals of the Company

Nil.

### II. Classification of the Company by the Regulatory Department

2021	AA (Class A)
2020	AA (Class A)
2019	AA (Class A)